
UNIT 1 HOUSING

Structure

- 1.1 Introduction
- 1.2 Housing: Concept and Types
- 1.3 Factors Influencing Housing Pattern
- 1.4 Housing Conditions and Shortage
- 1.5 Housing Finance and Classification
- 1.6 Housing Development Process
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1.1 INTRODUCTION

Housing sector is a major contributor to GDP of a country. As per the Central Statistical Organisation (CSO) estimates, housing sector's contribution to GDP for the period 2003-04 is 4.5 per cent. Real estate is one of the fastest-growing sectors in India, with the housing sector growing at 34 per cent annually, according to the data from National Housing Bank (NHB). It is estimated that 80 per cent of the country's real estate market accounts for residential property.

In urban India, the share of rental housing is low compared to developed countries, where it is between 40 and 50 percent. The share of rental housing in urban areas is 30 percent, according to NSS 65th Round, 2008-09. In most cities in India, over 30 percent of the population lives in slum like conditions. India's urbanisation is only around 30 per cent, while in other countries, it is much higher. According to McKinsey Report 2010, 70 per cent of all jobs in the next 20 years will originate in urban areas.

Seeing the above facts, it can be concluded that while it is very important to make investments in urban areas in order to ensure better productivity, housing is an area which will need utmost attention in the times to come. Housing is an integral part of town planning. Residential land use constitutes approximately around 30 to 40 per cent of the total land use of the city, depending on various conditions. Amongst all the land uses in the city master plan, residential land use usually is the largest portion.

After reading this unit, you will be able to:

- Explain housing concept, types and classification
- Discuss factors influencing housing pattern and housing shortage
- Describe affordable and inclusive housing
- Analyse housing policies and plans

1.2 HOUSING: CONCEPT AND TYPES

The Census of India provides various definitions of terms used commonly in the housing sector. Some of the key terms used in Census 2001 and their definitions are given here below:

- a) **Census House:** A 'census house' is either a building or part of it used or recognised as a separate unit because of having an independent main entrance from the road or common courtyard or staircase, etc. It may be occupied, vacant or used for either residential or non-residential purposes. If a building has a number of flats or blocks, which are independent units having separate entrances of their own from the road or a common staircase of a common courtyard leading to a main gate these will be considered as separate census houses.
- b) **Household:** A 'household' is usually a group of persons who normally live together and take their meals from a common kitchen unless the exigencies of work prevent any of them from doing so. The persons in a household may be related or unrelated or a mix of both. However, if a group of unrelated persons live in a Census house but do not take their meals from the common kitchen, then they will not collectively constitute a household. Each such person should be treated as a separate household. The important link in finding out whether it is a household or not is a common kitchen. There may be one member households, two member households or multi-member households. In a few situations, it may be difficult to apply the definition of household strictly as given above. For example, a person living alone in a census house, whether cooking or not cooking meals will have to be treated as a household. Similarly, if husband and wife or a group of related persons are living together in a census house but not cooking their meals it will also constitute a normal household.
- c) **Institutional Household:** A group of unrelated persons who live in an institution and take their meals from a common kitchen is called an 'Institutional Household'. Examples of Institutional Households are boarding houses, messes, hostels, hotels, rescue homes, observation homes, beggars' homes, jails, ashrams, old age homes, children homes, orphanages, etc
- d) **Permanent House:** Houses with wall and roof made of permanent materials. Wall can be of G. I., Metal, Asbestos sheets, Burnt bricks, Stone or Concrete. Roof can be made up of Tiles, Slate, G. I., Metal, Asbestos sheets, Brick, Stone or Concrete.
- e) **Semi Permanent House:** Either wall or roof is made of permanent material (and the other having been made of temporary material).
- f) **Temporary House:** Houses with wall and roof made of temporary material. Wall can be made of grass, thatch, bamboo etc., plastic, polythene, mud, unbaked brick or wood. Roof can be made of grass, thatch, bamboo, wood, mud, plastic or polythene.
- g) **Serviceable Temporary:** Wall is made of mud, unbaked bricks or wood.
- h) **Non-Serviceable Temporary:** Wall is made of grass, thatch, bamboo etc., plastic or polythene.

1.3 FACTORS INFLUENCING HOUSING PATTERN

Factors influencing housing pattern are as follows:

1.3.1 Social, Economic and Political Factors

Housing has many social, economic and political dimensions. Indian society comprises of great diversities. India is a federal union of states comprising twenty nine states and seven union territories. The states and territories are further subdivided into districts and so on. The patterns of social organisations vary across the country. There had always been a distinct imprint on the nature of housing settlement structure in the past. Housing design is often dictated by social requirements. Lots of literatures have emerged in the country on the way housing design is done. Traditional spatial patterns and settlement structure are governed by social requirements. Both at the settlement level as well as within the dwelling unit, space is organised in conformity with the social considerations. In various cities of India, the location of neighbourhoods is made up of same castes and professions. Similarly, caste grouping also takes place such as 'Agraharam' or *Agrahara* is a neighbourhood, which comprises of Brahmin quarter of a heterogeneous village or to any village inhabited by Brahmins in South India. The rural areas as well the social patterns of various communities, such as landlords and tenants, workers and so on defines housing patterns and social status, which is reflected in housing form. Economic factors also govern housing patterns. It is obvious that the rich people have huge mansions, while the middle income families have more modest homes and those at the bottom of the pyramid struggle to live in small spaces. Further, to the national economy as a whole, housing is a major contributor. Investments in housing have many tangible and intangible benefits. The housing industry has many forward and backward linkages and there are as many as 260 industries which are involved in the process. Therefore, housing contributes greatly to the economy in terms of employment generation and income generation. A large number of skilled, semi skilled, rural and women workers gain employment through house construction. Rural folk also get supplementary income by participating in construction activities. It also contributes to national income and the GDP. The Income Tax Department levies Capital Gains Tax on long term capital gains on sale of property- be it residential or any other. Every year, the Union Finance Minister presents a national budget in which various duties and levies as well as concessions are announced. The entire housing finance industry which is a multi-crore business is an outcome of the housing activity. Renting out of housing benefits, house owner is also thereby a contributor to the micro economy. On the fiscal side, housing contributes substantially to the finances of the urban local bodies by way of 'house tax' or 'property tax'. Housing has serious political connotations. Housing being a basic need, it is high on political agenda and forms a key element of political rhetoric. Political parties across the country want to win the support of the industry by giving incentives and sympathy of the public, especially the low income and the poor, by regularising squatting and unauthorised land colonisation.

