ABSTRACT

Recent research on urban economics (specifically related to developing countries) focusing on the most important feature of within country differences in income, productivity and population density has found a strong positive link (or high correlation) between urban agglomerations and urban economic growth. The occurrences of these differences are due to two main reasons: First, the transformation of agriculture-based economy into industrial-service based economy, which is an inevitable stage in the development process of a country, and second, the advantage of higher productivity due to the concentration of manufacturing and provision of services in the large cities.

Urban India also has been experiencing a similar pattern of transformation as evidenced by the increasing trend in urbanization and economic growth. However, in the process of increasing urban economic growth, the level of urban poverty has declined but urban inequality has widened in India. For instance, urban population as percentage of total population increased from 19.9 per cent in 1971 to 31.16 per cent by 2011. The share of urban NDP in the national NDP increased from 37.65 per cent in 1970-71 to 52.02 per cent by 2004-05. On the other hand, all India urban poverty head count ratio (or inequality measured by Gini coefficients) declined (or increased) from 26 (or 38) per cent in 2004-05 to 21 (or 39) per cent in 2009-10.

In the above background, this study aims at economic analysis of the following two important dimensions of the changing pattern of urban India: First, the positive link between urban agglomerations and urban economic growth. Second, distributive effect of urban agglomerations and urban economic growth with special reference to inclusive growth.

Urban agglomeration is defined as geographic concentration of urban population and related economic activities. In the context of urban agglomeration by population size, the plausible economic determinants of urban agglomerations are estimated. On the other hand, related economic activities are measured in terms of the productivity of urban registered manufacturing sector activities by distinguishing at the aggregate and disaggregate levels (e.g., firm level). Urban economic growth is measured by growth
rates of national level urban GDP/ urban district domestic product and economic determinants of urban economic growth are estimated. Impact of urban agglomeration on urban economic growth is estimated in both short run and long run perspective. In addition, distributional aspects of urban economic growth are measured by relevant poverty and inequality indices; and impact of urban economic growth (or population agglomeration) on poverty and inequality are estimated. Finally, urban inclusive growth is measured by changing trends of 20 key economic variables. The entire study mainly focuses on 59 large Indian cities as representative of entire urban India, and covers the study period from 1999-2000 to 2009-2010.

Major findings and conclusions of this thesis include the following: First, urban registered manufacturing firms in Indian industry operate under decreasing returns to scale in production. This implies that negative agglomeration effects on level of output per worker in urban organized manufacturing industries in India. Second, second nature of geography (or relative location) matters significantly for explaining the large city population agglomeration in India. Third, large population agglomeration has a positive and significant effect on urban economic growth by considering agglomeration variables endogenously (or exogenously) to the estimated econometric model. Fourth, urban agglomeration boosts urban economic growth only up to a certain level of economic development at the estimated critical level of per-capita city income of around Rs. 37049, at constant (1999-2000) prices. Fifth, the higher city economic growth and large city population agglomeration are associated with reduction in level of city poverty as also increase in extent of inequality between cities. Sixth, the higher urban economic growth is associated with a lower level of overall inclusive growth of a city. These findings and conclusions have relevant policy implications for the promotion of urban agglomeration, in order to attain higher urban economic growth, and urban equity in India.