



Bridging the Local: Beyond the 73rd and 74th Amendments

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Cities are seen as the key drivers of growth and managing urban expansion is a major policy challenge. But Indian urbanization is marked not just by expansion but also by the transformation of a large pool of rural areas. Together, these two factors contributed about 40% of urban population growth between the 2001 and 2011 censuses, with an equal contribution coming from natural growth, and the rest from migration. India's urbanization is thus as much a story of its large megacities as it is a story of the in situ transformation of its rural population, not just in the periphery of cities but also beyond.

Indian Urbanization on the Ground: A Rurban Story?

In India, very large cities coexist with a dense network of small towns. The six major urban agglomerations

– Delhi, Mumbai, Kolkata, Bengaluru, Hyderabad and Chennai – had about 74 million inhabitants in 2011. They are followed by a series of secondary metropolitan areas – state capitals and other big cities; all these million-plus cities accounted for a little under a third (31%) of the urban population in 2011. Some are recent upstarts like Gurugram, but most have been around for some time, as medieval or colonial cities.

While the large cities are commonly regarded as growth engines, urban growth in the past decade is not concentrated in these but is actually quite evenly distributed across various urban categories and locations. One-third of the fastest growing cities are small towns – 40% of the urban population in 2011 lived in small towns of less than 100,000 – and their economic activities are confined to the development of specialized clusters involving cities of various sizes as well as villages.

Not all these towns are administratively ‘urban’ or statutory towns (STs), but they are counted as urban by the Census since they are above the demographic and economic threshold of being ‘urban’. These settlements are known as census towns (CTs). Together with smaller STs, they bridge the gap between India’s large cities and rural areas as nodes that supply essential goods and services to the hinterland.

While the CTs are administrative villages that are counted as urban, there are many villages that do not cross the Census threshold but show visible non-agricultural functions. Together, these new ‘rurban’ spaces are slowly becoming a vital part of India’s settlement hierarchies, and their importance is rising in terms of filling the spaces between the interconnected city systems. They provide two main kinds of crucial linkages: between rural and urban, spatial and economic.

Spatial Periphery: While the peripheries of large cities like Delhi, Mumbai or Kolkata are growing at a faster rate than the core cities, growth of population and construction is occurring around smaller cities as well, and across different geographical locations. For example, Mallappuram, which used to be a small municipality of 10,000 people in northern Kerala during Census 2001, grew to an urban agglomeration of 1.7 million people by 2011. This growth came from CTs – administered by panchayats – around the city, which constituted 80% of the population of the Mallappuram urban agglomeration in 2011.

Spatial Corridor: Rurban areas are also emerging along industrial corridors, combining cities of different sizes and villages between two distinct city clusters to create an extended urban region. For example, many such settlements connected to textiles and light manufacturing stretch along NH 45, from Bengaluru to Salem in southern India. Such spaces blur the inter-urban boundaries while facilitating integration of the rural with the urban.

Economic Aspects: Economically, non-agricultural activities are spatially diffused, much of it outside the larger cities. In 2005, the share of the districts where the

largest 50 metropolitan areas are located was only 41% of the total non-farm value added in the country. As per the latest Periodic Labour Force Survey (PLFS), 2017-18, about 45.8% of the manufacturing employment in India is rural. In these rurban areas, economic activities are not just non-farm but also agricultural, with returns from farms and remittances being invested in services like transport and retail trade. Even in large cities, stringent land use regulations and urban density policies can push firms beyond the formal city boundaries. The pace of manufacturing employment growth was fastest (41%) over 1998-2005 in rural areas adjacent to the largest metropolitan cities.

In India, therefore, it may be more accurate to characterize this phenomenon as a rural-urban gradation, not just in terms of economic indicators like non-farm activities but also in terms of other measures like built-up growth or night-light intensity. These places are also not very different from smaller towns in terms of consumption levels or investment in private assets like septic tanks or motorized two-wheelers. Neatly classifying such settlements as urban or rural biases our understanding of India’s structural transformation and its associated welfare outcomes.

