

Urban Poverty Amidst Growing Urbanization in India: Trends and Implications

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Abstract

India has recently been witnessing a growing incidence of urban poverty. The forces of liberalization and globalization have accelerated the pace of economic growth coupled with exclusionary process of urbanisation and resultant increase in the absolute number of urban poor. The urban poverty is a complex and multi-dimensional phenomenon. It is not just lack of income to buy minimum amount of food calories, it rather reflects inadequate provision of education, sanitation, housing, water supply and health care facilities to be delivered by the urban management system. The purpose of the study is to discuss the latest trends, nature and constitution of urban poverty. The study also highlights the severity and magnitude of the urban poverty and analyses the causes of its rise at alarming proportions. Conclusions drawn underscore important policy implications to tackle the challenges of urban poverty in the midst of rapid urbanization.

Keywords: Urban Poverty, Urbanization, Economic Growth, Globalization

Introduction

Indian economy has experienced an unprecedented growth in recent decades. The impressive growth rate has been associated with the steady rise of urbanization. As indicated in table-1, the share of urban population has gone up from 25.72 percent in 1991 to 27.78 percent in 2001 and to 31.2 percent in 2011. According to World Bank data (2004), it is projected to be around 40 percent in 2030. It must be noted that even the current 30 percent level of urbanization in India and its yearly average speed is among the lowest in the world. The growing pace of urbanization, among other things is, however the result of the exclusionary process of growth in the economy. It also grows through out-migration from rural to urban settlements, or through a change of rural area into an urban settlement. The structure and size

of employment keep on changing due to the growth of the economy in general and manufacturing sector in particular. The slow growth of the manufacturing during the last couple of decades is one of the reasons of slow urbanization. In India, the share of manufacturing in employment has hardly changed over the last few decades and the share of tertiary sector is much lower than in other developing countries. The growth of the manufacturing sector in India has not been strong enough to provide the necessary pull for rural workers (S.R.Hashim, 2009). Another cause of slow rate of urbanization is the low growth of India agriculture and lack of sectoral diversification within the agrarian economy. Despite slow growth of agriculture and its sharply declining share in total GDP, agriculture continues to engage a very large proportion of total numbers of workers. As a result, relative productivity in agriculture has been falling. Yet people stick to agriculture. This suggests that there are strong barriers to migrate (S.R.Hashim, 2009).

The reform policies of liberalization and globalization unleashed in early 1990s have speeded up the process of urbanization. The urban centres or towns were hailed as engines of growth and instruments of globalization. The significance of the urban sector may be understood by the fact that urban share in India's GDP was 52% in 2004-5, about 60 percent in 2009-10 and expected to be 75 % by 2031 (GoI, 2011). The high growth record of India has been associated with the exclusionary process of urbanization. The strategy of economic reforms and globalization has given a boost to the growth of industries and business in a few large global cities attracting the inflow of capital from outside the region or country, as also investment by local entrepreneurs. These pull factors have brought in a large numbers of skilled personnel from small towns and rural areas into these cities (Kundu, 2009). Therefore, there has been a growing urbanization of poverty in India. It is only in recent decades that the pressure of urbanization in

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terms of the numbers has begun to be felt and recognized. These pressures have to be particularly severe in cities of over 500,000 populations where the increase in absolute numbers has been daunting. Such pressures are expected to rise both on account of continuing high natural growth rate and rural to urban migration. These pressures could well mean more poverty in the urban areas (Cohen, 1990). Though at the national level, rural poverty is higher than urban poverty, the gap between the two has decreased over the last couple of decades. The available evidence does not support the contention that urban poverty is caused by the push of the rural poor to the cities (S.R.Hashim, 2009). The contemporary uneven pattern of urbanization and growing magnitude of urban poverty pose a challenge to the long run sustained growth of Indian economy. The objective of the present article is to examine latest trends and composition of the urban poverty in India. The paper also discusses as to how urban poverty is linked with the rural poverty in the wake of growing urbanization, and highlights important policy implications in tackling the rising trends of poverty in urban India.

