



## Source and Composition of Urban Poverty in India: Trends and Implications

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Available online at: [www.isca.in](http://www.isca.in), [www.isca.me](http://www.isca.me)

Received 20<sup>th</sup> February 2016, revised 12<sup>th</sup> March 2016, accepted 5<sup>th</sup> May 2016

### Abstract

*There is a growing urbanization of poverty in India. The recent development pattern and associated process of urbanization in India have led to concentration of poor people more in small towns than in big or metro towns. Poverty level is thus negatively related with the size of the town. Though the magnitude of rural poverty is large, the incidence of urban poverty was as high as 25.7 percent in 2004-5 and 15 percent in 2007-8. Urban poverty is a complex phenomenon. Unlike rural poverty, it is not just inadequacy in income to buy requisite amount of calories, it reflects deficits in education, sanitation, housing, water supply and health care services of urban delivery system. The available data disprove the common belief that urban poor constitute a large part of inflow of poor from rural areas. The purpose of the present endeavour is to examine the trends, composition and character of urban poverty and how it is associated with rural poverty. The study also underlines significant policy implications in tackling the challenges of urbanization and poverty.*

**Keywords:** Urban Poverty, Poverty gap, Migration, Globalization.

### Introduction

India's growth dynamics and associated pattern of urbanization have led to the concentration of poor people more in urban centers in recent times. As happening in the larger part of the world, India has been experiencing the trends of an increasing number of people living in urban areas. Though the level of urbanization is among the lowest in the world, absolute urban population in India have increased steadily in the last few decades from 23.3 percent in 1981 to 31.25% in 2011 and projected to be around 40 percent in 2030<sup>1</sup>. The forces of urbanization and globalization unleashed in early 1990s in Indian economy have further intensified the process of urbanization of poverty. The metro or mega towns were seen as the instruments of globalization, while the small towns were lagged behind. The last couple of decades, therefore, have witnessed an unprecedented high incidence of urban poverty in small and medium towns than poverty in big or class 1 cities. The significance of urban sector can be gauged by the fact that the urban share in India's GDP was over 60 percent in 2009-10 and expected to be higher in coming years.

India's impressive growth record has undergone an exclusionary process of urbanization. A drastic change in the relative structural composition of the economy from predominantly agrarian to service and manufacturing economy and her preoccupation with rural development turned the urban poverty to be large and wide spread. The out-migration of the people from these areas is also because of lack of work and livelihood opportunities in rural areas. 'A large part of urban growth in the less developed countries has historically been linked to

stagnation and volatility of agriculture and the lack of sectoral diversification within the agrarian economy. India is no exception to this phenomenon<sup>2</sup>. The inevitable urbanization has resulted into proliferation of informal settlement called slums which manifest the most severe form of absolute poverty in urban India. Poverty in urban India is, therefore a complex phenomenon. Hence, urban poverty could not adequately be defined in terms of poverty line based on minimum consumption; it is rather a reflection of the exclusionary socio-economic policies and failure of the legal and civic delivery system<sup>3</sup>. The contemporary trends of urbanization and accompanying army of urban poor pose a challenge to the long term sustained growth of Indian economy.

The objective of this paper is to comprehend important characteristics and to analyse latest trends and structure of the urban poverty and how it is linked to the rural poverty in India. The present endeavour also underscores significant policy implications in tackling the problem of growing urbanization and poverty in India. The weight of logical arguments coupled with relevant statistics were the basis of drawing conclusions.

### Urban Poverty

Conceptually, urban poverty is multi-dimensional in nature. The urban poor confront a variety of deprivations such as inadequate availability of affordable housing, basic civic amenities like safe water, drainage, urban waste management, roads, street lighting, health care, education, social security and sustainable livelihood opportunities. Though the magnitude of rural poverty is higher, but the gap between rural and urban poverty has been narrowing

from 5 percent in 1983 to 2.6 percent in 2004-05 as shown in table-1.

From the table-1 it can further be seen that the proportion of urban poor in relation to rural poor has gone up from 1: 4.5 during the year, 1993-94 to 1: 2.73 in 2004-05. Around 81 million people out of an estimated urban population of about 310 million people were below the poverty line in 2004-05. The share of urban poor in total Indian urban population has risen from 22 percent in 1983 to 26.8 percent in 2004-05. The figure will be larger, if we add about 40-50 million person lying on the border line of poverty, as reported by NSSO, 2006. It is worth noting from the data presented in table-2 that the rate of decline of urban poverty during the year, 1983 to 1993 was slower than the period, 1993-2004.

Moreover, the depth and severity of urban poverty can better be explained in terms of what is known as the 'poverty gap' which may be defined as the nominal distance between the poverty line

on the one hand and income of the poor individual on the other. To be precise, the poverty gap measured in terms of consumption expenditure shows as to how much extent the monthly expenditure of the urban poor is actually short of the poverty line. This gap is higher in urban areas. In case of urban people, the poverty gap in 2007-08 was 19 which imply that the average income of the urban poor was 19 percent lower than the poverty line. This points to higher consumption inequalities in urban India, which were reflected in the higher value of the Gini-coefficient as compared to rural India<sup>4</sup>.

### Rural-Urban Connection

The migration and urbanization process in India have stirred up the big cities especially after the globalization waves in 1990s. The resultant growth has been urban-centric neglecting small and marginal towns. The metro or class I cities that attracted a large volume of migrants, therefore, shared less number of poor than medium and small cities or towns.

