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Research Paper | Economics

Urbanisation and its Impact on Poverty

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ABSTRACT

The paper attempts to analyze the impact of some of the demographic variables which influences the per capita income, rate of unemployment etc. and its impact, in turn, to poverty. This paper also analyzes and makes inferences on the relationship between urbanisation and per capita income, rate of unemployment and population below poverty line and understands its implications on poverty. The methodology adopted for this paper is review of literature and secondary data was used to make analysis and subsequent inference. The relationship has been established using Pearson's Coefficient of Correlation.

KEYWORDS: Per capita income, unemployment, demography, poverty.

I INTRODUCTION

In our daily life, we come across many people who we think are poor. They could be landless labourers in villages or people living in overcrowded jhuggis in cities. They could be daily wage workers at construction sites or child workers in dhabas. Roughly 260 million (or 26 crore) people in India live in poverty. India has the largest single concentration of the poor in the world. This illustrates the seriousness of the challenge.

The general issues related to poverty are • Landlessness • Unemployment • Size of families • Illiteracy • Poor health/malnutrition • Child labour • Helplessness etc. Analysis of poverty based on social exclusion and vulnerability is now becoming very common

The present poverty estimation methodology takes only economic factors in to account. It considers about a "minimum" subsistence level of living rather than a "reasonable" level of living. Poverty is no longer confined to economic factors alone. With the development, the definitions of what constitutes poverty also changes. Accordingly the scope of removal of poverty has also widened from a level of merely an increase in income of the people to make provision to the people with education, shelter, health-care, job-security, respect, dignity all.

There is a substantial decline in poverty ratio in India from 55 percent in 1973 to 36 percent in 1993 and again to 26 percent in 2000. Although the number of poor people remained stable (about 320 million) in the earlier two decades (1973 to 1993), there was significant reduction in the number of the poor to about 260 million till 2000. If the present trend continues, the people below poverty line may come down to less than 20 percent in the next few years.

II RESEARCH METHODOLOGY

The methodology adopted for this research study is described as under.

1) Objectives of the Study

i) To analyse the relationship between poverty and various economic variables like per capita income, rate of unemployment and understand its impact upon those variables

ii) To analyze and infer the relationship between the demographic variables like migration, urbanisation and economic variables like per capita income, rate of unemployment and Percentage of Population Below Poverty Line

2) Review of Literature

a) **B.N Gosh** (1993), in his 'Population Economics' gives theoretical background for population growth, Urbanisation, migration, fertility, mortality etc. and tries to answer what, why, how, how much, when questions on demographic variable.

b) Study had been conducted by **M.K Jain, Ninati Ghosh and Won Bae Kim** on trends in urbanisation in India in their book titled 'Emerging Trends of Urbanisation in India - An analysis of 1991 Census Results'. Elaborate study has been done by them on multivarious aspects of urbanisation in India on the basis of 1991 census figures.

c) **K. G. Selvaraj and P. S. S. Rao (1973)** in 'Household Migration—Urbanization and Consequences' It has been highlighted in the present study that the reason to emigrate to distances above 15 kms was for job secured. The study reminds the essentiality to alter work participation in rural areas.

d) P. S. Nair (1985), in the study of Inter-State Period Migration in India, 1971-81 Levels and Trends tries to reinstate the relationship between migration and distance with the help of empirical data.

e) P. K. Chaubey (1998) in his paper 'Factor Decomposition of Urbanization Growth' shows that the URGD (Rural Urban Growth Differential), the most popular measure of tempo of urbanisation, is the correct measure of tempo only when the level of urbanisation is measured by urban rural ratio, not when it is measured by urban population ratio. If the level of urbanisation has to be measured by urban proportion of population, as is normally done, then URGD has to be corrected by the additive inverse of urban proportion.

3) Sources of Data and Methods:

The methodology adopted for this paper is review of literature. Census 2001 Figures are extensively used in this study. Karl Pearson's Correlation Analysis is used to find the relationship between variables under study and the relationships tested are:

(i) Is urbanization associated with per capita income in a positive manner?
(ii) Does a higher degree of urbanization result in the lower degree of unemployment?
(iii) Does a higher degree of urbanization result in a reduction of the proportion of population below the poverty line?

IV URBANISATION AND ECONOMIC DEVELOPMENT

India ranks quite low among the countries of the world in the degree of urbanization. Two reasons can be attributed to the increase of population in urban areas : (a) natural increase of urban population, and (b) net migration from the rural areas. As India is passing through a period of high population growth, the natural increase of population in the urban areas is also quite high. Since the process of urbanization started in India about a decade or so ago, it has not gathered enough momentum so as to enable it to absorb a significant chunk of the rural population. In fact, the impact of industrialization in fostering urbanization is only marginal. With a slowing down of the population growth rate in the coming decades and with an acceleration in the tempo of industrialization, it is expected that the extent of urbanization in India may show a significant change.

