

# Urbanisation in India and China: A Snapshot

Dr. Kaberi Bhattacharyya

*Assistant Professor, Department of Commerce, Netaji Nagar College, Kolkata*

**Abstract - This paper seeks to briefly highlight the process of urbanization that is increasingly gripping the two neighbours – India and China. While urbanization has taken off at a rapid speed after the 1990s in China, its pace in India has been gradual all along. Both countries can gainfully prospect from the process, but each has issues to grapple with.**

## I. INTRODUCTION

We are on the brink of a tidal wave of urbanization and we share the platform with none other than China. It is indeed remarkable that the two most populous nations in the world face this prospect at approximately the same time in history.

In March 2014, China announced its very first ‘urbanisation policy’ while in India the new government at the Centre in its maiden budget in July 2014, earmarked a sum of Rs. 70 billion (around \$1.2 billion) for setting up 100 Smart Cities. It may be mentioned here, that the urbanisation drive in India is a comprehensive one and not at all limited to the building of the Smart Cities alone. However before proceeding any further, it would be pertinent to delve on the concept of urbanization as it is understood in both these countries.

## II. URBAN AREA – THE CONCEPT

According to the Census of India 2011, urban area constitutes all places with a municipality, corporation, cantonment board, notified town area committee, etc. and also all other places with a minimum population of 5,000, at least 75% of the male main working population engaged in non-agricultural pursuits; and a density of population of at least 400 persons per sq. km.

China defines urban areas as those areas with population densities of more than 1500 people per sq. km. In addition, for areas whose population density is less than 1500 people, China includes streets, towns and townships where the district or city government is located and resident/village committees where the town government is located.<sup>1</sup>

## III. OBJECTIVE OF THE STUDY

In the above backdrop, a brief but insightful comparative study on the urbanization process of India and China is

humbly attempted for, in this paper.

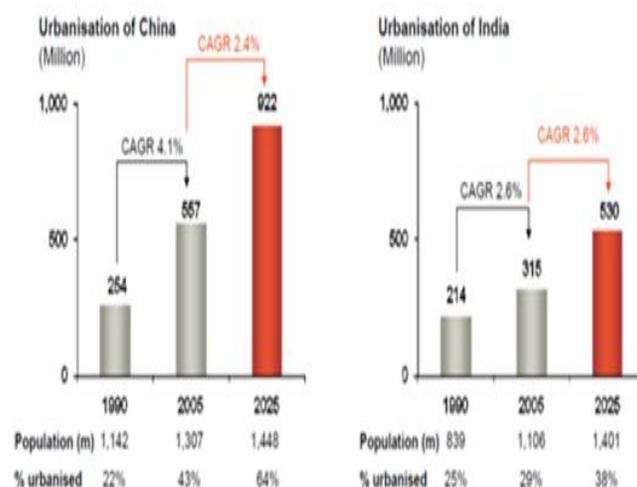
## IV. METHODOLOGY

The study is exploratory in nature. Information for building up the paper has been collected from the reports and research articles dealing on the subject. The information so collected has been analysed to arrive at a meaningful conclusion.

## V. URBANISATION IN INDIA AND CHINA: THE CONTRASTING PARADIGMS

According to McKinsey Global Institute (MGI, 2010), India and China alone will account for more than 62% of the overall growth of the urban population in Asia and about 40% share of the urban global population for the period 2005 to 2025.<sup>2</sup> China followed by India will have the world’s largest urban populations at 922 million (triple the size of that of the U.S.A) and 530 million (double the size of U.S.A) respectively.

Chart 1: Urbanisation of China and India



Source: BHP Billiton; McKinsey & Co Research

Yet, the divergent dimensions in the urban populace of both these countries make for an interesting study, in this context.

**Larger and Older vs. Smaller and Younger:** Although in terms of absolute numbers, China will far outweigh India's urban population in the coming years, but the composition of her ballooning population holds far reaching implications for India. By 2025, China's ageing population of 28% (55 years or older) will compare to that of India's paltry 16%. India will thus be able to pump in about 170 million workers into its workforce during 2005 to 2025 while for China it will be only 50 million.<sup>3</sup> However as **Professor David Bloom of Harvard University has warned, that India can leverage this 'demographic dividend' with the right set of policies (most importantly pertaining to generation of ample scope of employment) or pave the way for demographic disaster.**<sup>4</sup>

**China's numerous bigger cities:** In contrast to 25% Indians forecasted to live in 11 Tier I cities by 2025, about 35% Chinese will make it to 44 Tier I cities.<sup>5</sup>