Table 1: Number of Towns, Percentage and Growth rate of Urbanization in India

<i>Census Year</i>	<i>No. of towns</i>	<i>% of Urban population</i>	<i>Annual growth rate of urban population</i>
1961	2365	17.79	2.34
1971	2590	19.91	3.21
1981	3378	23.34	3.83
1991	3768	25.72	3.09
2001	4368	27.78	2.73
2011*	7935	31.20	2.76

Source: Kundu (2001); *retrieved from internet.

Trends and Structure of Urban Poverty

Poverty in urban areas is multidimensional in character and a complex phenomenon. Unlike rural poverty, it is not just inadequacy of income to buy required amount of food calories, it rather reflects deficits in education, sanitation, waste disposal, housing, water supply, health care services to be delivered by the urban management system. Though the magnitude of rural poverty is larger, the gap between the two has been narrowing for the last few decades. The percentage of urban poverty and absolute number of poor

both in rural and urban areas are shown in the following table 2;

Table 2: Percentage and Number of Poor Estimated by Tendulkar Method using Mixed Reference Period (MRP)

<i>Period</i>	<i>Poverty Ratio (%)</i>			<i>Number of Poor (million)</i>		
	<i>Rural</i>	<i>Urban</i>	<i>Total</i>	<i>Rural</i>	<i>Urban</i>	<i>Total</i>
1993-94	50.1	31.8	45.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2011-2012	25.7	13.7	21.9	216.5	52.8	269.3

Source: Poverty Estimates 2011-12, Planning Commission, GOI, 2013

As evident from the above table, the gap between rural and urban poverty has declined from 18 % in 1993-94, 16% in 2004-5 and 12% in 2011-12. It may further be seen that rural-urban poverty ratio has gone up from 1:1.3 in 1993-94 to 1:1.9 in 2011-12. Planning Commission provides estimates of poverty ratios and poverty lines based on National Sample Surveys. The estimation of poverty as shown in table-2, is prepared from NSSO 68th round conducted in 2011-12. These estimates show poverty line computed on the basis of Tendulkar methodology which has been reviewed by Dr. C. Rangarajan. But considering the data as final till now, the percentage of persons below the poverty line in 2011-12 was estimated to be 25.7% in rural areas, 13.7% in urban areas and around 22% for the country as a whole. The ratio of urban poverty was 25.7 % in 2004-5 and 31.8% in 1993-94. In 2011-12, there were 52.8 million persons below the Tendulkar Poverty line of urban areas as compared to 80.8 million in 2004-5. It means 28 million people in urban areas could cross the poverty line over the same period. The decline in poverty is calculated from the increase in real average Monthly Per Capita Expenditure (MPCE). During the period from 1993-94 to 2004-5, the average decline in urban poverty ratio was 0.55 percentage points per year (table-3). It accelerated to 1.69 percentage points per year during the period from 2004-05 to 2011-12. It can now be concluded that the rate of decline in the poverty ratio during the most recent seven year period from 2004-05 to 2011-12, was about three times of what experienced in the eleven year period of 1993-94 to 2004-05 (GOI, 2013).

At the national level, the Gini coefficient in 2009-10 was 0.291 in rural areas and 0.382 in urban areas. These

values reflect a difference of nine percentage points. These were the results of greater variation in income and expenditure in rural and urban areas. Moreover, the Gini has climbed up steadily between 1999-2000 - 2004-05. This indicates that the incidence of relative poverty was higher in urban areas than in the countryside, and the rural-urban gap increasing in terms of severity and depth of poverty in India during the period 2004-09. The burden of urban poverty is unequal with larger burden falling on adult female and children. The 66th round (2005-10) of household consumption expenditure survey brings to light the prevalence of the deep urban-rural divide in terms of consumption expenditure. The consumption expenditure was higher within the urban population. The top 10% of India's rural population having an average mpce of Rs. 2517 was 5.6 times that of the poorest 10% (Rs. 453). In urban areas, on the other hand, average mpce (Rs. 5863) of the top 10% was 9.8 times higher than the average mpce (Rs. 599) of the bottom 10% (Das, 2015).