1.3.2 Influence of Climate, Materials and Technology

Housing form, technology and materials used for construction vary across the country. It depends on physical factors, such as climate (including temperature, humidity and rainfall) and availability of natural resources. In the coastal areas,

the climate is moderate and there is less of difference between the summers and winters. Humidity is high and therefore, there is a need for wind flow in order to attain thermal comfort. As there are incessant rains, so the traditional house form here has emerged with spacious houses with central courtyard, large windows for free passage of air and high gable roofs to withstand the rains. Further, use of locally available stone, brick and timber is common. The availability of clay has also ensured that burnt clay tiles are put to use. On the contrary, in the arid climate of Rajasthan, where the summers are sweltering and the winters are chilling, rains are also scanty, in this continental climate, thick walls with small openings, shaded courts and narrow lanes to get as much shade as possible and flat roofs are popular.

However, in the hilly areas it's quite different as it is very cold and sunshine is always desirable, locally available stones are used, as against brick. There are no courtyards as there is paucity of space on the hill slopes. Timber and tiled roofs are common. Construction is often light in order to take care of earthquakes which are quite common here. 'Icra walling' and use of bamboo is popular. One can see that traditional housing has always been in tune with nature.

1.4 HOUSING CONDITIONS AND SHORTAGE

According to the estimates made by the Technical Group constituted by the Ministry of Urban Development for assessment of the urban housing shortage at the end of the 10th Five Year Plan, the total housing shortage in the country is 24.71 million. The category-wise housing shortage and requirement are given as follows in table 1 and 2.

Table 1: Housing Shortage in India 2007

Income Category	Housing Shortage in Million DUs
Economically Weaker Sections (EWS)	21.78
Low Income Group (LIG)	2.89
Middle Income Group (MIG) and High Income Group (HIG)	0.04
Total	24.71

Source: Government of India, MoHUPA

This shortage is likely to go up to 26.53 million during the Eleventh Five Year Plan i.e. 2007-2012 as detailed below:

Table 2: Housing Requirement during 11th Plan Period (2007 - 2012)

Category	No. of DUs in Million
Housing Shortage as the beginning of 11th Five Year Plan	24.71
Addition to household	8.71
Addition to housing stock	7.27
Up gradation of Kuccha house	0.38
Total Housing Requirement during the 11th Plan period (2007-2012) (24.71 + 8.71 + .38 – 7.27 = 26.53)	26.53

Source: Government of India, MoHUPA

In this section you studied housing: concept and types and factors influencing housing pattern, housing conditions and shortage. Now, you should be able to answer some questions relating to this section given in *Check Your Progress-1*.

Check Your Progress 1

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the different types of Housing? Explain any one briefly?

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2) What are the factors influencing housing pattern? Explain any one?

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1.5 HOUSING FINANCE AND CLASSIFICATION

1.5.1 Housing Finance

The majority of the population, particularly those living in the urban areas are landless and do not have access to housing. Further, their incomes and affordability are low. As a result of this, their access to finance for housing is severely limited. The Government of India has initiated several measures so that more people gain access to affordable housing finance. Housing finance in India can be seen in terms of two levels; bulk finance and retail finance. Bulk finance for developing various large scale housing projects by state housing boards and development authorities is made available at reasonable rates by the Housing and Urban Development Corporation (HUDCO). Other international donor agencies such as the World Bank, DFID, KFW, etc. also channelise funds into the housing sector. On the retail side, a large number of housing finance companies (HFCs) have emerged in the country. Many banks have also started housing finance provision. Collectively, housing loans are regulated by the National Housing Bank, the apex regulatory organisation which is a subsidiary of the Reserve Bank of India.

Table 3: Income Classification in India

	Income ceiling Rs	Cost ceiling in Rs.	Loan ceiling in Rs.
EWS	Upto Rs 5,000/-	2.00 lacs	1.50 lacs
LIG	5,001-10,000	4.25 lacs	3.00 lacs
MIG	10,001-20,000	No ceiling	
HIG	> 20,001	No ceiling	

Source: HUDCO, New Delhi

Date of Effect: 26th April, 2010 onwards

1.5.2 Classification of Housing

Housing can be broadly classified into the following types:

a) Public Housing

Public housing is housing for low income families provided by various housing agencies. The most popular public housing agencies are

- 1) State Housing Boards and
- 2) Development Authorities.