Dichotomous Governance

Yet, our administrative structure valiantly attempts to govern India’s settlements across clear administrative boundaries of rural and urban. The Constitutional framework of rural and urban governance, introduced by the 73rd and 74th Constitutional Amendments – gram panchayats in the case of villages and municipalities in the case of urban areas – reflects this dichotomy. This is historically evident at both state/local and union government levels. Only the STs are administrative urban areas, and are governed by an elected urban local body (ULB) constituted by Article 243 P & Q of the Constitution, which varies across different sizes and scales; they include municipal corporations, municipalities or municipal councils, and nagar panchayats or ‘transitional urban areas’. The criteria to designate (or declassify) a place as a ULB and categorize them across different scales are a prerogative

of the state governments. These criteria vary across states, from population cut-offs to workforce character, revenue generation capacity, etc. What is recognized as a ULB in one state may not be so in another.

CTs and villages, which constitute the rural-urban gradation, are not designated as administratively urban by the state, and continue to be governed by the appropriate gram panchayat. However, socioeconomic changes in these rapidly transforming spaces make them appear quite similar to formal urban areas in terms of economic activities, human capital and the nature of services required by the citizens.

This administrative classification also results in differences in functional domains and financial incentives of the rurban areas and smaller STs. The 11th Schedule of the Constitution places important functions like agriculture, irrigation and housing under the ambit of panchayats, while the 12th Schedule places urban planning, land use, water supply, roads, bridges, health sanitation and slum improvement under the purview of municipalities. But the states are not obliged to transfer these functions to local bodies, and there is variation across states as to the extent of transfer. These functionally distinct structures for rural and urban mean that a panchayat may not be able to pursue policies that respond to the changes happening in its jurisdiction.

At the Union government level, where the focus is more on financial incentives and grants for development, there is historically a sharp differentiation between rural and urban, where Union schemes have given preference to rural over urban in centrally sponsored schemes (CSSs). For instance, the estimated allocation for Swachh Bharat Mission-Grameen (SBM-G) is Rs 134,386 crore, which is about seven times the support for the urban counterpart, SBM-U. As a result, many states prefer rurbanizing places like CTs to remain rural, rather than classifying them as urban, to benefit from the larger budget for rural development. Indeed, in 2004, Tamil Nadu switched the classification of over 500 urban areas to rural, to obtain more funds from the central government.

The Dissonances

Gap in services: Differences in governance across the formal urban (ULBs) and rurban settlements is responsible for the gap in public services like piped sewerage or in-house water connections across them, despite a private demand for these services. Although these rurban spaces – that is, the CTs and large villages – are very different in economic structure, built-up area and services from other rural settlements, they are not capacitated to meet their changing requirements of services such as drainage, septage management or street lighting. This is because all of them are governed by the same rural governance structure. Even within the urban periphery, public service provisions like piped sewer falls off sharply once the formal administrative boundary of the core city is crossed. In most cities, it is lower in all settlements around the core city, and drops markedly with increasing distance from the core city.

Resistance to reclassification: One consequence of this ‘denied urbanization’ is that citizens resist state government proposals to reclassify their areas as ULBs. While there is regional variation, several services, especially sanitation, are individualized due to poor provision of sewerage network, piped water facilities, etc. However, Article 243 X of the Constitution permits the ULBs to collect taxes and duties, as authorized by the state legislature. Hence, the absence of property taxes and higher subsidies in rural areas can drive strong local interest to retain the rural-urban binaries, as people are often reluctant to pay extra for the services that they have already self-provided. The inadequate provision of public services in smaller towns adds strength to this preference.

Resistance to integration: Concomitantly, in large metropolitan areas where public services may be the responsibility of parastatal agencies (such as metro water boards), people prefer to be in smaller municipalities rather than become part of an expanded core city. For example, 18 new municipalities were created around Hyderabad in August 2018 to regulate land development in the city’s peripheries. In the course of this process, the elected representatives of

the erstwhile gram panchayats negotiated with the government to make the areas separate ULBs instead of merging with Hyderabad, as they feared taxes may be higher in the latter case.

Employment: These unequal service provisions across the rural-urban spectrum affect the economic transformation of rural areas. While some specific labour-intensive manufacturing industries are moving out of the municipal boundary, growth restrictions prevent significant employment growth in such districts. In some of these districts, there are concentrated clusters of well-developed household industries, such as the carpet and handloom clusters of Uttar Pradesh or bidi clusters of West Bengal. These, if integrated with the wider economic geography, can enhance the growth machine and provide substantial local employment.

Transport: This is another issue that falls between two stools. The movement of labour and the spatial distribution of jobs in urban peripheries are linked to the availability of multimodal and intermediate public transport like three wheelers, but there is no clear functional domain in the rural governance framework to regulate this. As a result, despite having a low cost of operation, these modes are pushed to the fringes rather than becoming an integral part of the public transit system, making it harder for labour to access employment.