Table 3: Annual Average Rate of Decline in the Headcount Ratios of Poverty

Period	Annual Average Rate of Decline		
	Urban	Rural	Combined
1983 to 1993-94	2.3	2.0	2.1
1993-94 to 2004-05	0.75	0.55	0.74
2004-05 to 2011-12	2.32	1.69	2.18

Source: Planning Commission, GoI, 2011 and 2013.

Poverty and Urban Growth

The closer examination of data over time shows that in the aggregate, urbanization pressures have increased poverty in the country. This is reflected in a positive correlation albeit a weak one (+0.346) between urbanization and poverty incidence. It is not to suggest that urban poverty is the function of only urbanization or urban population growth, rather it owes itself to a multiplicity of factors. Urban poverty is much more than the undernourishment, and a function of access of population to what has generally been referred to in literature as the human development or quality of life indices involving stable employment, health, education and well-being (Cohen, 1990). The relationship between economic growth, urbanization and urban poverty is very complex. Cities have been and still are the engines of growth, and yet they harbour

a significant number of people who are poor and whose living conditions can only be described as miserable. The 'backwash effects' of the new developments are even harsher for the poor sections among the city dwellers (S.R.Hashim, 2009). Urbanization is, however, associated with lowering the levels of poverty especially in larger cities. Poverty rates, nonetheless, vary significantly across states as also across the size class of urban centres. The stipulation that the poor constitutes a large part of incremental migrant population is not borne out by recent data. The metropolitan and class-I cities that have received a large share of the migrants report significant decline in the level of poverty much more than small towns (Kundu, 2009). Thus, the poverty levels are negatively related with levels of urbanization. As the data in table 4 suggest, there appeared an inverse relationship between the size of the town/ city and incidence of poverty. The poverty level in small towns was 24.2 % as compared to 14.2% in large cities in 1999-2000.

Table 4: Percentage of Poor in different Size Classes of Cities / towns

City /Town	1993-94	1999-2000
Large town / Cities	18.4	14.2
Medium town / Cities	27.6	20.4
Small town	33.2	24.2
All Urban Areas	27.4	19.9
Rural Areas	35.7	23.9

Source: Kundu & Sarangi (2005) as reported in India; Urban Poverty Report (GoI, 2009)

Kundu and Sarangi (2005) have obtained the similar results and observed that large cities exhibit distinctly higher demographic growth, better infrastructural facilities, and higher levels of education and lower poverty ratios. Quality of employment, productivity and return to education are likely to be better in large cities than in small towns. On the other hand, the economic growth of the small towns could not match the needs and aspirations of their people. The global opportunities centred on a few mega cities ignoring the growth of small towns. These avenues have not opened up for most of the smaller towns, as their economic base is very low offering little possibility to local governments for internal resource mobilization. The actors in the capital market also shy away from these towns due to dearth of business

opportunities (Kundu, 2009). The recent push for macroeconomic reforms and policies involving a possible reduction of direct and indirect support to social services sector that bear on the poor has added to the Indian space a new dimension. If the experience of the countries that have gone through such reforms and adjustments is any guide, then the poor, particularly the urban poor are most likely to be more adversely affected (Cohen, 1990). The severest manifestation of urban poverty is growth of slums in big towns. The uneven pattern of growth and urbanization has created shortage of basic urban amenities and livelihood problems for most vulnerable urban poor. Another aspect of urban poverty is that about 80% of urban poor belongs to the category of self-employed workers. This has led to the phenomenon called 'casualization of work'. This category of workers is the lowest earning people who denied access to institutional finance and worst hit by social and legal deprivations.