The prospect of such burgeoning growth in the number of first-class cities in China perhaps stems from the fact that it has a more meticulous system in place to manage its urbanization process, apart from conducive social and administrative factors. Perhaps this is also the reason why in spite of starting out at similar levels of urban population with China in the 1950s (around 12-14%) and maintaining relatively comparable levels till 1990s (around 25-26 %), India lagged behind with around 32% of its population in the urban areas in 2011 and China surged ahead with about 51% of the same.<sup>6</sup>

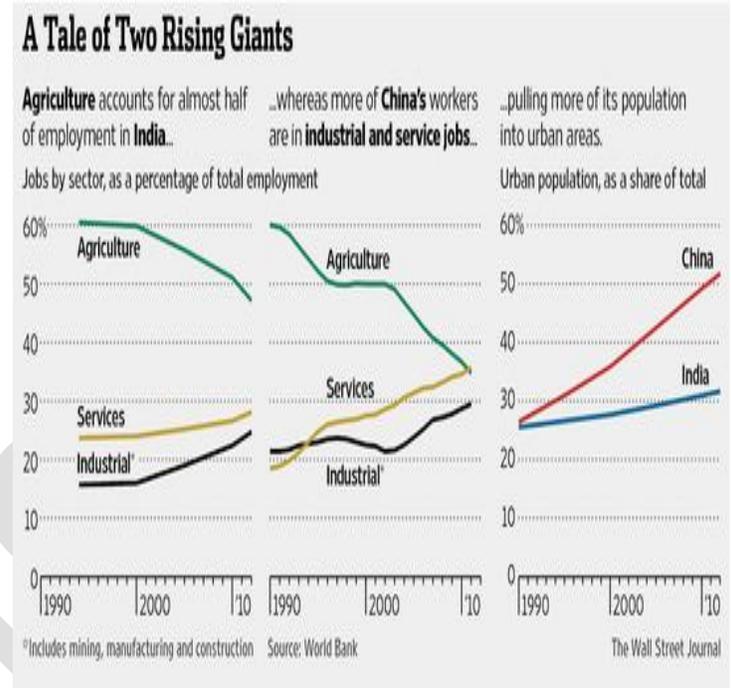
The recently released urbanisation blueprint in China – *National New-Type Urbanization Plan 2014-2020* – by the Central Committee of the CPC and the State Council, anticipates that by 2020 urban residents will make up 60% of the total population, compared to 53.7% in 2013 — while urban permanent residents will comprise 45%, compared to 36% in 2013.<sup>7</sup> The facilitators for pulling off such a tremendous feat may be primarily identified as follows:

**Pattern of land holding** – While substantial portion of land is held privately in India, it is not so in China. There, rural land is collectively held but the urban land belongs to the government. So whenever the government green-signals any industrial/urban-development project (s), it does not get held back due to land acquisition bottlenecks.

**Advocacy of local governments** – In China, when the land-use changes from rural to urban, local governments are entitled to keep a large part of the revenue generated from the process. Hence the local governments are all for pro-urban use of land, whereas the reverse is true in India. The Ministry of Rural Development has far heftier allocations than the Ministry of Urban Development, which surely the

former doesn't want to sacrifice.

Chart 2



**Rural vs Urban hukou system** – The peasants displaced from farming activities usually take up the job as factory labourers in the urban areas. However they hold on to their rural hukou. The hukou system is a residence permit system in China. Rural hukou carries far less benefits than urban hukou in terms of health, education, retirement, housing and unemployment from the State and therefore produces clever savings. There are an estimated 300 million urban residents not receiving services on account of carrying on with their rural hukous in China today.<sup>8</sup> This substantiates the Nobel Prize winning theory of W. Arthur Lewis which supposes that labour can be shifted from agriculture to work as inexpensive industrial labour, creating more profits and its reinvestment, leading to a virtuous cycle of rising investment and higher economic growth

Not surprisingly therefore urbanization has emerged as the potent force for economic growth in China's top-down developmental process – quite unlike the other countries where urbanization has been the reflection of their massive economic progress. And, understandably, without these operative factors as mentioned above, India's urbanization rate has been comparatively slow as is implicit from the following table.

