

Chapter 1

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Chapter 1

Introduction

“A city may be defined in several ways: as a population aggregate; as a community; and as a political entity” (Hicks, 1946). The growth and development of urban centers are influenced by urban areas. During ancient there were few cities existed, such as Mohen-Jo-Daro, Anuradhapura, Memphis, however, urbanization was not as rapid as of today. The importance of urban region was due to urban regions were due to political centers, religious place, and capital of the country or market place –economical center of the country. Hence those were the pre-industrial urban regions or cities. With the industrialization i.e. 1700s onwards the importance of city has increased. There was drastic shift in migration from rural areas to urban. There was an industrial city which has begun to start developing. In west urbanization has started with industrial revolution i.e. 1850s onwards. A majority of the developing countries, on the other hand started experiencing urbanization only since the middle of the 20th century and India is no exception (Datta, 2006). However, urbanization in the developing countries has a rich and long history. During the historical period, urbanization was a political process and it was inextricably related to the rise and fall of kingdoms, dynasties and empires. Today, the world is rapidly urbanizing. World Bank defines (WB, 2005) urbanization as “Access to improved sanitation facilities refers to the

percentage of urban or rural population with access to at least adequate excreta disposal facilities (private or shared but not public) that can effectively prevent human, animal, and insect contact with excreta". There is no international consensus about what constitutes the "urban", and definition varies widely among nations. Mc Kinsey Global Institute (MGI, 2010) found every jurisdiction authority around the world uses one of four definitions 1) a definition that is strictly administrative and classify urbanization by geographical zones or administrative centers (Brazil). 2) A definition based on both administrative and density criteria(China) 3) A definition based on size of city population(USA) and 4) a definition combining size and economics i.e. percentage of cities population need to involved in defining economic activities(Japan). While in case of India, combination of population, density and employment threshold is adopted.

1.1. Urbanization in India:

According to an Indian definition the following criteria were adopted for treating a place as urban in the 2001 census.

1. All statutory towns i.e. all places with a municipal corporations, municipal board cantonment board, notified area etc.
2. Census towns which are non-statutory towns and are actually rural areas but satisfy the following criteria
 - a) Minimum population of 5000
 - b) At least 75 percent of the male working population engaged in non-agriculture activities
 - c) A density of population of at least 400 people per sq.km.

Raju(1997) noted that the first phase of urbanization in the Indian sub-continent is associated with the Indus valley civilization it was more prominent in north. During the historical period, spatial discontinuities in urbanization were very much evident in the Indian peninsula (Raju, 1997). When the Britishers came to India, it was one of the most urbanized nations in the world. Unfortunately, the initial phase of British rule saw a decline however in the latter half of the colonial rule it increased. According to 2011 census, India is 7th largest country in the world consist of 16.7 percent of world's population and sustain 1210 million people as against 1027 million in 2001. The census year 2011 noted that there is increase in absolute number in urban area vis-à-vis rural area. The percentage of urban to total population had increased from 27.28 percent in 2001 to 31.16 percent in 2011. There are 53 urban agglomerations.

According to 2011 census, 31.16 % (as against 27.78 percent according to 2001) of population out of its total population lives in urban areas. However, in absolute term, it is 377 million people. Urban population of India increases little over eleven times. The increase in town has been noted after 1961 however, there is decline in number of towns during 1951-61. Urban population rose from 26.41 increases to 38.23 per cent during 1961-71 and 46.14 per cent over decade 1971-81. The decade 1981-91 witnessed a decline in the growth rate of urban population i.e. 36.19 per cent. Even the decade 1991-2002 also witnessed a decline in the growth rate of urban population (31.19 per cent) (Sodhi, 2004). Although, three out of world's 21 mega cites in millions are in India namely, Mumbai (22.6),

Delhi (20.9) and Kolkata (14th). Among Indian states, Gujarat is one of the highly urbanized states in India.

1.2 Urbanization in Gujarat:

The first phase of urbanization in the Indian sub-continent is associated with the Indus Valley Civilization i.e the present-day state of Gujarat. Lothal and Dholavira were major cities; the history of Gujarat was rich due to commercial activities. Even the city during Mahabharat period was found by the archaeology survey of India and National Institute of Ocean Technology (NIOT) found. Dwarka was one of the important ports in ancient times; it also had maritime trade and commerce with Roam. Patan, the ancient capital of Gujarat also constructed many public places such as step well, lake to solve the problem of water. Hence the provision of urban amenities were always been an important aspect for the urban region development. Ahmedabad was said to be Ahsapalli established in Ashabheel (Jain, 1988). According to 2011 census, Gujarat state is urbanized with 42.1 percent (as against 37.35 percent in 2001). Since the role of administrative bodies such as urban local government, urban development, municipalities etc support the process of urbanization. Hence the role of urban local bodies becomes essential. All the activities preformed by these authorities are dependent on their finance. Therefore, the focus of this study is to examine the finances of ULBs' (Urban Local Bodies).