Rural-Urban Connection

There has been a considerable debate over the question whether urban poverty is the spill-over of the rural poverty. The popular belief that the urban poor constitute a large proportion of rural poor is disproved by the recent evidences. The pattern of urbanization is being determined by macro-economic factors at the national and global levels and is not strongly linked to the developments in the rural economy, as is the case in other developing countries. This confirms the argument advanced in the global context that the in-migration into urban areas is not strongly linked to the rural poverty or deprivation (Kundu, 2009). A study conducted by Kundu and Sarangi (2007) concluded that economic deprivation is less of a factor in the migration of men both in rural and urban areas. Their research found that households in which all the members are the migrants were more affluent than the non-migrant households, and rural-urban mobility was a factor in poverty reduction. Propensity to migrate is more among those with higher levels of consumption expenditure, both in rural and urban areas. Rural migrants into urban areas have a lower probability of being poor than the local population. Migrants also contribute to the prosperity of the place they migrate to (S.R.Hashim, 2009). Rural-urban migration is one of the important factors for multiplying slums in urban areas. United Nations Report (2006) has projected that rapid urbanization and rural-urban migration would

lead to tripling of the slum population by 2050. However, it must be noted that technological transformation has already brought down the demand for poor migrant workers. The present mass production organization in emerging economies is a knowledge-based system which has substituted cheap labour. Therefore, the demand for unskilled labour has been declining in wide array of industries and services sector. This is also the reason why rate of urbanization has been slow than expected. Putting it differently, rural-urban migration did not reach the speed that was projected earlier. According to Kundu (2009), migrants are noted to be better off and relatively more skilled than those left behind, implying that the unskilled peasantry is finding it increasingly difficult to enter the urban centres in the present globalizing world. Empirical evidences reveal that mostly skilled and better-off people were flocking to the cities as a result of opening up of economic opportunities consequent upon globalization. Thus, while a section of elite and highly skilled persons are increasingly enjoying benefits of migration, barriers to poor migrants are increasing (UNFPA, 2006). It may further be pointed out that the number of census towns in the country has gone down due to declassification and lack of development in the backward regions/towns. Given the global environment, migration of the poor people to the large cities has become relatively more restrained.

Conclusion

On the basis of foregone discussion and statistical evidences, it may be concluded that absolute level of rural poverty is being higher, but there is growing urbanization of poverty in the country. The latest data indicate that the annual pace of decline of urban poverty was slower than rural poverty during the period of 2004-5 to 2011-12. Though the rate of decline of poverty was higher in 2004-5 to 2011-12 than the previous period of 1993-94 to 2004-5, the deceleration in urban poverty was less than the rural poverty. More precisely, the urban and rural poverty rates have been converging in most recent period. Urban poverty is very complex and multi-dimensional in character. It reflects deficits in basic amenities of life such as housing, water, sanitation, health care, education and waste disposal in addition to lack of regular income. The severity of urban poverty can be gauged by what is called 'poverty gap'. It is the distance between the poverty line and income of the poor. The poverty gap is higher

in case of urban poor highlighting higher consumption inequalities in urban areas. Urban centres/ cities have become the engines of growth in the wake of globalizing Indian economy signifying bigger contribution of the urban sector. But India's impressive growth realized in the last few decades witnessed an exclusionary process of urbanization. The recent development pattern has created backwash effects for the poorest segments of the urban community. While big cities received global investments and consequent economic opportunities, growth of the small towns lagged behind. This resulted into in-migration of skilled persons from small towns into the mega cities. Hence, there found a negative correlation between incidence of poverty and level of urbanization. Large cities have lower level of poverty than smaller towns. The popular stipulation that the urban poverty is the result of the overflow of rural poor migrants is refuted by the recent empirical data. Poverty is not the important factor in migration either. Evidences suggest that migrants usually belong to the economically well-off sections of the society. Rural-urban migration is rather instrumental in poverty reduction. Rural people migrating to the cities have contributed to the economic prosperity of that place they migrated. Since the opportunities for the unskilled rural people are very limited in the global towns, there appear barriers to migrate for these people. This is one of the reasons of the slow pace of urbanization in India in the world context.

The conclusions drawn underline the need to use rural-urban mobility as the key instrument in the strategy of poverty alleviation. It is also suggested to raise the funding for anti-poverty programmes in urban areas in view of the magnitude of the problem. For harmonious urban development, it is essential that poor and low earning blue collar workers may adequately be integrated in the urban planning. Security of tenure for the urban poor for financial inclusion and institutionalising community participation will go a long way in alleviating the urban poverty.

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