CIRJE-F-543

Performance of Urban India during Globalization Period: An Economic Analysis

Muttur Ranganathan Narayana

CIRJE, University of Tokyo
and
Institute for Social and Economic Change

January 2008; revised in February 2008

PERFORMANCE OF URBAN INDIA DURING GLOBALIZATION PERIOD: AN ECONOMIC ANALYSIS

Muttur Ranganathan NARAYANA*
Centre for International Research on the Japanese Economy
Faculty of Economics, University of Tokyo
Tokyo 113-0033, Japan
&
Institute for Social and Economic Change
Bangalore 560072, India
Email: mrnarayana@yahoo.com

This paper aims at economic analysis of globalization and performance of urban India during the globalization period. India's recent process of globalization is identified with the start of national economic reforms since July 1991. India's degree of globalization, measured by internationalization of trade and capital, is shown to be low at global levels. Patterns of urbanization in the post-globalization period show higher growth and concentration of population, bigger size of organized employment, higher levels of consumption, and lower levels of poverty in bigger class-size cities. Urban economic growth is increasingly contributed by service sectors, declining share of manufacturing sector, and higher labour productivity. These experiences of urban India coincide with global experiences in countries such as China, G7, and Korea. Overall, aggregate economic performance of urban India is positive during the globalization period. Demands of globalization have transformed urban development into national policies and programmes. This implies a beginning for a national policy for urban development in India.

---

* Grateful thanks are due to: the University of Tokyo for financial assistance under the Visiting Professorship Programme; the participants of Urban Economics Workshop (January 2008) for their comments and suggestions; and to Dr Ramesh Kolli (Central Statistical Organization, New Delhi) for useful discussion. However, the usual disclaimers apply.

PERFORMANCE OF URBAN INDIA DURING GLOBALIZATION PERIOD: AN ECONOMIC ANALYSIS

1. INTRODUCTION

Economic globalization is a process of deep and powerful integration of domestic markets or economy with the global markets or economy.[1] Globalization is important for urban growth because it affects spatial allocation of resources and creates spatial impacts. Factors which affect allocation of resource include overall population growth and distribution, population distribution among large and small cities, communication and other technologies, scale economies and diseconomies of cities, industrial composition, changing comparative advantages of cities, demographic factors, and income growth and distribution [Lim (2007)].

Cohen's (2004) excellent review of global literature on urban growth in developing countries provides with characteristics of urban growth in a global economy. Drivers of globalization are identified with technological changes in transportation and communication, reduced need for spatial proximity of firms and industries, and increased mobility of factors of production. The combined impact of these changes are related to new international division of labour, increased trade and investment, growing transnational communications, and expanding cross-border alliances between businesses and industries. The benefits of globalization include spread of technology and management expertise, efficient use of factors of production, expansion of markets, and greater opportunities for wealth creation. Risks of globalization are associated with loss of local income and jobs due to external shocks and competition from imports, and rising inequality with spatial and social segmentations.[2] As internationalization of production, capital,

---

[1] It might be added here that economic globalization is one of the perspectives of globalizations. This comes closer to a broader definition of economic globalization by Lo and Marcotullio (2001) in terms of "cross-border functional integration of economic activities and growing interdependency of nations and regional blocs" (p.21). Following Woods (1998), three competing perspectives may be distinguished. First, market-centered globalization which focuses on capitalism – the victory of global markets and erosion of state's sovereignty. Second, state-centered globalization which emphases state's role in facilitating and managing globalization. Third, people-centered globalization which "highlights the social forces within societies which are unleashed by globalization and possibilities for change which do not drive either from the state or the market" (p.6).

[2] Advantages and disadvantages of globalization are widely debated by benefits and costs or by winners and losers or by proponents and opponents. Recent debates are best summarized by Lim (2007).

and services have higher concentration in select urban areas, the benefits and risks of globalization are more centered in relatively small number of larger cities and towns. In addition, Cohen's review brings out the importance of localization (i.e. sub-national or local economic environment in terms of modern infrastructure, investment climate, and productive labour force) in the context of globalization and urbanization. Localization contributes to competitiveness of cities and towns to attract investment and business which, in turn, contributes to urban growth. From this viewpoint, globalization is implicitly linked to localization and call upon changing role and functions of state and urban local bodies.

India's urban centres (comprising cities and towns) are a part of a State in which they are located. Accordingly, they are a part of Indian federation with mixed and open economic system.[3] International trade and foreign investment belong to the Central List of the Indian Constitution. All foreign trade and investment policies are formulated and implemented at the national level. States and urban centres can complement national trade and investment policies by way of providing producers and investors with additional fiscal and financial incentives and by creating congenial local environment with amenities and infrastructure. Since 1991, India's economic reforms in (a) foreign trade in goods and services and (b) manufacturing and infrastructure privatization with foreign investment have contributed to the economic globalization in terms of increasing degree of openness to trade and internationalization of capital. In addition, India's founder-membership to World Trade Organization (WTO) lead to commitments by honouring disciplines under different agreements for freer trade in goods, services, and intellectual properties; and trade-related investment measures. Implementation of these commitments has intensified the pace of country's economic globalization.

[3] A federal economic system is characterized by Constitutional division of revenue and expenditure functions of different levels of government. For instance, in 2004-05, share of Central Government (or State Governments) in combined revenue and expenditure was about 52 (or 48) percent and 54 (or 46) percent respectively. The coexistence of public and private sectors characterizes the mixed economic system. In 2004-05, the share of public sector (or private sector) in India's GDP was about 24 (or 76) percent. Openness indicates the dependence of an economy on international trade (= exports and imports). India's degree of openness to trade in 2004-05 was equal to 30 percent in 2004-05.

A preliminary link between globalization and broad changes in cities and city-related policies is described by Mathur (2005). Lack of international trade data at sub-national levels limits the measurement of globalization for 15 States and 6 cities only by the amount of inflow of foreign direct investment. Post globalization urban growth is described by changes and growth in urban population and changes in share of employment in manufacturing and service sectors. Absence of primacy is distinguished as an important characteristic of India's urban system. Changes in spatial structure is identified with transformation of urban space in use and form, such as, commercial spaces for shopping and office space for MNCs and financial institutions, and mushrooming of high quality residential and office space bordering major cities. This affected land and housing markets in major cities, such as, Mumbai, Bangalore, and Delhi. Absence of appropriate reform in policies that govern urban land markets is considered a key constraint in the globalization period. In addition, globalization period underlines a paradigm shift in city-level policies for provisioning of municipal services and infrastructure in terms of debt financing, public-private partnerships, and cost-recovery based pricing.

Kundu (2006) explored the unequal economic base between Class I cities (million plus cities) and medium towns (50000 to one million population) and small towns (less than 50000 population) in terms of employment, consumption, and poverty. These inequalities are considered as consequences of large cities' capacity to attract national and global investors and link with national and world markets, and decline in public investment in infrastructure and basic amenities for small towns. Thus, a case is made for providing special capita support to the less developed states that are not in a position to allocate requisite funds to medium and small towns for improvements in their infrastructure and amenities and for enhancement of their attractiveness for private investments and business.[4]

In addition, economic globalization raises many interesting issues relating to measurement and analyses of urban performance during the globalization period. For instance, degree of

[4] An earliest and best know analytical study on India's urbanization and urban growth (but not related to globalization, however) is Mills and Becker (1986). For instance, using the data from census 1961, 1971, and 1981, determinants (i.e. percent of total employment in agriculture and real per capita income) of urbanization (i.e. percent of urban population) at the State level is estimated by pooled regression model. The estimation results offered evidence for increase in urbanization as percent of total employment in agriculture decreased and real per capita income increased. In addition, the results showed that urbanization becomes small at high values of real per capita income and eventually becomes negative. In recent studies on India's urbanization at the national level [e.g. Datta (2006) and Bhagat (2005)], globalization is reduced to a passing reference.

openness to merchandise trade is one of measures of economic globalization. Its relevance and importance needs to be examined in view of growing importance of service trade for developing countries like India. This measurement has implications on urban growth, if the composition of urban growth is driven by service sectors (e.g. computer software). Accordingly, globalization may offer opportunities to higher urban growth and productivity. At the same time, urban economy may undergo changes in regard to distribution of consumption and income, and size and types of employment, and pose policy challenges to meet with the requirements (e.g. infrastructure facilities) at global standards and quality. This may demand a national policy intervention for urban development under globalization.

This paper is an attempt to measure economic globalization and analyse the economic performance of urban economy of India during the globalization period. Recent globalization is marked with the start of national economic reforms in July 1991. Performance of urban economy is focused on indicators of urbanization, urban growth, levels of urban consumption and poverty, size and composition of urban employment, and labour productivity. In addition, national policy response to urban development under globalization is highlighted. Throughout, the analysis is carried out at national level of aggregation with select comparisons by class-size of cities and towns and by references to international experiences. Methodology is descriptive and positive, mainly imposed by data constraints.

Rest of the paper is organized as follows. In section 2, economic analysis and measurement of India's globalization is presented. In section 3, performance of urban economy during the globalization period by select indicators of urbanization, urban growth, consumption, poverty, employment generation, and labour productivity are analysed. Section 4 highlights the national policy responses to urban development needs under globalization. Major conclusions and implications are summarized in section 5.

2. ECONOMIC GLOBALISATION

India's globalization is measured and analysed below to compare and distinguish the performance of urban economy between pre and post globalization periods.