The extent of urbanisation can be measured by measuring the relationship between urbanisation, Per capita Income, Rate of Unemployment

and percentage of population below poverty line. Economic development is expected to achieve three things: (i) a rise in per capita income so that level of living of the people improves; (ii) a reduction in the rate and magnitude of unemployment; and (iii) reduction of population below the poverty line. To understand the degree of urbanization and its impact of urbanization on economic development, it would be appropriate to take a comprehensive view of development and not restrict its impact on only one variable i.e., per capita income. In table 1, state-wise data of the proportion of urban to total population in 1981, estimates of per capita income for 1981-82, rate of daily status unemployment (1977-78) and percentage of population below the poverty line have been juxtaposed.

The analysis is based on cross-sectional data for 16 states of India (Table 1). It is assumed that rates of unemployment and percentage of population below the poverty line are fairly stable variables and, therefore, they can be safely used to understand the impact of urbanization on them.

Table 1
Degree of Urbanisation and
Per Capita Income, Rates of Unemployment and Population Below Poverty Line

Sr. No.	States	Urban to Total Population1 (2001) (%)	Per Capita Income Current Prices2 (1996-97) Rs.	Rate of Unemployment (Daily Status)3 (1999-2000)	Percentage Of Population3 Below Poverty Line (1993-94)
		a	1	2	3
1	Tamil Nadu	43.9	13382	11.78	35.0
2	Maharashtra	42.4	17825	7.16	36.9
3	Gujarat	37.4	16287	4.55	24.2
4	Karnataka	34.0	11772	4.57	33.2
5	Punjab	33.9	17447	4.03	11.8
6	Haryana	29.0	16454	4.77	25.1
7	West Bengal	28.0	9886	14.99	35.7
8	Andhra Pradesh	27.1	11224	8.03	22.2
9	Kerala	26.0	13050	2.97	25.4
10	Madhya Pradesh	25.0	8689	4.45	42.5
11	Rajasthan	23.4	10171	3.13	27.4
12	Uttar Pradesh	20.8	7743	4.08	40.9
13	Orissa	15.0	6401	7.34	48.6
14	Bihar	13.4	4965	7.32	55.0
15	Assam	12.7	7394	22.21	40.9
16	Himachal Pradesh	9.8	10728	2.96	28.4
	All India	27.8	11564	7.32	36.0

Note: (a) Urbanisation percentage for Bihar has been recalculated to include Jharkhand and that for Madhya Pradesh to include Chattisgarh (b) States have been arranged in the descending order on the basis of degree of urbanisation

Source: 1. Census of India (2001) 2. Economic Survey (2001-2002) 3. Planning Commission (1998), Ninth Five Year Plan (1997-2002)

Table 2 Correlation Chart for Table 1

Variables	Correlation Coefficients	Interpretation
Between % of Urban to total population and Per Capita Income	(+)0.78	Strong Positive
Between % of Urban to total population and Rate of Unemployment	(-)0.11	Weak Negative
Between % of Urban to total population and Percentage of population below poverty line	(-)0.42	Mild Negative

Note: Calculated form Table 1

V FINDINGS

1. The co-efficient of correlation between the proportion of urban to total population and per capita income was +0.78 which is significant. This indicates that the degree of urbanisation is positively associated with per capita income and is significant.(Table 2)

2. Correlation coefficient (r) between α and Column 1 = +0.78 significant at 5 per cent level, α and Column 2 = (-)0.11 which shows the relationship between percentage of urban population and rate of unemployment is negative and weak α and Column 3 = (-)0.42 which shows there is mild correlation between percentage of urban population and percentage of people below poverty line.

3. Correlation between the proportion of urban population and the rate of daily status unemployment was - 0.11 which was negative though its impact was weak. It implies that a higher degree of urbanisation did reduce the degree of unemployment to some extent by absorbing the surplus labour force released from rural areas in urban employment. The expected negative correlation between urbanisation and unemployment did not get support from an analysis of the empirical data.

4. Correlation between the proportion of urban population and percentage of population below the poverty line is -0.42. It indicates a negative but mild, correlation. Obviously, the pattern of urbanisation that has developed in India did not make a deep impact on reduction of poverty.

VI CONCLUSION

It may be mentioned that whereas urbanization and per capita income are positively correlated, there is near absence of a correlation between urbanisation and unemployment and, urbanisation and reduction of population below the poverty line. Many factors may be responsible for the situation. Firstly, the neglect of slums in urban areas in our planning strategies may be perpetuating poverty. Secondly, whereas the organised sectors are able to improve their income levels by collective bargaining, the unorganised sectors are ruthlessly exploited by the capitalists, the landlords, the contractors and other owners of the instruments of production. Thirdly, the increasing use of capital-intensive technologies in urban areas results in increase in unemployment. Consequently, the absorptive capacity of the economy continues to be low and this explains to some extent the fact that urbanisation did not make a definite dent on the problem of unemployment. Last, but not the least, the benefits of growth may be unequally shared by various sections of the society and the resulting concentration of income and wealth may lead to an increase in per capita income without either improving the economic condition of the poor or enlarging employment at higher wage levels. In other words, the country may be experiencing an enclave type development whose spread effects are very limited.

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