In states, like Andhra Pradesh, Housing Board and several other development authorities are operational in different parts of the state. There is also the Andhra Pradesh Weaker Sections Housing Corporation as well as Rajiv Gandhi Housing Corporation. Public housing agencies normally, take loans from HUDCO prior to launching of the projects. Housing reservations for various sections of the society are made and the products are allotted on a no-profit-no-loss basis. Usually, property is allotted on a long-lease basis. In some cases, it is sold on a 'freehold' basis too.

b) Rental Housing

Rental housing has been a popular form of investment in the early part of the twentieth century. Landlords in cities like erstwhile Bombay (now, Mumbai) were investing surplus funds in building 'mansions' which they would in turn rent out in order to earn a regular revenue stream. This also provided a viable housing access to the less fortunate who could not afford houses; they could easily rent out a place. However, this was short lived with the War Rent Restriction Order in the aftermath of the World War, in a climate of housing shortages. Soon, what came about as an order of a temporary nature became a legislation on Rent Control. It was not long before other state governments followed suit and there was a proliferation of Rent Control Acts in various states. A much criticised legislation, these Acts were totally biased towards protection of tenants and rents were frozen. It became practically impossible for landlords to get tenants evicted. Over the decades, these ridiculously low rents which came out of concepts such as 'fair rent' and 'standard rent' as per complicated 'rent fixation formulae' by Rent Controllers gave a raw deal to the landlords while tenants had every reason to stay put and not vacate. Inner cities of most large Indian cities decayed as it was the responsibility of the landlord to maintain these properties which fetched peanuts for a return, on properties which are otherwise notionally of very high value. This, over time, led to systematic decline of our cities. Even

in newer areas, landlords have been very sceptical to give their properties on rent, they would rather invest in properties and keep them locked, rather than let them out. Therefore, it is not surprising for us to see investments in real estate lying idle.

The intrinsic difference between investments in real estate and investments in other asset classes is that one can get periodic revenue streams on the one hand and also get capital appreciation on the other. At the same time, the asset is also put to good functional use. However, this is brought to notice on account of the peculiar situation in India where you have huge housing shortages on the one hand and a large number of vacant locked up apartments on the other.

Time and again, it has been advocated in many platforms that rent control acts have outlived their usefulness and in the current climate of liberalisation, these legislation have to be reformed and a more balanced regime of rule of law to be enacted so as to bring about a more harmonious relationship between landlords and tenants. The Government of India, as part of its much publicised Jawaharlal Nehru Urban Renewal Mission, has been advocating reform in this area. Unfortunately, only a handful of state governments have gone ahead with a new Rent legislation. The National Housing and Habitat Policy of the Government of India has been advocating a regime encouraging rental housing where the principle “that rent of a housing unit should be fixed by mutual agreement between the landlord and the tenant” and that the government should only play the role of a facilitator. However, quite contrary to its own stated policy, the Government of India has put up a new Model Residential Tenancy Act 2011 which once again talks of the outdated concept of ‘rent fixation’ where the government machinery will intervene. This appears to be quite illogical prima facie. As a result, the intent of the Government of India is unclear.

The arguments in favour of organised rental housing are that

- a) It provides easy access to housing to all those people who cannot afford to purchase a house on account of high market prices.
- b) It is a viable solution for short term housing needs for all those executives who need to pack up and move from one city to another on transfers.
- c) It is a necessity for young college going students who are not in a position to get subsidised hostel accommodation.
- d) With some facilities thrown in, it is a good arrangement for single women and the elderly who need a safe place to stay.

The popularity of rental housing is also on account of the fact that it does not tie up funds, has lower transaction costs, allows for mobility and transfers the maintenance liability to the owner. For landlords, while this could be a good parking place for surplus funds, the real estate industry could get the much needed diversification avenue. As a matter of fact, at the high end, there are a good number of ‘service apartments’, which had come up in the urban centres. In these apartments, MNC executives, mostly the younger lot find a comfortable residential option. Thus, rental housing as an organised economic activity is a win-win for all stakeholders. Globally, in most developed countries, rental housing constitutes a much higher percentage of

the total housing stock than in the case of India. For example, in Berlin, rented housing constitutes as high as about 90 percent of the total stock, while it is around 50 percent in Rotterdam and around 55 percent in New York. Closer home, in South East Asia, rental housing constitutes about 40 percent in Bangkok. In India, the percentage is much less, at around 25 percent. In most parts of the world, Governments have consciously created comprehensive policies for rental housing, putting up itself large housing estates with subsidised rental housing stock for the general public. There is a whole range of rental housing options which are available from where India can learn lessons.

A good initiative has been launched by the Mumbai Metropolitan Regional Development Authority (MMRDA) where a large number of rental housing units are being envisaged under various public-private-partnership models. Some of the leading industrial houses have also made forays into the rental housing area in the recent past, despite the fact that the current regulatory regime does not yield a comfortable RoR (Room on Rent). A ray of hope has also been provided by the Government of India in its *Rajiv Awas Yojana* (RAY) for 'slum free cities', where it is advocating for some percentage of housing to be developed towards rental housing. These experiments which are at the initial stage have nevertheless raised doubts pertaining to its ownership, day to day maintenance, eviction after completion of leave period, long term maintenance and renewal, insurance, risk mitigation, litigation, etc. which need to be adequately addressed since structures for the same are not yet in place.

All said and done, in the absence of organised rental housing for the consumer today, renting a house continues to be wrought with problems galore. Government departments and PSUs have been providing rental accommodation to their employees in lieu of House Rent Allowance (HRA).

However, today, it is no longer economically viable to live in government provided rental accommodation, as the loss of HRA is as good as an EMI which one may have to pay to a bank for purchase of an ownership apartment. Therefore, the incentive to live in rented accommodation is straightaway removed. While this may be good for encouraging ownership housing for the well to do formal sector workers, it serves no purpose for the large number of low income employees or informal sector workers. Further, India does not have 'fair housing laws' unlike in the USA and discrimination on various grounds is common. The landlord is often seen as the person dictating terms and the tenant has little choice but to fall in line. Supply being little, with few landlords being brave enough to allow tenants, the demand far outstrips the limited supply. Consequently, rents continue to remain high. Landlords increase rent every year, with the threat of throwing out the tenant almost anytime. For families, this often becomes a big challenge and the tenant can do little. On the other hand, landlords have their own tale of grievances, be it from the Property Tax department of the local municipal body wanting to raise the tax or the Income Tax department looking out for evasion. Interestingly, at the same time, landlords also live in fear of the tenant not vacating and the possibility of getting caught in protracted long litigation. At the end of the day, it seems neither the landlord nor the tenant is free from trouble. While global experience tells us that the advantages of organised

rental housing far outweigh the disadvantages, it is imperative that policy and law be completely revamped and restructured so that incentives for landlords, tenants and real estate developers are attractive. Governments across the country need to wake up to this call where housing can actually drive the economy to double digit growth through the right kind of policy, legislative and fiscal environment.