Start of globalization

Mid 1980's was the beginning of India's openness policies in trade, which was intensified and broadened with the introduction of national economic reforms (in brief, the Reforms) since July 1991. The Reforms were started to overcome the crises by 1990, such as, (a) falling economic growth and foreign exchange reserves, and (b) rising domestic price inflation, current account deficit and budget deficits of the Union Government. As the crises were widespread in both internal and external sectors of the economy, the Reforms had to be simultaneously initiated in different sectors: fiscal sector, industrial sector, public sector, financial (i.e. banking sector and capital market) sector, external sector comprising trade, exchange rate, foreign investment. Broadly, the Reforms contained the stabilization and structural adjustment programmes. Stabilization programme aimed at reducing the aggregate demand, and included internal stabilization (i.e. containing the growth of domestic price inflation) and external stabilization (i.e. reducing current account deficit in balance-of-payments as a percentage of the GDP). The structural adjustment programme aimed at increasing the aggregate supply of goods and services and included liberalization measures to freeing economic agents (domestic and foreign) from various forms and multiple numbers of administrative controls and regulations. In particular, the liberalization measures comprised export promotion (i.e. shifting resources from import substitution to export activities); increase in the degree of openness (i.e. increasing share of exports and imports in national income); privatization (i.e. shifting resources in terms of ownership, management and financing from public sector to private sector activities); and marketisation (i.e. changing the structure of incentives and institutions such that the reliance on market is increased or the role of government is redefined). Major objectives of the Reforms included (a) rapid growth of income and productive employment; (b) increased consumers' gains from choice; and (c) exposing producers to competition, both domestically and internationally.

Although the term globalization was not explicitly mentioned in the policy statements and papers on the Reforms [e.g. Government of India (1993)], the various sectors' reforms did have implications on transforming India into a globalizing economy in terms of internationalization of trade, production, and capital. For instance, under trade sector reforms, simplification of tariff, abolition of quantitative restrictions on imports, and reduction in export restrictions have been important to increase the country's degree of openness to trade. Since 1995, India's trade sector reforms have been WTO-compatible. For instance, India provides Most Favoured Nation (MFN) treatment to all WTO members. Average applied MFN tariff rate fell from 35.3 percent to 32.3 percent between 1997/98 and 2001/02 and to 15.8 percent in 2006-07. The "peak" rate of tariff had been reduced from 35 percent in 1998 to 30 percent in 2002 and to 12.5 percent in 2006-07. The share of bound-tariff increased from 67 percent in 1998 to 72 percent in 2002. Further, steps have been taken to align national standards with international norms. In 2006-07, about 73 percent of national standards for which corresponding international standards exist, were aligned with these international norms. [WTO (2002 and 2007)]. In the same way, smooth and speedy inflow of foreign direct investment has been facilitated by automatic approval of the investment up to 74 percent equity in specified list of high priority industries by the Reserve Bank of India (RBI); creation of a separate route for 100 percent investment in select high priority sectors by the Non-resident Indians; creation of Foreign Investment Promotion Board and Secretariat for Industrial Approval for speedy clearance of investment outside the purview of the RBI; and establishment of Special Economic Zones.

Measurement of globalization

Globalization is measured by two indicators: Internationalization of capital and internationalization of trade. Internationalization of capital is measured by FDI inward and outward stocks or flows shares in GDP. Internationalization of trade is measured by degree of openness to foreign trade (i.e. exports and imports). In general, ratio of sum of value of exports and imports to Gross Domestic Product (GDP) is a standard national measure of degree of openness to trade.

India's internationalization of capital increased by FDI inward (and outward) stock from US$1.66 (and US$0.12) billion in 1990 to US$17.52 (and US$1.86) billion in 2000 and to US$50.68 (and US$12.96) billion in 2006 (**Table 1**). As a percent of India's GDP, FDI inward stock increased from 0.5 percent in 1990 to 3.8 percent in 2000 and to 5.7 percent in 2006. However, India's FDI inward and outward stocks are relatively smaller as compared to world's or developing countries' average (i.e. less than one percent up to 2006). Further, India's shares remained less than 20 percent of China up to 2006. In the same way, India's share of FDI in GDP is relatively lower as compared to world level, developing countries, and China.

Nevertheless, a recent survey conducted by the UNCTAD revealed that India is the second most preferred investment location in the world [UNCTAD (2007): p.29]. This raises optimum for greater FDI flows into India during 2007-2009.[5]

India's total merchandise trade (i.e. sum of exports and imports of goods) increased from US$41.62 billion in 1990 to US$92.75 billion in 2000 and to US$229.93 billion in 2005 (***Table 1***). Correspondingly, India's degree of openness to trade increased from 13.10 percent in 1990 to 20.30 percent in 2000 and to 28.50 percent in 2005. Throughout, India's degree of openness to trade remained lower than global averages for the world, low income countries, medium income countries, and high income countries. In addition, India's share in global export trade remained less than one percent up to 2005.

In a way, the above measure of degree of openness underestimates the internationalization of trade because it excludes services trade and exports. Thus, an integrated degree of openness to trade (=export and import of goods and services) is presented in column 3, 5, and 7 in ***Table 1***. India's integrated openness increased from 16.50 percent in 1990 to 28.45 percent in 2000 and to 36.70 percent in 2005. Nevertheless, India's performance remained lower than the global averages.[6]

Services trade (or more broadly invisibles) is important for India's external stabilization as it is contributory for reducing the current account deficit. This is clearly evident by India's current account deficit in 2004-05 (= Rs.121.74 billion), notwithstanding a huge trade account deficit (Rs.1517.65 billion). Most recent data supports for growing importance of services exports. For instance, service exports recorded US$81.3 billion as compared to merchandise exports of

[5] This optimism may depend on India's improvements in business environment and investment climate in a globally competitive manner. For instance, a recent report of the World Bank (2007b) puts India below 100th rank out of 178 countries in 7 out 11 indicators relating to doing business. The report is useful for policy makers to focus future reforms to make India a globally competitive location for attraction of investment and business.

[6] A.T. Kearney/Foreign Policy Globalization Index is useful to assess India's ranking by a composite of multi-dimensional global connectivity indicators. The economic integration variables in this index include internationalization of capital and degree of openness to trade.[6] India's ranking by this Index has been low over the years: 49th out of 50 countries in 2001; 56th among 62 countries in 2003, and 61st out of 62 countries in 2006. This indicates for a low level of overall globalization of India in the global context. The methodology and data for construction this index is available on: http://www.foreignpolicy.com/story/cms.php?story_id=3995&page=9

US$127.1 billion in 2006-07. Annual growth rate of service (or merchandise) exports is equal to 32.5 (or 21) percent. Software exports recorded 32.7 percent annual growth. India has been ranked 10th in the world in service exports as compared to 29th ranking in merchandise exports.

As a percent to GDP, internationalization of trade and/service has been higher than internationalization of capital throughout post globalization period. This is clearly evident in **Figure 1**, using the data from the India's balance of payments on rupee account from 1991-92 through 2004-05. In addition, higher correlation coefficient is found between GDP and degree of openness to trade (0.983) as well as between GDP and integrated degree of openness to trade (0.982) than between GDP and foreign direct investment inflows (0.901). This correlation, however, ignores the relationship between foreign trade and investment.

In general, sub-national level (i.e. State and city levels) data on international trade are not available in India. Availability of data on foreign investment is limited to State level and broad sectors. This data indicates for selective internationalization of capital by States and Sectors. For instance, of the total approved FDI of US$75.61 billion during 1991 to 2007, fives states received 51 percent: Maharashtra (19 percent), Karnataka (9 percent), Tamil Nadu (8 percent), Delhi (12 percent) and Andhra Pradesh (4 percent). Of the total FDI during 2002 to 2005, four sectors received 51 percent: ICT including electronics (27 percent), transport (10 percent), Fuels (8 percent), and Chemicals (6 percent) [Government of India (2006)].

3. PERFORMANCE OF URBAN INDIA DURING GLOBALIZATION PERIOD

Performance indicators are focused on urbanization, urban growth, urban consumption, urban poverty, and urban employment and productivity. Performance is determined by changes in the composition, levels, and growth of these indicators between pre and post globalization period. Performance are not comparable across all indicators because data availability is not uniform for all indicators between pre-globalization (before 1991) and post-globalization (post 1991) period.

Urbanization

India's urban population increased from 159.46 million in 1981 to 217.61 million in 1991 and to 285.78 million in 2001 (**Table 2**).[7] During this period, urban population as a percentage of total population increased from 23.34 percent to 25.71 percent and to 27.78 respectively. Annual growth rate (= compound annual growth rate or CAGR) of urban population was positive but show a declining rate since 1991: 3.87 percent in 1981, 3.16 percent in 1991, and 2.75 percent in 2001. Nevertheless, throughout, these growth rates for urban population remained higher than for total population. Internal migration (e.g. net rural-urban migration into urban areas) is an important source of urban population change in India. Its share as a percentage of total urban population (or net increase in decadal urban population) increased from 6.15 (or 19.46) percent in 1981, 7.63 (or 28.55) percent in 1991, and 8.86 (or 37.30) percent in 2001. Spatial distribution of urban population shows wider variations among the States and Union Territories. For instance, the urban population of Maharashtra (41.02 million) is about 1522 times bigger than that of Union Territory: Lakshadweep (26948) in 2001. Excluding seven Union Territories, however, spatial dispersion of urban population is considerably reduced in terms of standard deviation or coefficient of variation.