**Table-1**  
**All India incidence of poverty in Rural and Urban Areas**

Year	Percentage of Rural poor	Number of Rural poor (million)	Percentage of Urban poor	Number of Urban poor (million)
1983	45.7	252	40.8	71
1993-94	37.3	244	32.4	76
2004-05	28.3	221	25.7	81
2007-08	14.9	-	14.5	-

Source: Eleventh Five Year Plan (GoI). Figure for the period 1983 to 2004-5 is based on URP method. For 2007-8, the estimate is based on MRP method, and hence not comparable.

**Table-2**  
**Annual Average Rate of Decline in the Headcount Ratios of the Poor**

Period	Annual Average Rate of Decline		
	Urban	Rural	Combined
1973-74 to 1983	1.8	2.1	2.1
1983 to 1993-94	2.3	2.0	2.1
1993-94 to 2004-05	2.1	2.5	2.4

Source: Planning Commission, GoI, 2011.

**Table-3**  
**Percentage of Poor in different Size classes of Cities / towns**

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

Source: Kundu and Sarangi (2005) as reported in India; Urban Poverty Report (GoI, 2009)<sup>5</sup>

Data presented in table-3 clearly indicates that the poverty in urban areas varies with the size class of the town. The proportion of poor living in large towns was about half of the size of poor in rural areas in 1993-94. 'Across states, poverty is negatively correlated with the level of urbanization. Within the urban settlements, poverty also varies with the size of settlement; large cities have lower incidence of poverty than smaller cities and towns'<sup>6</sup>. The urbanization trends are influenced more by developments at macro level than rural economy. The large migration into urban centres was not, therefore, related with the rural poverty or rural economic conditions alone. 'The strategy of economic reforms and globalization has given a boost to the growth of industries and business in a few large global cities attracting the inflow of capital from outside the region or country, as also investment by local entrepreneurs. These pull factors have brought in a large number of skilled and semi-skilled personnel from small towns and rural areas into these cities'<sup>2</sup>.

The common belief that the urban poor constitute a large part of immigrants' population from rural areas is disproved by the available evidences. In other words, a great deal of urban poverty is not the result of the overflow of poor from rural areas. As already stated, despite lackluster performance of Indian agriculture and its declining share in sectoral composition, agriculture sector is still employing considerable number of labour force. Consequently, relative productivity in agriculture has been falling. 'Yet people stick to agriculture. This suggests that there are strong barriers to migrate'<sup>6</sup>.

Monthly Per capita Consumption Expenditure (MPCE) data of different classes collated in table-4 reveals that people enjoying larger MPCE both in rural and urban areas had more inclined to migrate. Kundu and Sarangi<sup>5</sup> have concluded that poverty was not significant determinant in migration. Migrant households appeared to be affluent in relation to non-migrants. Urban migration is a factor in reducing the poverty. Thus, rural-urban migration emerged as a means of improving economic lot. In many developing countries, migrants formed well-off segment of population, and have been found to add to the economic prosperity of the cities/places where they immigrate. However, growth-led urbanization has witnessed a strong backwash effect creating shortage of basic urban needs like water, housing and livelihood for the most vulnerable urban poor. Another characteristic of urban poor is that more than 80 percent of urban poor belong to the category termed as self-employed people or casually employed. The wage employment is available to merely 20 percent of those urban poor. This has restricted their access to institutional and market finance in a bid to reduce poverty. An expert explains the reasons thus, 'Restructuring and dismantling of large factory industries in cities have contributed to the 'casualization' of work. City modernization drives have further contributed to this situation. Dismantling of industries has pushed the regular employees of the organized sector into casual jobs or into the informal sector as self-employed workers. Rent gaps in growing cities have provided further motivation to the relocation of industries'<sup>6</sup>.

**Table-4**  
**Migration rates of Rural and Urban Males in different MPCE classes (1999-2000)**

Rural		Urban	
MPCE Class (Rs.)	% of Migrants	MPCE (Rs.)	% of Migrants
Below 225	4.3	Below 300	10.5
-225	3.7	-350	13.0
-300	4.0	-425	13.4
-340	4.6	-500	19.7
-380	4.9	-575	21.1
-420	5.8	-665	23.9
-470	6.3	-775	27.8
-525	7.3	-915	30.7
-615	8.6	-1120	37.1
-775	10.7	-1500	41.2
-950	14.5	-1925	38.8
950 and above	23.3	1925 and Above	43.3
All	6.9	All	25.7

Source: Kundu and Sarangi (2005) as reported in India: Urban Poverty Report (GoI), 2009<sup>5</sup>

## Concluding Remarks

Though the majority of India's poor continues to reside in rural areas, there is a growing urbanization of poverty in India. Urban and rural poverty rates have been converging in recent years. Statistics of 'poverty gap' indicates that the depth and severity of poverty is higher in urban areas than in rural areas. The contemporary growth pattern and associated process of urbanization have led to flocking of rural poor to the urban centers. A large proportion of the urban poor are concentrated in small and medium towns compared to big or metropolitan cities. A negative correlation is observed between level of poverty and size of the town. Urban poverty is said to be multi-dimensional in nature. The urban poor confronts deficits in the form of the basic civic amenities like housing, water, sanitation, health care, education and regular income. This suggests that greater policy attention would need to be paid to the social dimensions of urbanization. It has been observed that Indian policy makers have over-emphasized rural poverty eradication in the past. Though increasing urbanization and concomitant pressures have brought urban issues into focus, funding for urban poverty still lags behind the magnitude of the problem. The level of funding for anti-poverty programs in urban relative to rural areas was only 1:35 in the late 1990s, against a share of urban to rural poverty of 1:3.5<sup>7</sup>. The foregoing discussion underscores the importance of revitalizing the existing programmes particularly in backward regions/towns where majority of urban people is

concentrated. The need of institutionalizing community participation, security of tenure for financial inclusion and greater assimilation of poor in urban planning is strongly felt.

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