Over time, these limitations can have repercussions on the future growth of CTs and bigger villages, where large sections of the workforce are only precariously engaged in non-farm jobs as small entrepreneurs or casual workers. Even where necessary factors to provide a more solid non-farm transformation are present, the prevailing functional and fiscal domains can prove to be a bottleneck for such growth. Overcoming these dichotomies could result in significant employment growth.

Policy Recommendations

The onus of prevailing over these rural-urban binaries in the governance framework and integrating a variety of interlinked rural-urban functions is on both the Union and federal levels of government.

State: At the state level, the effort should be to make the functional domain flexible in case of rural spaces. Even within the prevailing framework of the 11th and 12th schedules, it is possible to make such provisions. For example, the 12th Schedule does not make any distinction between the categories of urban areas like municipal corporations, municipal councils and nagar panchayats in devolving urban management functions. The language of the Act does not restrict the states from devolving functions from the 11th Schedule to ULBs or from the 12th Schedule to panchayats. Using this flexibility, states can transfer certain functions – such as permitting building licenses, sub-divisioning and readjusting land for variable uses, or regulating permits and lay-out routes for transport modes such as e-rickshaws – to the rural areas.

The size-insensitive character of the urban governance framework can also be used to functionally empower smaller ULBs or panchayats to provide ‘urban’ services so that citizens in CTs and other rural spaces get the desired levels of services and incur an obligation to pay, where appropriate. However, these devolutions should be made keeping local capacities and political environments in mind.

More coordination in land use and key infrastructure across the rural-urban gradation is necessary, especially in transport, water treatment plants, solid waste management, etc. As most rural development, especially in the periphery and along corridors, usually follows the trunk routes of transport infrastructure, urban planning needs to occur simultaneously with the expansion of transport networks. The use of spatial data over time can help with this.

There is also a role for mechanisms (some defunct in many states) like the District Planning Committee (DPC) and Metropolitan Planning Committee (MPC) to institutionally coordinate between rural and urban local governments. These or similar structures can also enable states to blend funding from various sources to address the needs of rural spaces.

Union: At the Union level, there is an urgent need to break out of the hardcoded definition of rural and urban. There is wisdom in being cautious about absolute conversions of CTs into STs. Given the variety of circumstances under which CTs are formed, states would need to deploy a case-specific approach to leverage their urban characteristics.

Designs for central schemes must not impose restrictions by typology of location because services in rural areas need a fit-for-purpose approach. For example, SBM-G focuses on constructing twin-pit latrines on a priority basis in rural areas, but many rural spaces (where the use of septic tanks was already high at the start of the scheme) would have been served better by efficient septic and faecal waste treatment management. Therefore, hard coding of central scheme interventions by specifying technologies for urban and rural spaces should be avoided.

At the implementation level, states must have the flexibility to evolve *modus vivenda* to address rural needs. For example, given how mobile labour is, states should be able to use funds from the National Urban Livelihoods Mission (NULM) in a variety of locations, including peripheries and corridors. Similarly, although the affordable housing scheme Pradhan Mantri Awas Yojana (PMAY) avoids some of the pitfalls of hard coding by supporting state- and region-centric variations in materials and technology, PMAY-Urban – rather than PMAY-Rural – may be more suited for peripheral villages.

Disassociating schemes from their location is hobbled by the existence of separate ministries for rural and urban development, but schemes like SBM that do not come under these ministries can choose to function outside of this binary. For example, the central scheme for working women's hostels has transcended this binary; since its inception in 1972-73, it has been catering to urban, rural and even semi-urban areas where employment opportunities exist for women under the umbrella of the Ministry of Women and Child Development.

Another approach is to allocate funds from different schemes to fill the gap in key infrastructure and bridge the service vacuum between rural and urban. The Shyama Prasad Mukherji Rural Mission (SPMRM) is a step in this direction, but its location within the Ministry of Rural Development limits its ability to aid 'urban' spaces.