In 2001, India's urban population was larger in size as compared the combined total population of 12 countries in West Asia (=192.4 million) or 5 countries in East Asia (=206.8 million) excluding China (=1285 million), 40 percent of the European continent (=726.3 million).[8] Nevertheless, India's urbanization is lower as compared to global levels (**Table 3**). For instance, the UNDP Human Development Report 2007-2008 shows that India's rank by the value of Human Development Index (=0.619) is 128 among 177 countries. This classifies India under medium human development countries. In terms of per capita Gross National Income, India is classified under low income countries. Surprisingly, India's share of urban population is

[7] According to the Census of India 2001 [Government of India (2001a)], the following definitions hold for urban units. A town or an urban area is a place with (a) a municipality, municipal corporation, cantonment board or notified town area committee, etc; (b) a minimum population of 5,000; (c) at least 75 per cent of the male working population engaged in non-agricultural pursuits; and (d) a density of population of at least 400 per square kilometer (sq.km). A *city* is a town with population of 100000 (or 0.1 million) and above.

[8] Population data of these regions are obtained from the UNFPA's "The State of World Population 2001: Demographic, Social and Economic Indicators", available on: http://www.unfpa.org/swp/2001/english/indicators/indicators2.html

lower than the average for countries under low human development and low income level in both 2001 and 2005 [UNDP (2003 and 2007)]. Thus, nearly 15 years of economic globalization had a negligible impact on India's urbanization at global levels.

Another measure of urbanization is growth and distribution of cities by their size classes. Indian Census defines six classes of cities and towns by their population size. Class I cities are popularly called million cities because their individual population exceeds one million. Urban agglomerations with a population of 1 million or more are called Metropolitan Areas.[9]

During 1981 to 2001, (a) growth of number of Class I cities had been highest, mainly contributed by the rapid growth of number of metropolitan areas; (b) number of smaller size towns (population size of less than 10000 persons) recorded declining share and negative growth; and (c) proportion of remaining number of size class cities was stagnant: around 9 percent for Class II cities; 25 percent for Class III cities; and 31 percent for Class IV cities (**Table 4**).

More explicitly, population variations across city sizes can be described by the distribution and growth of population by different class sizes (**Table 5**). During 1981-2001, population distribution was heavily concentrated in Class I cities, mainly contributed by higher growth of population in metropolitan areas. That is, of the total urban population, share of Class I cities was equal to about 60 percent in 1981, 65 percent in 1991, and 68 percent in 2001. Within the Class I cities, the annual growth rate of metropolitan areas had been highest during 1981-91 (5.31 percent) and 1991-2001 (4.32 percent) and that non-metropolitan cities during 1971-81 (7.79 percent). In contrast, population share and growth showed marginal variations in Class II through and Class IV towns, and a decline in the smaller towns.

---

[9] According to the Census of India 2001 [Government of India (2001a)], an *Urban Agglomeration* is a continuous urban spread constituting a town and its adjoining urban outgrowths or two or more physically contiguous towns together and any adjoining urban outgrowths of such towns. For the purpose of delineation, following criteria are adopted: (a) Core town or at least one of the constituent towns should necessarily be a statutory town. (b) Total population of all the constituents (i.e., towns and outgrowths) should not be less than 20,000. If these two criteria are met, the following are the possible different situations for constitution of an Urban Agglomeration: (i) a city or town with one or more contiguous outgrowths; (ii) two or more adjoining towns with their outgrowths; and (iii) a city and one or more adjoining towns with their outgrowths all of which form a continuous spread.

The combined effects of growth and distribution of number of towns and their population is evident in average population size by size class of cities and towns (***Table 5***). The increase in average size is clearly evident for Class I because of heavy increase in population of metropolitan areas. In contrast, average population size stagnated around: 68000 for Class II; 30000 for Class III; 14000 for Class IV; 7000 for Class V; and 3500 for Class VI towns. Thus, the growth and increasing size of metropolitan areas is an important feature of India's urbanization under globalization.

It is important to distinguish the cities and its source which contributed most for growth of metropolitan areas in the post-globalization period.

According to Census of India 2001, 35 cities are classified under the metropolitan areas with total population of one million and above. The year of acquisition of the metropolitan area status is considerably different for the top 10 cities. For instance, Mumbai and Kolkata acquired the status before 1951; Delhi, Hyderabad and Chennai in 1951; Bangalore in 1961; Ahmedabad, Pune, and Kanpur in 1971; and Surat in 1991. Of the remaining 25 cities, 13 acquired the status in 1991 and remaining 12 in 2001. By UN definition, Mumbai, Kolkota and Delhi are megacities as their total population exceeded 8 million. Their combined total population accounted for 42.38 percent of total urban population of India. In the same way, 71 percent of India's urban population live in 10 top metropolitan areas. All these 35 cities recorded positive annual growth rate of population during 1981-1991 and 1991-2001, but 17 (or 18) cities had higher growth rate than the average for the 35 cities, viz., 3.33 (or 2.92) percent during 1981-1991 (or 1991-2001). In particular, metropolitan areas with more than 5 million (i.e. Mumbai, Kolkata, Delhi, Chennai, Bangalore, and Hyderabad) recorded lower annual population growth rate during 1991-2001 than during 1981-1991, except Delhi. This is in contrast with cities with more than 2 million but less than 5 million population (Ahmedabad, Pune, Surat, Kanpur, Jaipur, Lucknow and Nagpur) which recorded higher annual population growth rate during 1991-2001 than during 1981-1991. Of 22 Cities with less than 2 million population, only 8 (i.e. Indore, Coimbatore, Agra, Jabalpur, Jamshedpur, Dhanbad, Allahabad, Amritsar, and Rajkot) cities recorded higher annual growth rate during 1991-2001 than during 1981-1991.

A major source for the metropolitan population growth is contributed by growth of population in urban agglomeration rather than growth of population in city proper and its outgrowth. For instance, the average population growth for 35 cities during 1981-1991 (or 1991-2001) is equal to 4.10 (or 3.70) percent for urban agglomeration, as compared to 3.53 (or 3.34) percent for city plus its outgrowth. Few exceptions are Bangalore during 1991-2001, Nagpur during 1981-1991, and Nashik during 1981-91 as well as 1991-2001. For instance, the growth rate of population of Bangalore city and its outgrowth (= 6.13 percent) was higher than growth of its urban agglomeration (=3.78 percent) during 1991-2001.

The World Bank's Investment Climate Survey for India in 2004 [World Bank (2004)] included results on business environment and select economic performance indicators for select Class I cities by metropolitan areas (more than 4 million), large cities (1 million to 4 million) and small cities (less than one million). In total, the sample comprised 7 metropolitan areas, 9 large cities, and 24 smaller cities. The results clearly showed that bigger size of a city has a positive effect in terms of higher productivity, wages, and capital per worker; and better business environment in terms of lower bottlenecks of regulation frameworks and infrastructure facilities (**Table 6**). This implied for the presence of higher agglomeration economies in bigger size cities.

Concentration of urban growth in large cities is not a special phenomenon for India's urbanization under globalization. Such concentrated growth is experienced by other large developing countries such as China. For instance, Zhao et al (2003) shows that in the process of globalization in the post reform years since 1978, large cities outperform the small cities and, hence, special attention would be needed to continue their growth. The cities are distinguished by three population size classes: Class I (million plus), Class 2 (0.5 - 1 million), and Class 3 (0.2 – 0.5 million). Economic base of cities are compared between 1990 and 1999 by following indicators. Growth and distribution of non-agricultural population; distribution by built-up area; size and growth of fixed investment and foreign investment; per capita and growth of industrial and commercial tax revenue; share of total employment and combined share of urban employment in secondary and tertiary sectors; and share and growth of other socio-economic indicators (i.e. number of books in the public library, average wages per worker, and number of hospital beds). Class I cities are shown to outperform Class 2 and Class 3 cities by their higher share and growth rate of these indicators due to population, industrial and capital agglomeration. This agglomeration is advantageous to large cities in terms of urbanization economies, competitive advantage, and increasing returns. Further, the share and growth of GDP and FDI in four clusters of cities are found to be higher as that of population. These clusters included Pearl River Delta, globally known for its heavy inflow of FDI in cities like Guangzhou and Shenzhen. This result adds further evidence for growing importance of large cities under globalization.

Chinese experience has an important implication for development of large cities in countries like India. For instance, Mohan (2007) argued that globalization adds further focus to the importance of city level efficiency, and rapid economic gains in economic efficiency at the national level are achievable through efficiency of its leading cities. The strategy for making cities efficient is concentrated urbanization for creation of economies of scale in the provision of urban infrastructure and services. This strategy is in contrast with the Indian policy for dispersed urbanization of large cities in the pre-globalization period.

Urban economic growth

India's national income is not regularly estimated by rural and urban areas. Rather, it is estimated only for the base years of National Accounts series, as the detailed data for this estimation comes from the benchmark enterprise surveys which are done once about every 5 years. Up to 2007, Net Domestic Product at factor cost and current prices (NDP) is estimated by rural and urban areas for four points in time: 1970-71, 1980-81, 1993-94, and 1999-00. In order to determine the pattern of growth of overall urban GDP and its sectors by netting out inflation, the NDP industry/sector shares were applied to the GDP at factor cost and constant (1993-94) prices for the respective years. This GDP data from 1880-81 is used below to analyze the nature and composition of urban economic growth in India.