c) **Cooperative Housing**

Housing cooperatives have a long history in modern India. The National Cooperative Housing Federation of India (NCHF) is the apex organisation of entire cooperative housing movement in the country. It is engaged in promoting, developing and coordinating the activities of housing cooperatives since its inception in the year 1969. At the grassroots level there are now about 92,000 primary housing cooperatives with a membership of over 65 lakhs. These cooperatives are supported by 26 Apex Cooperative Housing Federations at state level, which are affiliated to NCHF. These federations have raised loans amounting to Rs.10,159 crores from funding institutions like LIC, NHB, HUDCO, cooperative banks, etc. and in turn disbursed Rs.10709 crores to their primaries as well as individual members for the construction of 23.84 lakh dwelling units in various parts of the country. The LIC has allocated a sum of Rs.125 crores as loans to Apex Cooperative Housing Federations for the year 2009-10 and raised the individual loan limit from Rs.7.00lakh to Rs.10.00 per member. A large number of cooperative housing societies have been formed in various cities of India. Mumbai and Delhi are good examples of a large number of cooperative housing societies.

In this section you studied housing finance and housing classification. Now, you should be able to answer some questions relating to this section given in *Check Your Progress 2*.

Check Your Progress-2

- Note:** a) Write your answer in about 50 words.
- b) Check your answer with possible answers given at the end of the unit.

- 1) What do you understand by Housing finance? Explain briefly.
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- 2) How are housing classified? Explain any one.
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1.6 HOUSING DEVELOPMENT PROCESS

Housing development in urban areas are mostly done either by the government or by the below mentioned process and stakeholders.

i) Real Estate Developers and Brokers

Private profit-making developers or real estate developers are allowed to operate in our cities and towns in order to produce housing of various types, namely villas, apartments, townships, etc. Usually they cater to the upper income population and the quality of the products is invariably better as compared to those of the public housing authorities. While real estate *developers* are the producers of the housing products, the transaction facilitators or the marketing arm of the industry, as *brokers*. Developers in India are organised under the banner of the Confederation of Real Estate Developer Associations of India (CREDAI) and brokers under National Association of Realtors – India (NAR-INDIA).

ii) Public Private Partnerships

The Government of India as well as various State governments encourages public- private partnerships. Various models of public private partnerships exist in the country. In Haryana, the state government grants 'license' to colonisers to undertake real estate development and build housing complexes. In West Bengal, the state government encouraged the developers to provide housing with reservations for various income groups. In Rajasthan, there are many variations of public-private partnerships. In Maharashtra, the public private partnership route has been adopted for providing housing to the slum dwellers through slum redevelopment schemes.

iii) Slums and Squatter Settlements

In India majority of low income group people cannot afford formal housing so they choose to squat on marginal or public lands. Invariably, after some time, Government view them with sympathy and regularise them by grant of tenure, provision of civic services and so on. Typically, in any Indian metropolis, squatters constitute as much as 30 to 50 percent of the population of the city. While *squatters* illegally squat on land not belonging to them, *slums* are areas which are found to be lacking in civic services and are in a state of dereliction. While a squatter can be a slum, a slum need not always be a squatter; for instance the old city of Delhi is a slum but not a squatter. However, in India, both these terms are used synonymously.

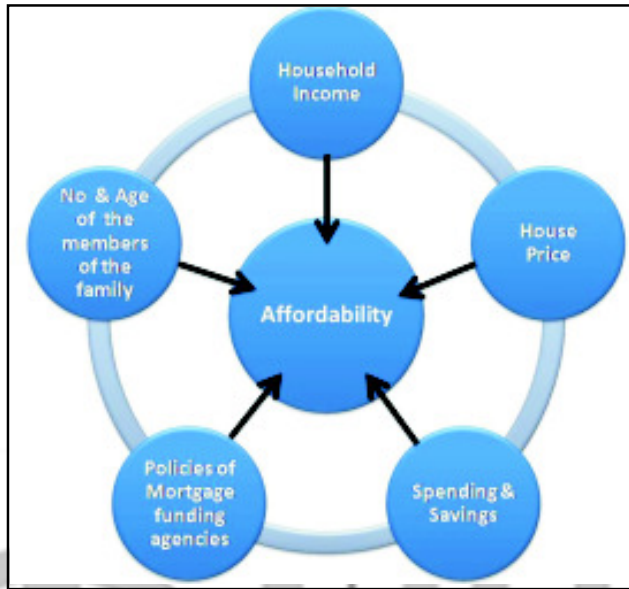
iv) Illegal Land Colonisation

In many cities, land is illegally colonised by the landlords who join hands with developers. They do not take any permission and do not adhere to the provisions of the Master Plan, development controls, sub division regulations or the local building bye laws. Large parcels of land are developed in this manner and many people who cannot afford to purchase any other type of housing go for this type of housing.

1.7 AFFORDABLE/INCLUSIVE HOUSING

1.7.1 Affordable Housing

The concept of affordability is complex and is not easy to define. At the most simplistic level, it is the “ability and willingness to pay.” Affordability is a concept which is relative and varies from person to person. The affordability of a household in a given location is an outcome of the following factors which are depicted in the diagram given below:



Affordability is applicable to all income groups. Affordability of a person increases with increase in the monthly income. It has been observed that for an EMI of Rs. 3,000 to Rs.10, 000, the capital cost of the house varies from Rs. 3, 00,000 to Rs. 20, 00,000. For a large number of urban households, this could be termed as the ‘affordability range’.