Conclusion

With cities and their associated economic engines beginning to be viewed as connected to their peripheries and as part of a wider city system throughout South and South East Asia (rather than in isolation), this is a good moment for the new government to introduce an integrated approach to urbanization, bridging the artificial divides of the 11th and 12th schedules. It is time to build mechanisms that can facilitate inter-ministerial interlinkages. It might even be prudent to imagine a single ministry of local governance in the long run. For now, a category-agnostic approach to central government schemes and an architecture that allows states to respond flexibly would enable India to leverage the latent opportunity in rural spaces.

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END NOTES

1. The authors gratefully acknowledge the inputs of Kanhu Charan Pradhan while writing this piece.
2. Only if the core city is taken into account, not the entire urban agglomeration.
3. A census town is a settlement which has a population of 5000 or more, a population density of more than 400 persons/sq.km, and a male main workforce participation of 75% or more. All STs, which constitute an urban local body (ULB), are automatically defined as urban. Unlike India, many countries rely only on a population size to distinguish between rural and urban areas. If only population size was used to identify census towns in India, and villages with more than 5,000 inhabitants were considered urban, the share of the urban population would increase by about 15 percentage points.
4. For example, the growth rate of the core city in the Mumbai metropolitan region is 0.4% while the periphery grew at 3.6%, within 2001-11.
5. NSS 2011-12 consumer expenditure data reveals that a small town consumer spends about 70% of a consumer in million-plus cities. However, their spending pattern is very similar to large cities, with similar amounts being spent on items like conveyance, rent or consumer durables, as in million-plus cities. The share of households which owns a motorized two-wheeler is 28% in these rural areas, and 27.8% in smaller STs, which has a population of less than 50,000. The share of households with septic tank is 58.8% in rural areas, while it is 55.7% in smaller towns.
6. The share of households with in-house access to water is 35% in villages, 59% in rural areas (CTs and large villages) and 62% in smaller STs, which have less than a hundred thousand population.
7. For example, the share of households connected to the piped sewerage network is 86% in the municipal area of Hyderabad, but drops to 50% in the other ULBs and 27% in the all the CTs in the Hyderabad metropolitan (HMDA) area. The share of villages with piped sewer in HMDA is 7%. Interestingly, the outgrowths of HMDA, which are also rural but are contiguous to the core city, have a higher share of piped sewer coverage at 52%.
8. The interests of the state governments to reclassify the CTs or other forms of rural spaces into ULBs also varies by the shifting growth trajectories across states. While states like Gujarat reclassified 24 CTs to STs within 2001-11, UP chose to not reclassify any of them into formally urban categories.
9. There are a lot of self-provisions of public services like roads, piped connection of water to households in some of the richer peri-urban neighbourhoods of larger cities (Randhawa et al, 2014; Mehta et al, 2015).
10. Accessed from <https://timesofindia.indiatimes.com/city/hyderabad/59-new-municipalities-from-august-1-to-boost-suburbs-infra/articleshow/64970632.cms>, at 24th April, 2019.
11. The Kolkata city is dominated by yellow taxis and auto-rickshaws, while the periphery is served by a variety of different modes of IPT services like the batter operated e-rickshaws, and diesel-fuelled vehicles like Tata Magic and Piaggio Ape. A lack of regulations at the RTA, police and local levels lead to contestations across these different kinds of services, which leads to operational issues and easy movement in the peripheries, instead of facilitating the services (CPR, 2016).
12. An analysis of the 6th Economic Census (2012-13) data shows only about 20% of the CT population resides in such kind of settlements where the share of manufacturing to total workforce is more than 50%.
13. The ambiguous part of the act has usually led to different responses from the state governments so far. There has been persistent resistance from the state governments to implement the provisions of the act in totality, and issues like water and sanitation management remains the prerogative of parastatal agencies under the control of state governments for a majority of cities. Very few financial and human resources functions have been transferred to municipalities and ULBs remain weak highlighting the unwillingness of the state to relinquish its control over the urban (Nandi and Gamkhar 2013, Ruet and Tawa Lama-Rewal 2009).
14. While MPCs have rarely been set up in most states, they have been only involved into mere consultations while dealing with issues, rather than any active involvement in planning functions (Sivaramakrishnan, 2013).
15. During May 2016, the erstwhile Ministry of Urban Development came out with a notification that asked all the 28 states to take 'immediate and necessary action' to convert all the census towns (CTs) into statutory urban local bodies (STs) to promote planned development.
16. An ongoing CPR analysis of the PMAY-U data shows that approximately eighty villages have been included in the projects enlisted under PMAY-Urban, most of which are neighboring larger Urban local bodies.