Urban GDP increased from about Rs.1648 billion in 1980-81 to Rs.3192 billion in 1993-94 and to Rs.5937 billion in 1999-00 (**Table 7**). This constituted an increasing share in total GDP from about 41 percent in 1980-81 to 46 percent in 1993-94 and to 52 percent in 1999-00. At the same time, per capita urban GDP increased by 29 percent in between 1980-81 and 1993-94, and by 60 percent in between 1993-94 and 1999-00. A large share of urban GDP is contributed by four key sectors: (a) manufacturing, (b) trade, hotels and restaurants, (c) financing, insurance, real estate and business services, and (d) community, social and personal services. The combined share of these four sectors accounted for 79 percent in 1980-81, 78 percent in 1993-94, and 77 percent in 1999-00. Most importantly, with the decline in the share of manufacturing, urban GDP had been mainly contributed by the tertiary/service sectors. Nevertheless, all urban manufacturing and service sectors and sub-sectors contributed more than 50 percent of GDP within each sector. The major contributing sectors included the following: over 80 percent by banking and insurance; 70-75 percent by trade and non-railway transport, and 60-70 percent by registered manufacturing, railways, storage, public administration and defense. In short, urban economic growth is essentially contributed by the service sectors. Further, annual growth rates of GDP and its sectors reveals the unique contribution by service sectors. During 1993-94 to 1999-00, all the service sectors in urban areas recorded higher annual growth rate (= more than ten percent) than during 1980-81 to 1993-94. Thus, urban growth rate was relatively higher during 1993-94 to 1999-00 than during 1980-81 to 1993-94 except for manufacturing sector. Most importantly, urban share in India's GDP is expected to go up to 65 percent by the year 2011 [Government of India (2005): p3]. This will add further support for higher urban growth in the post globalization period.

India's urban growth in the globalization period is characterized by twin features. Decline in manufacturing GDP and increase in tertiary or service GDP. These two features of India coincide with global experiences, such as South Korea [Choe (2005)], and G7 countries [USA, UK, France, Germany, Japan, Canada, and Italy) and South American countries [Argentina, Brazil, and Mexico [Lo and Marcotullio (2001)]. Several competing explanations for this pattern of urban growth are evident in the existing empirical and theoretical literature. For instance, Kundu (2006) argues that decline in urban manufacturing GDP may be associated, among others, for the Indian industrial policies of the Central and State Government which provided with fiscal and financial incentives and concessions for industries located in rural and backward areas, away from the existing large cities and towns. This resulted in the location of large industrial units outside the city/town limits with easy availability of land but with access to rapid transport corridors. In theoretical terms, Krugman and Levis (1998) link the decline in manufacturing with the decline in import-substitution strategy. This strategy gave rise to greater forward and backward linkages when manufacturing tried to serve for a small domestic market. Trade liberalization, outward orientation lead to shrinking of third world metropolises due to weakening of these linkages. Krugman and Levis arguments are relevant for India because trade liberalization and outward orientations are the essence of India's economic globalization.

Urban consumption

India's average monthly urban consumption expenditure (food and non-food) increased from about Rs.246 in 1987-88 to Rs.458 in 1993-94, and to Rs.836 in 1999-00 (**Table 8**).[10] Throughout, urban consumption expenditure remained higher than that of rural consumption expenditure. Annual growth rate of consumption declined in both rural and urban areas during 1993-94 to 1999-00. Nevertheless, growth rate of consumption in urban areas remained higher than in rural areas. Further, the ratio of urban to rural average monthly consumption expenditure increased from 1.56 in 1987-88 to 1.63 in 1993-94 and to 1.76 in 1999-00. This signifies for higher rural-urban disparity in consumption levels in post globalization period.

Within urban India, average monthly consumption by three population three class-sizes can be described: Million plus cities (one million and above), Medium towns (50000 to one million), and small towns (less than 50000) for select years: 1987-88 1993-94, and 1999-00. This comparison shows that growth rates of average monthly per capita consumption increased at about 11 percent during 1987-88 to 1993-94 but declined at about 9 percent per year during 1993-94 to 1999-00 (***Table 8***). At the same time differentials in consumption between Million plus cities and other towns increased during 1987-88 to 1993-94, but declined during 1993-94 to 1999-00. For instance, this ratio for medium (or small) towns increased from 1.34 (or 1.54) in 1987-88 to 1.36 (or 1.60) in 1993-94; and declined from 1.34 (or 1.59) in 1993-94 to 1.29 (or 1.53) in 1999-00. Thus, along with overall increase in urban growth, intra-urban consumption expenditure increased with a decline in intra-urban consumption differentials during the post-globalization period. This has important implications for urban poverty because India's poverty is ultimately measured by consumption expenditures.

---

[10] India's National Sample Survey Organization conducts quinquennial surveys of (a) consumer expenditure and (b) employment and unemployment. The 38th Round was conducted in January-December 1983; 43rd Round in July 1987-June 1988; 50th Round in July 1993-July 1994; 55th Round in July 1999-June 2000; and 61st Round in July 2004-June 2005. Data from these surveys are extensively used in this and following sections on urban poverty and employment.

Urban poverty

Poverty is an important indicator of income distribution. Official estimates of poverty are available in India by poverty lines and percent of population below the poverty line by rural and urban areas. The latest estimates are reported for 2004-05 (**Table 9**). A comparison of percent of population below the poverty line from 1983 through 2004-05 shows a decline in poverty in both rural and urban areas. The decline in urban poverty is equal to 8.43 percentage points during 1983 to 1993-94 and 6.6 percentage points during 1993-94 to 2004-05. This supports for positive income distribution effects of globalization in the context of urban growth in India.

At present, official estimation of poverty is not extended to cities and towns, either individually or by their size classes. Thus, using official poverty line criterion, comparable estimates of intra-urban poverty are reported for three class-sizes: Million plus cities (one million and above population), Medium towns (50000 to one million population), and small towns (less than 50000 population) for select years: 1987-88 1993-94, and 1999-00 [Kundu (2006)]. These estimates show that intra-urban poverty declined in all the three class-sizes (***Table 8***). Poverty level in Million plus cities remained lower than overall urban India as well as rural India in all years, and that of medium and smaller towns was higher than for overall urban India as well as rural India only in 1987-88. Thus, along with overall reduction in urban poverty, intra-urban poverty also declined especially during the post-globalization period.

Urban employment and labour productivity

Generation of productive employment opportunities is one of the main objectives of economic policies in India including urban growth promotion policies. Total labourforce in urban areas increased from 57.15 million in 1983 to 80.6 million in 1993-94 and to 92.95 million (**Table 10**).[11] As compared to pre-reform years (1980-81 to 1993-1994), the post-reform years (1993-94 to 1999-00) recorded higher urban unemployment rate, lower growth rate of urban employment,

[11] Employment and unemployment are measured by three approaches, viz. *usual status* with a reference period of one year, *current weekly status* with one week reference period and *current daily status* based on the daily activity pursued during each day of the reference week.

and lower urban work participation rate. These indicators do not support for labour-intensive urban growth in the post-globalization period up to 1999-00. On the other hand, labour productivity in urban areas increased from Rs.31916 in 198-81 to Rs.42674 in 1993-94 and to Rs.69158. Annual growth of labour productivity increased from 2.26 percent during 1980-81 to 1993-94 to 8.38 percent during 1993-94 to 1999-00.

Labour productivity is measured by urban GDP (at constant prices) per worker. The labour productivity differentials between rural and urban areas had been remarkable, especially in post-globalization period. For instance, ratio of urban labour productivity to rural labour productivity increased from 2.32 in 1980-81 to 2.34 in 1993-94 and to 2.83 in 1999-00. In addition, the annual growth of urban labour shows a remarkable increase from 2.26 percent during 1983 to 1993-94 to 8.38 percent during 1993-94 to 1999-99. These indicators support for productivity-oriented urban growth in the post-globalization period.

The 61st Round of National Sample Survey on employment and unemployment situation in cities and towns in India [NSSO (2007)] provides with interesting characteristics of urban employment and unemployment by three size class of cities and towns: (a) Million plus cities, (b) Medium towns, and (c) Small towns. In particular, survey data contains more information (e.g. distribution of employment by industry) by Usual Status than other statuses. For this reason, our descriptions and comparisons below will use urban employment and unemployment data by Usual Status.

To start with it is interesting to look into the distribution of persons in labourforce. This distribution shows the extent of work participate rate in urban India (**Table 11**). For the year 2004-05, 53 percent of urban persons were in labour force. This percentage is highest for small towns (55.70 percent) as compared to medium towns (52.30 percent) and million plus cities (51.70 percent). Total urban labour force is shared by million plus cities (26.49 percent), medium towns (46.45 percent) and small towns (27.06 percent). Of the types of employment, small towns have higher self-employed and causal workers than in case of million plus cities and medium towns. As self-employed and causal worker belong to unorganized and informal sectors, the small towns may be characterized by the dominant presence of workers in these sectors.