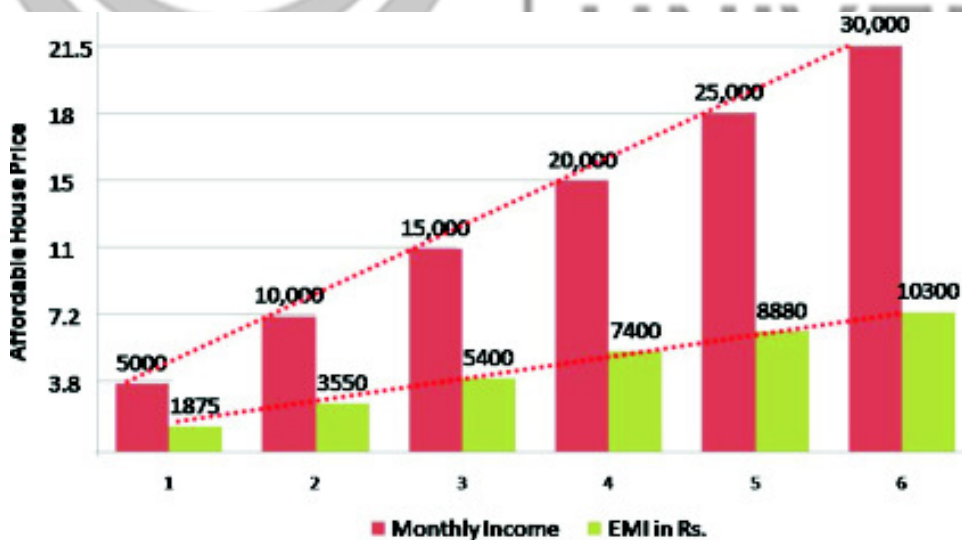


Figure 1.2: Relationship between Monthly Income, EMI & House Price (Rs. in lakhs)

The income slabs for EWS, LIG, MIG & HIG as per Planning Commission, Government of India, adopted by HUDCO are given below in table 4.

Table 4: Different Income Categories (effective 26th April 2010 onwards)

S.No.	Income Group	Household Income (Rs./month)
1	EWS – Economically Weaker Sections	5,000 or less
2	LIG – Low Income Group	5,001 to 10,000
3	MIG – Middle Income Group	10,001 to 20,000
4	HIG – High Income Group	20,001 and above

Source: HUDCO Records

The housing requirement in the Rs.3-10 lakh income group range across India is approximately 2.06 million housing units by 2011. As per industry understanding in India today, the range of Rs. 3-18 Lakh has been considered as the affordable range where the market predominantly exists. A large number of private companies have recently come forward to put up affordable housing projects in various cities of India. Tata Housing at Boisar is one of the more well known examples. Value Budget Housing Corporation (VBHC) is yet another popular initiative at Bangalore. There are over 25 developers operating in this segment in over 12 cities in the Rs.3 to 7 lakh price range. According to a study conducted by the Monitor Group, this segment is a 10 lakh crores opportunity with scope for a large number of players to take part.



The Government of India set up a High Level Task Force in the year 2008 to look into the various aspects of providing affordable housing. This Task Force came up with a definition of affordable housing as under given in table 5:

Table 5: Recommendations of Affordable Housing Task Force, Government of India, 2008

Parameter	EWS/LIG	MIG
Size of the house	300 to 600 sft. carpet area	Not exceeding 1200 sft. carpet area
Cost of the house	Not exceeding 4 times gross household annual income	Not exceeding 5 times gross household annual income
EMI/Rent	Not exceeding 30 percent of gross monthly income	Not exceeding 40 percent of gross monthly income

1.7.2 Inclusive Housing

Globally, ‘inclusive housing’ has been at the centre of public policy debate for long. The United Nations Habitat Agenda, Chapter III on Commitments: A. Adequate Shelter for All (Paragraph 39) states as under:

“We reaffirm our commitment to the full and progressive realisation of the right to adequate housing, as provided for in international instruments. In this context, we recognise an obligation by Governments to enable people to obtain shelter and to protect and improve dwellings and neighbourhoods. We commit ourselves to the goal of improving living and working conditions on an equitable and sustainable basis, so that everyone will have adequate shelter that is healthy, safe, secure, accessible and affordable and that includes basic services, facilities and amenities, and will enjoy freedom from discrimination in housing and legal security of tenure. We shall implement and promote this objective in a manner fully consistent with human rights standards”.

Further, the Habitat Agenda commits governments to *“protecting all people from and providing legal protection and redress for forced evictions that are contrary to the law, taking human rights into consideration; when evictions are unavoidable, ensuring, and as appropriate, that alternative solutions are provided.”* [Paragraph 40(n)].

Whilst in India we have till date not used the word ‘inclusive’ in our National Urban Housing and Habitat Policy or in any of our state housing policies, the concept has been in many ways latent in our policy thinking. As a welfare state, the Government of India as well as the state governments has always taken a sympathetic view towards providing housing to the low income populations. However, due to the rather low level of public / government investments, such housing has been small in quantity and hard to come by.

India has 286 million people living in over 5000 cities and towns with over 40 per cent of them living in 60 metropolitan urban agglomerations. There are 61.7 million urban people living in slums and squatter settlements today. It is projected that urban population of the country will grow to 468 million by 2020. This would have serious impact on housing, civic infrastructure, basic amenities and employment.

Government of India has launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to address the problems of slums and civic amenities to the

poor in an integrated manner and has allocated an amount of US \$12.5 billion as central grant which would leverage state share, institutional finance and beneficiary contribution.