**Table 1 :** Showing the Population Spread in Urban and Rural areas from 1951-2001

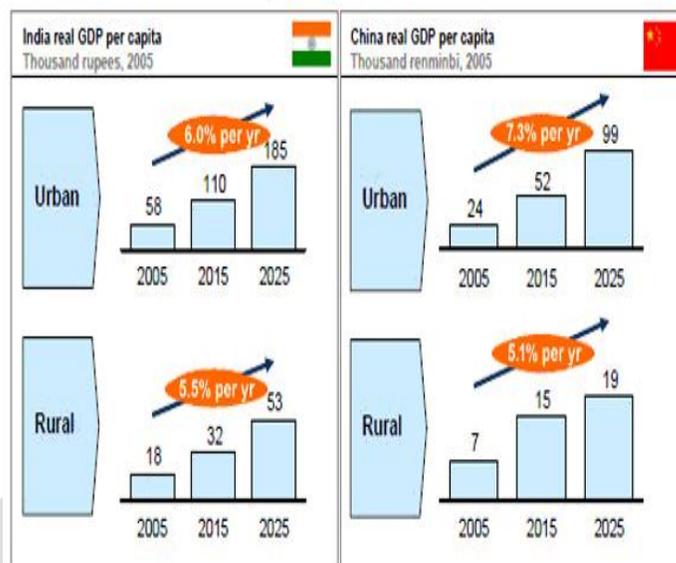
Year	Rural population (million)	Rural population as percentage of total population	Urban population (million)	Urban population as percentage of total population	Total population (million)
1951	298	82.6	63	17.4	361
1961	360	82.0	79	18.0	439
1971	439	80.1	109	19.9	548
1981	519	76.0	164	24.0	683
1991	629	74.3	217	25.7	846
2001	743	72.2	285	27.8	1028
2011	833.2	68.8	377	31.2	1210.2

Source: Compiled from Census of India Reports

To perk up the rate of urbanization in India it is imperative that India takes up a pro-active stance in issues like funding, governance, planning, job-creation, climate-change mitigation among others. For, it cannot be contested that agricultural and rural incomes simply cannot match the growth-rate of industrial and urban incomes. Development theory and historical experience have put a seal on that. The GDP per worker in the urban services sector is 1.7 to 1.8 times of that in the rural sector. In 1995, there was an even split in the urban and rural GDP generation of India but in 2008, urban GDP accounted for 58% of the overall GDP. MGI (2010) predicts that with 70% of net new employment created in cities, the urban GDP will accelerate to about 70% by 2030 and the fast-growing cities will push a four-fold increase in India's per-capita income between 2008 and 2030. It is also understood from the India Urbanisation Econometric Model that by 2030 India will have five large states (Tamil Nadu, Gujarat, Maharashtra, Karnataka and Punjab) where more of the inhabitants will reside in the cities than in the villages. To realize such enormous prospects, critical support in housing and transportation will be of vital necessity – manifesting in addition of about 900 million square meters of commercial and residential space, 2.5 billion square meters of roads, 7,400 kms. of metros and subways as further forecasted by MGI (2010).<sup>9</sup>

**Chart3**

**Urban GDP Growth to Outpace Rural**



Source: India Urbanization Model; McKinsey Global Institute China All City Model, January 2010; McKinsey Global Institute analysis

But India continues to dither in the dichotomy whether its future lies in the villages or in the cities. It cannot be denied that villages and cities in India share a symbiotic relationship and the towns/villages in the periphery of the cities enjoy far better quality of life than those far away from it. So planned urbanization with a focus on the abject poor who reside therein (on an average, 75% of the city-dwellers dwell in the bottom rung as income earners), would instead of an exercise to pamper the well-oiled, be the indispensable pillar to inclusive growth.

However most of the cities in India at present, miserably lag internationally in their vital parameters to assure quality of life to their citizens. India's annual capital spending on urban infrastructure at \$17 is only 14% of China's at \$116 and 4% of UK's at \$391.<sup>10</sup> So a pragmatic approach to get the most out of the urbanization forecasts is urgently required. Thus, revisiting specific policy issues (pertaining to land markets and housing, inter and intra city connectivity and access to basic services) and investment bottlenecks that are curbing the pace and benefits of urbanization in India becomes imperative in the context.

China too with the stated aim of repairing social exclusion and embracing sustainable city management in its aforementioned *Urbanization Plan 2014-2020*, needs to closely look at the defects of the existing hukou system, the land management system, social security system, budgetary and taxation systems and the administration system of the government.

## CONCLUSION

There have been instances around the globe, particularly in the UK and South Africa, of cities turning around in the space of one decade. China and India also definitely have it in themselves to create the necessary groundwork and gain optimally from urbanization. For not to do it involves a major set-back in the urban life in both the countries. Poorly dealt urbanisation can only bring about fragmentation, social exclusion and inequity. Lack of access to those infrastructural facilities that are necessary for rapid urbanization places an insufferable burden of ill health and premature mortality on the inhabitants not to speak of rise in crime and violence that puts a spanner on national development. No country can afford to do that. And especially not the Asian giants – India and China – on whose doing it right is crucial for a lot of economies around the world.

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