Let us look into the changes in levels of urban employment, unemployment, types of employment (i.e. self-employed, regular wage/salaried, and causal workers) in 2004-05 as compared with two previous survey years (1993-94 and 1999-00). [12] First, out of 1000 employed persons aged 15 years and above, over 75 percent of employment belongs to males in all size class of cities and towns and in all the three reference years (**Table 12**). Gender differential are insightful if types of employment are considered. For instance, female employment is higher than male employment in the (a) regular wage/salaried employment in million plus cities as well as in the overall urban areas, and (b) self-employment in medium and small towns as well as in the overall urban areas. Second, of the types of employment, regular wage/salaried is the highest in the million plus cities and medium towns, and self-employment is highest in small towns. Casual workers comprise about less than 15 percent of urban employment in India. Third, urban unemployment rate is higher for females than for males for all the years and in all cities and towns. Unemployment rate increased for both males and females only in case of small towns. Unemployment indirectly increases poverty levels in small towns, because monthly per capita consumption expenditure is lower at higher unemployment rates.[13] Fourth, by industry, urban employment is dominated by tertiary/services sector rather than by secondary sector. This is consistent with the distribution of urban GDP by industry. This distribution is also consistent with the share of urban GDP from these sectors in 1999-00. Within the tertiary sector, urban employment is concentrated in: trade, hotel, and restaurants, financing, insurance, real estate, business services, community, social and personal services. For instance, in 2004-05, these service sectors accounted for 62 percent total employment in million cities, 60 percent of total employment in medium towns, and 49 percent of total employment in small towns.

---

[12] In the original survey, classification of the cities and towns in 1993-94 were as follows: those with population (a) less than 50,000 as size class I (b) 50,000 to less than 2,00,000 as size class II, (c) 2,00,000 to 10,00,000 as size class III and (d) 10,00,000 and above as size class IV. However, to establish comparability of estimates with 1999-00 and 2004-05, towns with population 50,000 to less than 2,00,000 and towns with population 2,00,000 to less than 10,00,000 in 1993-94 were clubbed and treated as size class 2 of towns. In addition, size class IV in 1993-94(i,e. population 10,00,000 and above) is termed as size class 1 and size class I of towns with population less than 50,000 is considered as size class 3 of towns. Size classes of cities and town in 1993-94 and 1999-99 were formed as per population of Population Census 1991. These data reorganizations are described in Chapter 3 of NSSO (2007).

[13] This is clearly evident in Government of India (2002: p148) for 1999-00. For instance, two lowest and highest urban monthly per capita consumption expenditure class and unemployment rates (measured by Currently Daily Status), were as follows. Rs.0-300 = 9.61; Rs.300-350 = 9.67; Rs.1500-1925 = 4.67; and Rs. 1925 and above = 4.10.

Broadly speaking, the informal and unorganized sectors comprise small and medium enterprises in manufacturing and service activities. They are the major source for sub-contracting by large-scale industries. With low wages and establishment costs, and missing social security payments for labour, the informal and unorganized sector implicitly subsidies the corporate sector to maintain and enhance its competitiveness in global markets [Dittrich (2007)]. From this viewpoint, expanding employment in informal and unorganized sectors is contributory for globalization and urban growth in India. Nevertheless, provision of better working conditions, and social security for unorganized labour has assumed special significance in view of its global experiences and for wider sharing of benefits of globalization. This is evident in a recent recommendation for a comprehensive legislation for minimum conditions for work and social security for unorganized workers in July 2007 by the National Commission for Enterprises in the Unorganized Sector [Government of India (2007)]. This is a case for positive impact of economic globalization on unorganized sectors of the Indian economy.

4. URBAN DEVELOPMENT POLICIES AND PROGRAMMES

To date, India did not formulate a national policy for urban development. Nevertheless, in recognition of urban requirements (e.g. infrastructure facilities) for better living, economic growth, and for making cities competitive in attracting national and global business and investment, several national level programmes for urban development have been implemented in the recent past, viz., Jawaharlal Nehru National Urban Renewal Mission (JNURM), and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT).[14] A brief summary of these two national progammes is presented in **Table 13**. In essence, these programmes cover all size class of cities and towns in India, and recognize that urban problems

[14] Two other important programmes for urban development are the Infrastructure Development in Mega Cities (IDMC), and Integrated Development of Small and Medium Towns (IDSMT). They are not highlighted below because they are now subsumed in the JNNUMR and UIDSSMT respectively. The IDMC was started in 1993-94 as a Centrally Sponsored Scheme for infrastructural development in five mega cities: Mumbai, Kolkata, Chennai, Bangalore and Hyderabad with the objective of improvement in infrastructure facilities, such as, water supply and sewerage, roads and bridges, city transport, and solid waste management. The IDSMT was introduced in 1979-80 for improvements in physical infrastructure facilities and series to enhance growth and employment opportunities in small and medium sized towns.

are national problems.[15] These programmes make a beginning for a national policy for urban development for the globalizing urban India.

Interestingly, both the programmes comprise mandatory and optional reforms to be carried out by the implementing agencies at the State and urban local body levels. Mandatory reforms are distinguished between State and urban local body levels. Mandatory reforms at urban local levels include levy of user charges such that operations and maintenance cost are fully recoverable within seven years; and introduction of e-governance using information technology for delivery of services and efficiency in collection of property taxes. State level mandatory reforms include repeal or modifications to urban land ceiling and rent control acts. Optional reforms are common for all implementing agencies and include earmarking at least 20-25 percent of developed land in all housing projects for economically weaker sections and low income group category with a system of cross subsidization; simplifications of land conversion from agricultural to non-agricultural purposes; and computerized process of registration of land and property. In essence, overall urban development is contemplated in formulation and implementation of these schemes with special reference to the needs of the urban poor.

Own tax revenue sources of urban local bodies include property (i.e. land and building) taxes, taxes on entry of goods for sale, use or consumption, and entertainment tax. Share of transfers from State and Central Government in total municipal revenue varies between the States: about 83 percent in Rajasthan and 14 percent in Maharashtra in 2001-02 [Mathur (2006)]. In view of the fiscal constraints of higher levels of government to transfer more resources, municipal revenue expenditures are expected to be met with own tax revenues. In case of capital expenditures, urban local bodies are encouraged to supplement a part of total expenditure through borrowings from capital markets and institutional sources. This is the most noted change in financing urban development during post globalization period.

---

[15] Other current programmes for urban development are intended to attract more private Indian and foreign direct investment into urban areas and to finance urban development through non-public debt instruments. These include (a) Tax Free Municipal Bonds (i.e. exemption to interest income from bonds issued by local urban authorizes for capital investment in urban infrastructure) (b) Foreign Direct Investment in Development of Integrated Township (i.e. allowance for 100 percent foreign direct investment under automatic route for investment on housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), in six urban centres (Gurgaon, Hyderabad, Mohali, Chennai, Bangalore and Kolkata).

5. CONCLUSIONS AND IMPLICATIONS

This paper has provided with descriptions and analyses of India's economic globalization and performance of urban economy during globalization period. Performance indicators are related to urbanization, urban growth, urban consumption, urban poverty, urban employment and labour productivity at the national level of aggregation and select disaggregation by population size class of cities and towns.

India's economic globalization is low at global levels both in terms of internationalization of trade and capital. Its impact on India's urbanization at global level is negligible. Nevertheless, as compared to pre 1991 period, India's globalization and urbanization have shown remarkable and selective growth by city sizes, regions and sectors. Higher growth and larger concentration of urban population in metropolitan areas (mainly contributed by expansion of urban agglomeration areas) is an important feature of India's urbanization in post-globalization period. This feature coincides with international experience in countries like China.

Globalization is important for India as it brings greater opportunities to exports, inflow of foreign investment, and higher economic growth. India's post globalization urban growth is characterized by higher annual growth rates and largely contributed by the rapid growth of service sector, especially business services that include highly export-oriented and foreign-investment attractive software and related IT services.

Urban India in the post globalization period has been marked by higher consumption levels, employment opportunities, labour productivity, and lower levels of poverty. In general, this contributed to widened rural-urban gap, because globalization is essentially urban-oriented in India. Within the urban India, however, differentials in the impact of globalization had been evident between million plus cities, medium towns and small towns, because both globalization and urbanization have been increasingly concentrated in metropolitan areas. Thus, both the process and impact of globalization had been selective for metropolitan areas within urban India. With higher unemployment, higher dependence on informal sector employment, and lower consumption levels, the smaller towns had been subject to higher levels of poverty. Nevertheless, declining incidence of poverty in urban India as a whole and by size class of cities in the post-globalisation period is the most welcome impact.

National policy response to the requirements of globalizing urban India is positive in India. This is evident in the formulation and implementation of on-going Jawaharlal Nehru National Urban Renewal Mission and Urban Infrastructure Development Scheme for Small and Medium Towns. These programmes aim at strengthening the competitiveness of all cities and towns to attract business and investment by improvements in infrastructure facilities, and local governance reforms with focus on better living for urban poor. These programmes may pave a way for a national policy for urban development for globalizing urban India.

Urban employment is dominated by unorganized labour comprising self-employed and casual workers. Provision for better working conditions and social security is an important policy intervention for social protection and to broaden the benefits of globalization to be widely shared by the urban population at large.

REFERENCES

Bhagat, Ram B. (2005). "Urban growth by City and Town Size in India", Paper presented for the Annual Meeting of Population Association of America, 31 March-2 April 2005: Philadelphia (USA).

Choe, Sang-Chuel. (2005). "The impacts of globalization on the urban spatial-economic system in Korea", in H.W. Richardson and C.-H.C. Bae. (eds). Globalization and Urban Development, Springer (Berlin): 59-78.