In the Indian context, one can visualise inclusive housing in terms of the following categories namely:

- a) **Social Inclusion** – India is a land of diverse cultures where caste being one of the key components. While there are four major divisions of caste, there are dozens of sub-castes within. Society is highly stratified and segregated. A large number of states and languages further add to the complexity. Many sections of Indian society have been disadvantaged and deprived for centuries and it is the endeavour of the governments both at the national and sub-national level to ‘include’ citizens from all walks of life. The *Indira Awas Yojana* is one such national housing programme which incorporates social inclusion, although it is only confined to the rural areas of the country.

However, a large number of social groups perceive that they are not included in the housing programmes / they have little access to housing programmes. Whilst policy does not discriminate any social group from accessing housing, the exclusion is more from the lack of awareness and low incomes of the people than anything else. Further, social exclusion seems to exist in many places, by way of traditional practice, for centuries.

- b) **Economic Inclusion** - Large segments of urban population belong to the low income population. The affordability of such population is very low and therefore, they automatically are excluded from the formal housing market. Further, the nature of formal supply is also such that it caters only to the upper reaches of the income band and the lower reaches of the income band are excluded. Such population has no other choice but to fend for them and look for alternatives, not always formal or legal. Consequent physical segregation is the outcome of economic out pricing. As a result, large pockets of low-income population tend to congregate in one or more places, thereby creating islands of exclusion. Similarly, the richer class of people who are able to get themselves included in the formal systems of housing supply, in the well serviced and ‘posh’ areas, become inhabitants of ‘exclusive’ enclaves of prosperity where people who have ‘arrived’ can only stay.

- c) **Financial Inclusion** – One of the ways in which one can include the categories of people who cannot afford housing is to increase their access by way of greater access to mortgage finance. In India, today, unfortunately, housing finance cannot be accessed by a majority of the houseless population on account of the fact that the conditions are quite stringent. On account of a variety of reasons, banks and financial institutions demand many requirements to be fulfilled before loans are sanctioned. Therefore, the lower income population gets excluded from the housing finance market. Although attempts are being made by the National Housing Bank and other organisations to develop micro-finance systems which can include the lower incomes in their loan portfolios, a lot of ground still needs to be covered before financial inclusion of the low income population can become a reality.

- d) **Inclusion of the Aged** – With increased medical facilities, advancement in treatment methodologies and general improvement in the quality of life, the

population of aged persons or the elderly is on the rise. Often, such population find it difficult to access housing. Housing for the elderly, as is popular in some societies, is not very popular in India. Further, there is also a school of thought that by developing exclusive projects for housing the elderly, one is actually secluding them from the social mainstream and milieu and thereby, contributing to exclusion of a different kind. There are no laws in this regard in India and whatever little is being done is by the private sector and the state has done precious little.

- e) **Inclusion of the Physically Challenged** – There are many sub-categories of physically challenged persons in Indian society. Persons with any of these challenges need special provisions in housing units in order to make living adequate and comfortable for them. Full access or barrier free built environments have become very important in order to cater to the needs of an inclusive society. In most cities in India, the local building byelaws do incorporate mandatory provisions for buildings to make these provisions. However, here again, one can cite many examples where these provisions are seldom implemented. In fact, the building byelaws incorporate these provisions for public and semi-public buildings and not for residential buildings. This makes it very difficult for physically challenged persons to access housing.
- f) **Inclusion Under Special Circumstances** – There are many groups of people living under special circumstances. Groups engaged in home based economic activities, occupational groups (such as fishermen), refugees, disaster affected victims, oustees, etc. Again, while the special requirements of each of these groups are very peculiar and different, sometimes, their physical inclusion becomes difficult. In most instances, housing projects catering to the requirements of such population do not get developed. Further, other groups of people such as single men, single women, orphans, widows, etc. are also other vulnerable sections of the society who often are not included in the housing supply in the country and thereby suffer from exclusion. While there is no specific mention of ‘inclusive housing’ in the Indian National Housing and Habitat Policy, the goal ‘housing for all’ has in it, implicit, the concept of inclusion
- g) **Supply of Inclusive Housing in Indian Cities** – The supply of formal housing by virtually all the public housing suppliers has not only come down in terms of mere numbers, it has also lost its focus on the low income population, leave alone ‘affordability’ or ‘inclusion’. Therefore, most of the low income housing actually exists as self – built provision, often illegal in nature. Unauthorized land subdivisions and squatter settlements have become the order of the day in the absence of formal housing supply of an affordable nature for the low income population.

There is an argument that the state housing agencies cannot provide for the large number of low income population and therefore, it would be better for the State to act as a facilitator and let people provide for themselves. While this argument may be acceptable for various other sectors of development, in the case of housing, the state has to intervene in a strong manner and has to provide the services, if not the shelter units, so as to bring housing within the inclusive ambit of all. Unfortunately, this is not happening. The result

therefore is that we have exclusive pockets of low income population and the urban poor in our cities.

h) Exclusivity in Housing Provided by the Real Estate Developers – On the one hand, Indian cities are characterized by large pockets of housing occupied by the low income and the poor, there are also many ‘exclusive’ physical envelopes of high quality, high value, high income housing. The State encourages private real estate developers, in the name of public-private-partnerships, who actually develop one exclusive housing project after the other, catering specially to the needs of the rich minority. These are in a sense, state sponsored exclusive enclaves. One can therefore see the dichotomy in the government policy towards housing in the country.

The emerging issues for achieving ‘inclusive housing’ are :a) first of all, is it possible to achieve inclusivity in a country where the levels of education are very low, with large sections of urban population (leave alone the rural population) with limited education; b) without recognizing housing a right, is it possible to bring about inclusive housing; c) with low levels of private; incomes and limited state budgets, how can housing become more affordable and thereby, more inclusive and finally; and d) by developing exclusive enclaves for specific sections of the society, are we achieving inclusion or are we propagating exclusion ?