1.3 Local Urban Government:

The Constitution 65th Amendment bill granted constitutional sanction for maximum democracy and maximum devolution as noted by Mohanty (1989). The bill envisaged three types of Nagarpalikas – Nagarpanchayat,

Municipal councils and Municipal Corporations. However, the piece of legislation meant to strengthen the grass roots democracy has suffered a setback in the Rajya Sabha on account of differences among the political parties. Again in 1992, to facilities urbanization, local governments are given financial power. The 74th constitutional amendment act, adopted in 1992 promotes the democratization of urban local bodies (ULBs) through decentralization of power and function at the local levels. Thus, ULBs have been conferred the status of the third level of government below central and state government. This has taken Indian democracy a step ahead and added new dimension to the Indian federal system (Banta, 2004). However, local bodies in the urban areas find it difficult to perform their function with limited financial resources and with increasing population. The financial freedom has increased under various provisions of Indian constitution yet these local bodies are dependent on the state and central government for grants and income from other sharable taxes which clearly indicate that they are still not autonomous bodies as laid down in 74th amendment of the constitutions. These local bodies administer the local urban area from income earned through their own taxes, grants and debt. The bottom up approach has been very important in democratic set up like India hence the development of local area especially urban area is very important for the development of overall economy. The study tries to throw some light on how local bodies are able to generate revenue and whether they are able to fulfill the financial requirements generated due to fastening pace of urbanization in Gujarat. Hence the research topic for the study is

“ECONOMIC ISSUES IN FINANCING URBANIZATION--- WITH SPECIAL REFERENCE TO URBAN LOCAL BODIES IN GUJARAT”

1.4 Objectives of the Study

This research is aimed to study the economic issues in financing urbanization with respect to selected urban local government of Gujarat state. The main objectives of the study are as under.

- (1) To analyze the changes in activities of urban local bodies in relation to urbanization in India.
- (2) To analyses the changing expenditure pattern of selected urban local bodies (ULBs) in Gujarat state.
- (3) To analyses the changing income pattern of selected urban local bodies (ULBs) in Gujarat state.
- (4) To undertake a comparative analysis of finances of urban local bodies of five zones.

1.5 Hypothesis of the study

To achieve the objective of research study, the following hypothesis is carried out.

- (1) The urbanization increases the financial activities of urban local bodies in India.
- (2) The urbanization increases the gap between required and actual expenditure in Gujarat state.
- (3) The income level and income sources of ULBs in Gujarat have keep increasing but still has not kept peace.

(4) The five zones have heterogeneous financial pattern, moreover there is variation in the financial pattern of developing and developed urban local bodies with the income requirement leading to increasing in deficit.

1.6 Scope of the Study

The study begins with theory related with urbanization. Since Gujarat is consider to be a higher urbanized state among other state of India, analysis of the finances of Urban Local Bodies has been focus of this study. This study is limited to five years i.e. 2005-06 to 2009-10.

1.7 Limitation

This study is limited to one state as well as few selected municipalities only. This study is limited to secondary data of last five years only i.e. 2005-06 to 2009-10.

1.8 Contribution of the Study

This study will be helpful to economist, planner and policy maker especially urban and regional planner and student of economics and urban planning who can further explore the subject.

1.9 Chapter Plan

The entire thesis is divided into seven chapters. In this study research has been taken carried out on the inter-zonal comparison in financing urbanization with respect to selected urban local government of Gujarat state. The analysis of financial statement of selected urban local bodies has been studied. However to understand the issues of urban local government, various urbanization and urban financial theories were also studied.

Chapter 1 Deals with the introduction of the Urbanization, the significance and trend of urbanizing world as well as India and Gujarat. It also presents objectives, limitation of the study.

Chapter 2 Present the literature review regarding various aspect of urbanization as well as urban local bodies.

Chapter 3 provided detailed information regarding methodology used for research study.

Chapter 4: deals with theoretical aspect of urbanization and urban financial around the world.

Chapter 5: provided detail information of urban policy both at central and state level. It also highlights the trend of urbanization at India and state (Gujarat) level.

Chapter 6 provided the analysis of income and expenditure of selected urban local bodies.

Chapter 7 provides highlights of the inter-zone analysis with the help of Multivariate Analysis and causal analysis.

Chapter 8 presents the conclusion and also provides recommendation for policy makers, economist as well as future researcher.