Dittrich, Christoph. (2007). "Bangalore: Globalization and Fragmentation in India's Hightech-Capital", ASIEN: The German Journal on Contemporary Asia, 103, S.45.58.

Dutta, Pranati. (2006). "Urbanisation in India", Paper presented for European Population Conference [Session 62: Population Process in Urban Areas], 21-24 June: Liverpool (UK).

Government of India. (2007). Report on Comprehensive Legislation for Minimum Conditions of Work and Social Security for Unorganized Workers, National Commission for Enterprises in the Unorganized Sector (New Delhi).

Government of India. (2006). Economic Survey 2005-06, Ministry of Finance (New Delhi).

Government of India. (2005). Jawaharlal Nehru National Urban Renewal Mission: Overview, Ministry of Urban Employment and Poverty Alleviation (New Delhi).

Government of India. (2001a). Introduction. Chapter 1, Census of India 2001, Karnataka, Paper 2 of 2001: Provisional Population Totals – Rural-Urban Distribution of Population. Bangalore: Directorate of Census Operations, Karnataka.

Government of India. (2001b). Bangalore through ages: Chapter 2, Census of India 2001, Karnataka, Paper 2 of 2001: Provisional Population Totals – Rural-Urban Distribution of Population. Bangalore: Directorate of Census Operations, Karnataka.

Government of India. (2001c). Growth of Urban Population in Karnataka 1971-2001, Chapter 10, Census of India 2001, Karnataka, Paper 2 of 2001, Provisional Population Totals – Rural-Urban Distribution of Population. Bangalore: Directorate of Census Operations, Karnataka.

Government of India. (2001d). Population, Percentage Decadal Growth 1991-2001, Sex Ratio, Literacy by Sex – Urban Agglomeration, City, and Town 2001 – Karnataka, Chapter 9, Census of India 2001, Karnataka, Paper 2 of 2001: Provisional Population Totals – Rural-Urban Distribution of Population. Bangalore: Directorate of Census Operations, Karnataka.

Government of India. (1998). Economic Survey 1997-98, Ministry of Finance (New Delhi).

Government of India. (1993). Economic Reforms: Two Years After and the Tasks Ahead, Ministry of Finance, Department of Economic Affairs (New Delhi).

Kundu, Amitabh. (2006). "Trends and Patterns of Urbanisation and their Economics Implications", Chapter 2 in India Infrastructure Report 2006, Oxford University Press (New Delhi): 27-41

Krugman, Paul, and Elizondo, Raul Livas. (1996). "Trade Policies and Third World Metropolises", Journal of Development Economics, 49, 137-150.

Lim, Gill-Chin. (2005). "Globalization, spatial allocation of resources and spatial impacts: A conceptual framework", in H.W. Richardson and C.-H.C. Bae. (eds). Globalization and Urban Development, Springer (Berlin): 13-28

Lo, Fu-chen, and Marcotullio, Peter J. (2001). "Globalization and urban transformations in the Asia Pacific region", in Fu-chen Lo and Peter J. Marcotullio. (eds). Globalization and the Sustainability of Cities in the Asia Pacific Region, United Nations University Press (Tokyo): 21-67.

Mathur, Om Prakash. (2006). "Urban Finance", Chapter 5 in India Infrastructure Report 2006, Oxford University Press (New Delhi): 82-104

Mathur, Om Prakash. (2005). "Impact of globalization on cities and city-related policies in India", in H.W. Richardson and C.-H.C. Bae. (eds). Globalization and Urban Development, Springer (Berlin): 43-58.

Mills, Edwin S., and Becker, Charles M. (1986). Studies in Indian Urban Development, Oxford University Press (New York).

Mohan, Rakesh. (2007). "Urbanization and Globalization in the Twenty First Century: Emerging Challenges", Plenary Address at the Rockefeller Foundation's Urban Summit, 2 July: Bellagio, (Italy). Downloaded from: http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/81285.pdf on 10 December 2007.

NSSO [National Sample Survey Organization]. (2007). Employment and Unemployment in Cities and Town in India 2004-05, NSS 61st Round (July 2004 to June 2005), Ministry of Statistics and Programme Implementation, Government of India (New Delhi).

Planning Commission. (2007). Poverty Estimates for 2004-05, Government of India (New Delhi). Processed.

Planning Commission. (2002a). National Human Development Report 2001, Government of India (New Delhi). Processed.

Planning Commission. (2002b). Report of Special Group on Targeting Ten Million Employment Opportunities in India, Government of India (New Delhi).

UNCTAD. (2007). World Investment Report 2007, United Nations Publication (Geneva).

UNDP (2007). Human Development Report 2007/2008, Palgrave Macmillan (New York).

UNDP. (2003). Human Development Report 2003, Oxford University Press (New York).

Woods, N. (1998). "Editorial Introduction: Globalization: Definitions, Debates and Implications", Oxford Development Studies, 26, 5-13.

World Bank. (2007a). World Development Indicators 2007, The World Bank (Washington).

World Bank. (2007b). Doing Business 2008 India, The World Bank (Washington).

World Bank. (2004). India: Investment Climate and Manufacturing Industry, The World Bank (Washington).

World Bank. (2002). World Development Indicators 2007, The World Bank (Washington).

WTO. (2007). Fourth Trade Policy Review of India 2007, Trade Policy Review Body, The World Trade Organization (Geneva).

WTO. (2002). Third Trade Policy Review of India 2002, Trade Policy Review Body, The World Trade Organization (Geneva).

Zhao, Simon X.B., Chan, Roger C.K., and Sit, Kelvin T.O. (2003). "Globalization and dominance of large cities in contemporary China", Cities, 20(4), 265-278.

Table 1: Indicators of India's globalization: 1990-2006

Indicators	1990		2000		2006	
1.Internationalization of capital	FDI inward	FDI outward	FDI inward	FDI outward	FDI inward	FDI outward
1.1. India's FDI (million US dollars)	1657	124	17517	1859	50680	12964
1.2. India's share (%)						
• World	0.09	0.01	0.30	0.03	0.42	0.10
• Developing countries	0.48	0.09	1.16	0.22	1.77	0.85
• China	8.01	2.78	9.06	6.69	17.32	17.68
1.3. Share in GDP (%)						
• World	8.4	8.7	18.3	19.7	24.8	26.1
• Developing countries	9.6	4.2	25.6	13.3	26.7	13.9
• China	5.4	1.2	17.9	2.6	11.1	2.8
• India	0.5	NA	3.8	0.4	5.7	1.5
2.Internationalization of trade	Merchandise trade	Merchandise and service trade	Merchandise trade	Merchandise and service trade	Merchandise trade	Merchandise and service trade
	1990		2000		2005	
2.1. India's trade (million US dollars)	41617	52170	92750	130021	229927	338232
2.2. Share of trade in GDP (%)						
• India	13.10	16.50	20.30	28.45	28.50	36.70
• World	32.30	40.00	41.03	50.02	47.30	57.30
• Low income	23.60	39.80	39.97	48.30	41.10	50.90
• Middle income	34.50	41.60	53.34	61.88	62.10	72.60
• High income	32.30	41.20	38.36	47.47	43.90	55.00
2.3.India's share in world exports	0.5		0.7		0.7	

Notes: (a) All FDI inward and outward refer to stocks at book value or historical cost. (b) Developing countries exclude China. (c) NA refers to not available.

Source: The UNCTAD (2007) , Government of India (2006), and the World Bank (2002 and 2007b).