In this section you studied affordable /inclusive housing. Now, you should be able to answer some questions relating to this section given in *Check Your Progress 3*.

Check Your Progress-3

Note: a) Write your answer in about 50 words.
b) Check your answer with possible answers given at the end of the unit.

1) What is meant by affordable housing?
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2) Who are the stakeholders in housing development ?
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1.8 HOUSING POLICIES/PLANS

1.8.1 National Urban Housing and Habitat Policy (NUHHP), 2007

Housing is primarily a State subject in India, but the Central government has been formulating National Housing Policies to provide guidance to the State Governments to meet the growing housing shortage. This process started way back in the year 1986. This resulted in the first ever *National Housing Policy, 1988*. In 1991, India adopted a more 'inclusive' view of economic development by emphasizing that it must integrate with the global economy. In pursuance of this, it reduced custom duties and welcomed Foreign Direct Investment (FDI) in several sectors of the economy. *The National Housing Policy, 1994* was a product of this economic point of view. The 1994 Policy sought to increase supply of land serviced by basic minimum services with a view to promoting a healthy environment. The *National Housing and Habitat Policy, 1998* laid greater emphasis on the aspect of "habitat" as a supplementary focus to housing. The emphasis on "providing" housing continued in this Policy with emphasis on both quality and cost-effectiveness especially to vulnerable sections of society. The present *National Urban Housing and Habitat Policy (NUHHP), 2007* seeks to enhance the spotlight on 'habitat' with a 'Regional Planning approach' as well as further deepen the role of Government as a 'facilitator' and 'regulator.' Moreover, the new Policy lays emphasis on earmarking of land for the EWS/LIG groups in new housing projects. The Policy lays emphasis on Government retaining its role in social housing so that affordable housing is made available to EWS and LIG of the population.

As a housing policy centred on urban areas, it aims at promoting sustainable development of habitat in the country with a view to ensuring equitable supply of land shelter and services at affordable prices to all sections of the society. However, given the magnitude of the housing shortage and the staggering requirement of funds amounting to Rs.3.61 lakh crores to meet the cost of construction only for overcoming the shortage, it is obvious that public sector efforts alone will not suffice in fulfilling the requirement due to budgetary constraints of both Central and State Governments. Involvement of *multiple stakeholders* namely; private sector, co-operative sector, industrial sector for labour housing and the services, institutional sector for employee housing has been emphasised in the NUHHP.

The policy aims at forging strong *partnerships* between the public private and cooperative sectors for accelerated growth in the housing sector and sustainable development of habitat. 10-15 per cent of land in every new public/ private housing project or 20-25 per cent of FAR which is greater will be reserved for EWS/LIG housing through appropriate legal stipulations and spatial incentives. The Policy seeks to augment housing stock at an accelerated rate both on ownership and rental basis with a view to overcoming shortage of EWS/LIG units. NUHHP 2007 addresses "Urban Housing" exclusively. The focus is on *Affordable Housing for All* with special emphasis on Scheduled Castes / Tribes, Backward Classes, Minorities, the urban poor and Empowerment of Women. The new initiatives under NUHHP, 2007 are:

- 10 per cent-15 per cent land or 20 per cent-25 per cent FSI (whichever is greater) to be reserved for EWS and LIG housing

- Private sector to be permitted land assembly within Master Plan
- A special action plan to be prepared for urban slum dwellers
- A special package to be worked out for cooperative housing, labour housing and employee housing.
- States/UTs to be advised to develop 10 year perspective plans for housing for EWS and LIG
- Special financial and spatial incentives for inner city areas
- Central and State Govt. to develop special incentive plans for in site slum up gradation
- Plan funds and other assistance to be dovetailed according to Action Plan prepared under State Habitat Policy prepared by States
- Micro-finance Institutions (MFIs) to be promoted at State level to expedite the flow of finances to urban poor
- Model Guidelines to be developed by Central govt. for use by States/UTs for land supply
- States/UTs to be encouraged to undertake reforms listed under JNNURM
- Prepare detailed city maps by GIS and satellite data, etc.
- Transfer of proven, cost-effective building materials and technologies to be encouraged by transfer from Lab to Land
- Development of Mass Rapid Transit System (MRTS) at sub-regional level
- All States to be encouraged to develop a “Habitat Infrastructure Action Plan” for all cities with a population of over 1,00,000
- Policy gives primacy to provision of shelter to the urban poor at their present location or near their work place
- Approach will be in – site slum rehabilitation. Relocation will be considered only in specific cases
- Formation of Cooperative Housing Societies of urban poor and slum dwellers to be encouraged

1.8.2 Housing in Five Year Plans and Programmes

First Five Year Plan (1951-56) - Governmental initiatives began in the early 1950s as a part of the First Plan with a focus on institution-building and housing for weaker sections of society. In the subsequent five year plans, government action ranged from strengthening the provision of housing for the poor and the introduction of several schemes for housing in the rural and urban regions of the country. During the early years of housing development in India, initiatives were taken mostly by the Government, and it is only in the recent years that private construction activity has made significant contributions mainly in urban or semi-urban regions in the area of housing.

Second Plan (1956-61) - The scope of housing program for the poor was expanded in the Second Plan. The Industrial Housing Scheme was widened to cover all workers. Three new schemes were introduced, namely, Rural Housing, Slum Clearance and Sweepers’ Housing. In 1959, the Central Government announced a scheme to offer assistance in the form of loans to the State

Governments for a period of 10 years for acquisition and development of land in order to make available building sites in sufficient numbers.

The general directions for housing programs, in the **Third Plan (1961-66)**, were co-ordination of efforts of all agencies and orienting the programs to the needs of the Low Income Groups.