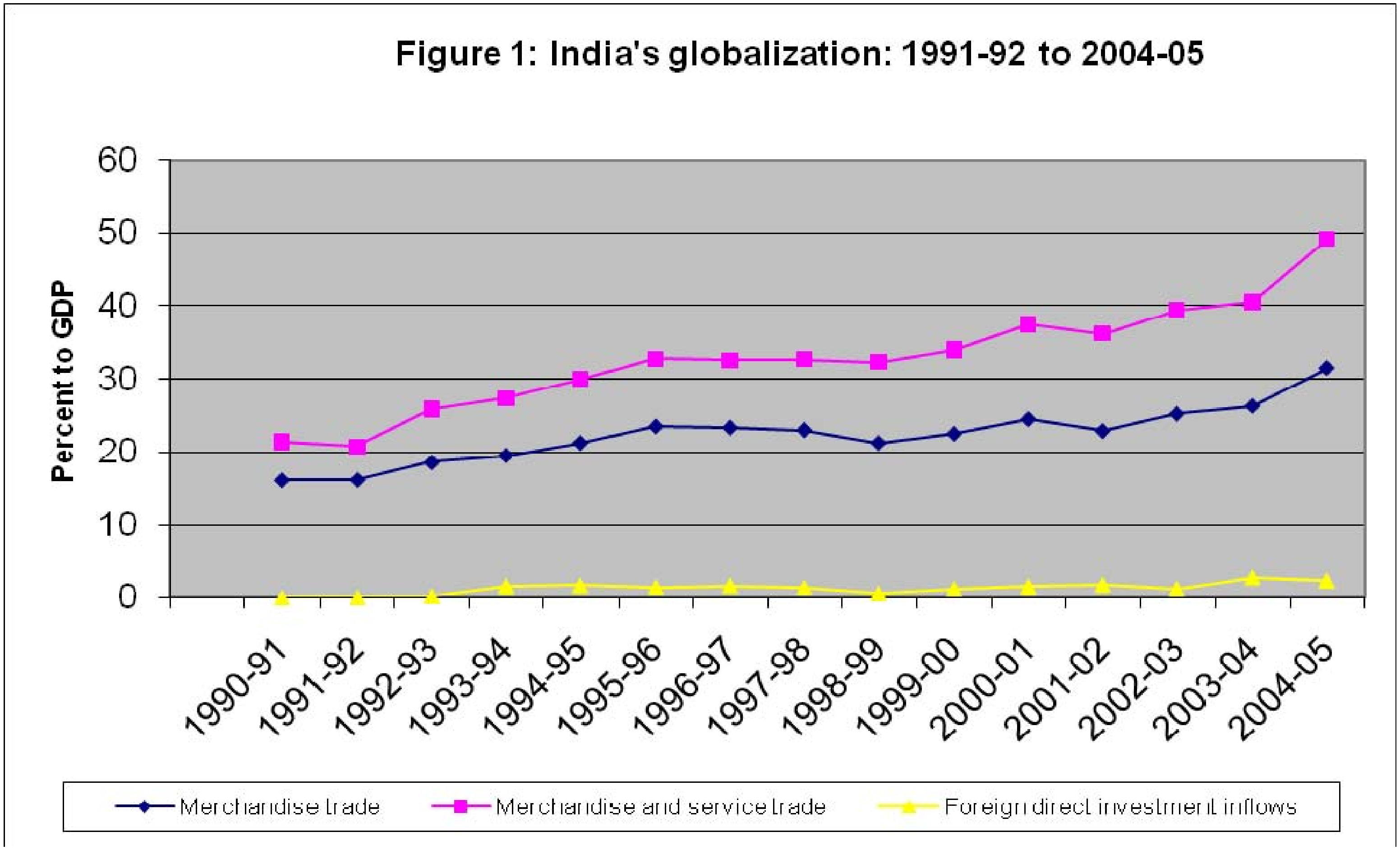
Figure 1: India's globalization: 1991-92 to 2004-05
Percent to GDP
60
50
40
30
20
10
0
1990-91
1991-92
1992-93
1993-94
1994-95
1995-96
1996-97
1997-98
1998-99
1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
Merchandise trade
Merchandise and service trade
Foreign direct investment inflows

Table 2: Growth and distribution of urban population: 1981-2001

Demographic indicators	1981	1991	2001
1. Total urban population (million)	159.46	217.61	285.35
2. Share of urban population (%)	23.34	25.71	27.78
3. Annual growth rate [=Compound annual growth rate]: %			
• Total	2.23	2.16	1.95
• Urban	3.87	3.16	2.75
4. Net rural-urban migration in total urban population (%)	6.15	7.63	8.86
5. Net rural-urban migrants in net increase in decadal urban population (%)	19.46	28.55	37.30
6. Distribution of urban population (States and Union Territories)			
• Mean (million)	5.09	6.80	8.26
• Standard deviation	6.49	8.66	10.60
• Minimum	6914	11725	26948
• Maximum (million)	21.99	30.54	41.02
• Coefficient of variation (%)	128	127	128
7. Distribution of urban population (States only)			
• Mean (million)	6.29	8.32	9.80
• Standard deviation	6.85	9.13	11.14
• Minimum	41428	37006	60005
• Maximum (million)	21.99	30.54	41.02
• Coefficient of variation (%)	109	110	114

Note: (1) All years refer to census years. (2) Number of States is equal to 25 in 1981 and 1991, and 28 in 2001. Number of Union Territories is equal to 7 throughout and includes Delhi, Pondicherry and Chandigarh.

Source: Census of India reports- Various years.

Table 3: India's recent urbanization in global context: 2001 and 2005

Indicators	Share of urban population (%)	
	2001	2005
India	27.8	28.7
Group of countries by levels of human development		
• High	78.3	76.8
• Medium	41.6	39.3
• Low	31.6	33.2
Group of countries by levels of income		
• High	79.4	77.6
• Middle	51.6	53.9
• Low	31.5	30.0

Notes: (a) Level of human development is distinguished by the value of Human Development Index: High (≥0.800); Medium (0.500 – 0.799); and Low (<0.500). (2) Level of income is distinguished by the value of per capita Gross National Income: 2001: (≥$9206); Middle ($746-9205); and Low (≤$745). 2005: (≥$10726); Middle ($876-10725); and Low (≤875).

Source: UNDP (2007 and 2003).

Table 4: Growth and distribution of number of towns in India: 1981-2001

Indicators	Percent share (Annual growth rate: %)		
	1981	1991	2001
1. Class I (0.1 million and above)	6.60 (3.74)	8.11 (3.24)	9.00 (2.76)
• Metropolitan cities (1 million and above)	0.36 (2.92)	0.62 (6.72)	0.80 (4.29)
• Class I (100000-999999)	6.24 (3.79)	7.49 (3.01)	8.20 (2.63)
2. Class II (50000 and 99999)	8.18 (2.12)	9.33 (2.48)	9.23 (1.59)
3. Class III (20000 and 49999)	22.54 (1.33)	25.53 (2.41)	26.56 (2.11)
4. Class IV (10000 and 19999)	31.90 (0.64)	31.65 (1.06)	30.74 (1.41)
5. Class V (5000 and 9999)	23.05 (-0.74)	20.02 (-0.28)	20.08 (1.74)
6. Class VI (Less than 5000)	7.72 (-1.48)	5.36 (-2.50)	4.39 (-0.31)
7. All Classes	100.00 (0.55) [**3301**]	100.00 (1.14) [**3697**]	100.00 (1.71) [**4378**]

Note: (1) All years refer to census years. (2) Figures in square brackets refer to number of towns.

Source: Census of India – Various years

Table 5: Growth and distribution of urban population by number of towns in India: 1981-2001

Indicators	Percent share (Annual growth rate: %)			Average population size per city/town		
	1981	1991	2001	1981	1991	2001
1. Class I (0.1 million and above)	60.35 (6.07)	65.24 (3.96)	68.64 (3.27)	441448	473231	497126
• Metropolitan cities (1 million and above)	26.41 (4.23)	32.47 (5.31)	37.81 (4.32)	3510000	3072174	3082286
• Class I (100000-999999)	33.94 (7.79)	32.77 (2.80)	30.83 (2.12)	262697	257435	245091
2. Class II (50000 and 99999)	11.65 (2.36)	10.94 (2.51)	9.67 (1.49)	68805	69005	68302
3. Class III (20000 and 49999)	14.35 (1.38)	13.14 (2.25)	12.24 (2.02)	30757	30290	30032
4. Class IV (10000 and 19999)	9.55 (0.86)	7.74 (1.01)	6.85 (1.50)	14462	14396	14522
5. Class V (5000 and 9999)	3.55 (-0.90)	2.62 (0.07)	2.35 (1.64)	7439	7705	7629
6. Class VI (Less than 5000)	0.55 (-0.28)	0.32 (-2.28)	0.25 (0.24)	3439	3517	3716
All Classes	100.00 (3.87) [**159.46**]	100.00 (3.16) [**217.61**]	100.00 (2.75) [**285.35**]	48307	58862	65179

Note: (1) All years refer to census years. (2) Figures in square brackets refer to total population in millions.

Source: Census of India reports – Various years

Table 6: Economic performance and business environment within Class I cities: 2004

Indicators	Metropolitan areas	Medium sized cities	Small cities
Performance indicators (in 1999 US dollars and per annum)			
• Value added per worker	7560	3964	4054
• Wages per worker	1473	944	1017
• Fixed assets per worker	4802	2871	2993
Business environment			
• Number of inspections a year	5.6	6.3	7.4
• Average days to clear customs	6.5	6.8	7.4
• Days to get a new telephone connection	14.9	24.0	49.5
• Days to get connection to public grid	25.8	40.7	53.5
Regulatory frameworks and infrastructure facilities	Percent of firms which identified the frameworks and lack facilities as bottlenecks		
• Tax and custom regulation	9.1	14.5	14.4
• Labour regulation	10.6	17.5	16.8
• Telecom	3.0	6.8	3.0
• Electricity	7.5	30.2	31.9
• Transport	3.0	14.1	12.5

Source: World Bank (2004).

Table 7: Share and growth of urban GDP by sectors: 1980-81 to 1999-00

Industrial/sector classification	Share within urban GDP (%)			Urban share in total GDP by each industry/sector (%)			Annual growth rate (%)	
	1980-81	1993-94	1999-00	1993-94	1999-00	1980-81	1980-81 to 1993-94	1993-94 to 1999-00
1. Mining and quarrying	1.47	1.60	57.61	34.12	2.29	45.25	5.89	15.05
2. Manufacturing	28.11	22.82	58.46	70.23	14.40	68.16	3.54	2.31
• Registered	17.65	14.41	60.10	69.95	9.29	79.63	3.59	2.62
• Unregistered	10.46	8.41	55.69	70.71	5.11	54.82	3.47	1.75
3. Electricity, gas & water supply	1.21	1.71	54.56	62.12	1.60	59.98	8.09	8.16
4. Construction	6.92	6.66	56.68	54.89	6.99	54.38	4.91	10.02
5. Trade, hotels & restaurants	22.01	21.05	72.95	69.55	21.78	69.66	4.86	9.80
• Trade	0.00	19.81	73.74	69.25	20.21	NA	NC	9.58
• Hotels & restaurants	0.00	1.24	64.10	74.64	1.58	NA	NC	13.07
6. Transport, storage & communication	6.33	7.77	70.70	65.71	9.01	77.01	6.89	11.62
• Railways	0.87	1.41	69.02	66.17	1.16	70.48	9.19	6.33
• Transport by other means	4.42	4.85	71.57	67.67	5.83	82.16	5.98	12.18
• Storage	0.21	0.13	68.82	69.01	0.11	83.33	1.19	7.19
• Communication	0.83	1.38	69.24	59.03	1.91	61.34	9.41	14.44
7. Financing, insurance, real estate & business services	12.75	18.12	76.40	71.82	19.57	62.39	8.10	10.48
• Banking & insurance	6.22	10.51	85.48	83.63	10.57	84.30	9.55	9.36
• Real estate, ownership of dwellings & business services	6.53	7.61	67.93	60.10	9.01	50.02	6.46	11.92
8. Community, social & personal services	16.24	15.89	70.92	58.29	20.85	60.92	5.04	13.59
• Public administration & defense	7.69	7.24	80.09	59.66	10.33	65.72	4.73	14.95
• Other services	8.54	8.65	63.75	57.20	10.52	57.15	5.32	12.36
Total	95.03	95.63	51.70	45.73	96.49	41.09	5.22	9.27
Total urban GDP at constant prices (Rupees in billions)	1648.14	3192.01			5936.52		1.97	6.91
Per capita GDP (Rs.)	10498	13525			21587			

Note: Total in column 2, 3 and 4 does not add up to 100 due to exclusion of agriculture, forestry, and fishing sector.
Source: National Accounts Statistics 2000 and 2006, Central Statistical Organization, Government of India (New Delhi).

Table 8: Urban consumption in India: 1987-88 to 1999-00

Indicators	1987-88	1993-94	1999-00
1. Average monthly consumption expenditure (Rs)			
All India			
• Urban India	245.71*	458.04* 464.83**	836.00**
• Rural India	157.69*	281.40* 286.58**	475.63**
Cities and towns			
• Million plus cities	324*	606* 608**	1070**
• Medium towns	242*	445* 453**	813**
• Small towns	210*	378* 382**	700**
• All urban centres	246*	458* 464**	855**
2. Growth rate per year (%)	1987-88 to 1993-94		1993-94 to 1999-00
All India			
• Urban	10.94		7.51
• Rural	10.13		8.75
Cities and towns			
• Million plus cities	11.00		8.41
• Medium towns	10.69		9.05
• Small towns	10.29		9.00

Note: * (or **) indicates (or indicate) the estimates based on Uniform Recall Period (or Mixed Recall Period). Uniform recall period refers to consumption expenditure data collected using 30-day recall or reference period. Mixed recall period refers to the consumption expenditure data collected using one year recall period for five non-food items (i.e. clothing, footwear, durable goods, education, and institutional medical expenses) and 30 days recall period for the rest of items[(Planning Commission (2007)].

Source: Planning Commission (2002a) and Kundu (2006).

Table 9: Urban poverty in India: 1983-94 to 2004-05

Indicators	1983	1987-88	1993-94	1999-00	2004-05
All India					
1. Poverty Line (Rupees per capita per month consumption expenditure)					
• Rural	89.50	87.88	205.84	327.56	356.30
• Urban	115.65	115.20	281.35	454.11	538.60
2. Estimates of poverty (Percent of population below poverty line)					
• Rural	45.65*	39.10*	37.27*	27.09**	28.30* 21.80**
• Urban	40.79*	38.20*	32.36*	23.62**	25.70* 21.70**
Cities and towns					
• Million plus cities	NA	35.20*	22.60*	14.20**	NA
• Medium towns	NA	40.50*	32.22*	20.40**	NA
• Small towns	NA	45.30*	36.20*	24.20**	NA

Note: * (or **) indicates (or indicate) the estimates based on Uniform Recall Period (or Mixed Recall Period). Uniform recall period refers to consumption expenditure data collected using 30-day recall or reference period. Mixed recall period refers to the consumption expenditure data collected using one year recall period for five non-food items (i.e. clothing, footwear, durable goods, education, and institutional medical expenses) and 30 days recall period for the rest of items[(Planning Commission (2007)].

Sources: Planning Commission (2007 and 2002a), Government of India (1998), and Kundu (2006).

Table 10: Urban employment and labour productivity in India: 1983 to 1999-00

Indicators	1983	1993-94	1999-00
1. Total urban labourforce (million)	57.15	80.6	92.95
2. Urban unemployment rate	9.64	7.20	7.65
3. Urban work participation rate	33.31	34.30	33.62
4. Labour productivity (GDP at constant prices per worker): Rs.			
• Rural	12575	15715	22110
• Urban	31916	42674	69158
5. CAGR of workforce	1983 to 1993-94	1993-94 to 1999-00	
• Urban	3.43	2.32	
6. CAGR of labour productivity			
• Rural	1.73	5.86	
• Urban	2.26	8.38	

Notes: (a) Labour force and workforce are measured by Current Daily Status (i.e. based on the daily activity pursued during each day of the reference week), and expressed in person years. (b) GDP in 1983 refers to 1980-81.

Sources: Planning Commission (2002a and 2002b).

Table 11: Distribution of urban persons by types of employment by size-class of cities and towns in India: 2004-05

Size class of cities and towns, and employment indicators	Distribution of labour force (%)					Share of population in labour force (%)
	Share in all urban centres	Self-employed	Regular wage/ salaried	Casual labour	Un-employed	
Million plus cities	26.49	37.72	49.71	8.90	3.68	51.70
Medium towns	46.45	43.98	36.71	14.53	4.78	52.30
Small towns	27.06	47.94	27.83	19.57	4.67	55.70
All urban centres	100.00	43.21	37.92	14.34	4.53	53.00

Notes: Labour force is measured by Usual Status.

Source: NSSO (2007)

Table 12: Urban employment by size-class of cities and towns in India: 1993-94 to 2004-05

Size class of cities and towns, and employment (Usual Status*)indicators	Employment by gender			Self-employed			Regular wage/salaried		
	1993-94	1999-00	2004-05	1993-94	1999-00	2004-05	1993-94	1999-00	2004-05
• Million plus cities									
Male	767	745	762	353	368	395	540	510	512
Female	181	176	198	282	352	382	569	523	528
• Medium towns									
Male	761	746	756	419	408	460	426	426	390
Female	203	179	218	463	447	472	301	335	363
• Small towns									
Male	781	766	777	460	473	488	329	317	316
Female	281	244	276	502	525	547	160	213	221
• All urban centres									
Male	768	752	763	415	415	449	425	418	407
Female	223	197	227	446	452	471	293	335	361

	Unemployment rate			Employment in secondary sector		Employment in tertiary sector	
	1993-94	1999-00	2004-05	1999-00	2004-05	1999-00	2004-05
• Million plus cities							
Male	38	47	34	351	375	638	610
Female	86	64	43	325	335	636	653
• Medium towns							
Male	44	46	37	340	338	612	616
Female	69	63	84	325	329	537	603
• Small towns							
Male	37	40	59	288	323	569	534
Female	47	47	68	299	292	342	525
• All urban centres							
Male	40	44	38	328	344	607	594
Female	63	57	70	317	321	501	593

Notes: (a) * Number of usually employed persons per 1000 persons aged 15 years & above according to the Usual Status. (b) Employment by gender does not add up to 1000 in all causes due to non-reported cases. (c) NA refers to not available. (d) Secondary sector includes manufacturing, electricity, gas and water supply, and construction. (e) Tertiary sector includes all services.

Source: NSSO (2007)

Table 13: Summary of major national programmes for urban development in India

Programme	Scope/duration	Coverage of cities and towns	Major objectives	Mode of financing
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	Seven years from 2005-06 Limited to cities with elected local bodies Implementing agencies are urban local bodies and parastatal agencies	7 cities over 4 million population in 2001 28 cities with 1-4 million population 2001 28 selected cities with less than one million population in 2001	Improvements in infrastructure and basic services Infrastructure facilities include urban renewal, water supply and sanitation, sewerage and solid waste management, urban transportation including roads, highways, and metro projects, and preservation of water bodies. Improvements in basic services (e.g. water supply, sewerage, drainage, community toilets and baths) for slum dwellers and other urban poor	Project-based financing by the Central Government as 100% grant under Central Assistance Estimated total investment requirement is Rs.1205.360 billion • 47.41 percent for 7 cities over 4 million population (annual fund requirement is Rs.81630 million) • 47.41 percent for 28 cities with 1-4 million population (annual fund requirement is Rs.81633 million) • 5.82 percent for28 selected cities with less than one million population (annual requirement is Rs.8929 million)
Urban Infrastructure Development Scheme for Small and Medium Towns	Same as under JNNURM	All cities and towns in 2001, except those covered under the JNNURM	Improvements in infrastructure and basic services , such as, urban renewal, water supply and sanitation, sewerage and solid waste management, construction and urgradation of roads, highways/expressways, preservation of water bodies, and unduplicated improvement in basic services for slim dwellers	Allocation of funds will be proportional to share of population of the cities and town in the nation's total urban population (excluding cities covered under JNNURM) Funds are shared by the Central and State Government in the ratio of 80:10. The remaining 10% to be raised by the implementing agency from the financial institutions

Source: Ministry of Urban Development and Poverty Alleviation, Government of India: http://www.urbanindia.nic.in/moud/programme/ud/main.htm