The Fourth Plan (1969-74) took a pragmatic view on the need to prevent the growth of population in large cities and decongestion and dispersal of population through the creation of smaller townships. The Housing and Urban Development Corporation (HUDCO) was established to fund housing and urban development programs. A scheme for improvement of infrastructure was also undertaken to provide basic amenities in cities across the country.

The Fifth Plan (1974-79) reiterated the policies of the preceding Plans to promote smaller towns in new urban centres, in order to ease the increasing pressure on urbanization. The Urban Land (Ceiling and Regulation) Act was enacted to prevent concentration of land holding in urban areas and to make available urban land for construction of houses for the middle and low income groups.

The Sixth Plan (1980-85) refocused attention on the provision of services along with shelter, particularly for the poor.

The Seventh Plan (1985-90) made a marked departure in the focus given to the government-led housing development stressing on the need to place major responsibility of housing construction to the private sector. A three-fold role was assigned to the public sector, namely, mobilization for resources for housing, provision for subsidized housing for the poor and acquisition and development of land. To augment the flow of institutional finance to the housing sector and promoting and regulating housing finance institutions, the National Housing Bank (NHB) was set up as a wholly owned subsidiary under the aegis of the Reserve Bank of India in 1988. The Seventh Plan clearly also recognized the problems of the urban poor and for the first time an Urban Poverty Alleviation Scheme known as Urban Basic Services for the Poor (UBSP) was introduced. National Housing Policy (NHP) was announced in 1988. The long term goal of the NHP was to eradicate homelessness, improve the housing conditions of the inadequately housed and provide a minimum level of basic services and amenities to all. The role of Government was conceived, as a provider for the poorest and vulnerable sections and as a facilitator for other income groups and private sector by the removal of constraints and the increased supply of land and services.

The Eighth Plan (1992-97), for the first time, recognized the role and importance of the urban sector for the national economy. The new Housing and Habitat Policy unveiled in 1998 aimed at ensuring “shelter for all” and better quality of life to all citizens by using the unused potential in public, private and household sectors. The key objective of the policy was on creating strong public–private partnership for tackling the housing problems. Under the new policy, the Government proposed to offer fiscal concessions, carry out legal and regulatory reforms and create an enabling environment for the development of the housing sector. The policy emphasised the role of the private sector, as the other partner, to be encouraged to take up the land assembly, housing construction and investment in infrastructure facilities. Ever since the added emphasis was given to private initiative in housing development, there has been a rapid growth in

private investment in housing with the emergence of real estate developers mainly in metropolitan centres and other fast growing townships.

The Planning Commission suggested modification of the Housing policy to incorporate affordable housing program for the BPL category. Considerable efforts were made during **Ninth and Tenth Five Year Plans** to enlarge the resource base and initiate innovative institutional mechanisms to augment housing delivery in urban areas. Focused efforts were also initiated to cover the poor and vulnerable groups of society to enable them to access basic shelter related services. Fiscal concessions coupled with legislative measures were also initiated to encourage increased investments in housing by individuals and corporate. The National Common Minimum Program (NCMP) has stated that housing for weaker sections in rural areas will be extended on a large scale. The Tenth Plan, therefore, had suggested provision of free housing only to the landless SC/ST families and shift to a credit-cum subsidy scheme for the other BPL families. The repeal of the Urban Land (Ceiling and Regulation) Act, 1976 has been a significant step towards reform in the urban land market. Following the repeal of the central legislation, a number of state governments have also repealed the state-level law.

Eleventh Five Year Plan (2007-2012): This Plan stressed the need for improved housing stock through urban renewal, in site slum improvement, and development of new housing stock in existing cities as well as new townships. Furthermore, the Bharat Nirman Programme has also recognised and accorded due priority to the need to end homelessness. The program has set a target to construct 60 lakh houses from 2005 to 2009. The housing component under the Programme is being implemented in parallel with *Indira Awas Yojana* scheme. For the Eleventh Plan, the focus is on targeting the poorest of the poor while targeting the remaining housing shortage with other interventions.

1.8.3 Constitution of India and Housing Laws

Up to the year 1972, 'right to property' was a fundamental right in the Constitution of India. However, with the 42nd Amendment of the Constitution of India in the year 1972, 'right to property' ceased to be a fundamental right and became only a legal right. Therefore, as per this, property ownership is only by law and not by fundamental right.

1.8.4 Housing – A Right

Housing rights provisions have been included within The Habitat Agenda (1996), Agenda 21 (1992), the UN Vancouver Declaration on Human Settlements (1976), the UN Global Strategy for Shelter to the Year 2000 (1988) and other texts.

The UN Global Shelter Strategy captures the essence of housing rights in the following terms:

“the right to adequate housing is universally recognised by the community of nations...All nations without exception, have some form of obligation in the shelter sector, as exemplified by their creation of ministries or housing agencies, by their allocation of funds to the housing sector, and by their policies, programmes and projects....All citizens of all States, poor as they may be, have a right to expect their Governments to be concerned about their shelter needs, and to accept a fundamental obligation to protect and improve houses and neighbourhoods, rather than damage or destroy them”.

The Constitutions of Armenia, Congo, Ecuador, Finland, Guyana, Haiti, Iran, Lithuania, Mali, Panama, Paraguay, Peru, Sao Tome and Principe, Seychelles, Slovenia, Uruguay and others also enshrine housing rights. Other constitutions suggest the general responsibility of the State, often phrased in terms of policy considerations, to ensure adequate housing and living conditions for all, in an environment of equality, based on the rule of law. Such formulations are found with respect to Bangladesh, Bolivia, Brazil, Burkina Faso, Colombia, Costa Rica, Dominican Republic, El Salvador, Finland, Guatemala, Nepal, Netherlands, Nigeria, Pakistan, Philippines, Poland, Romania, Sri Lanka, Sweden, Switzerland, Turkey, Venezuela, Viet Nam and others. It should also be recognized that even though the phrase ‘human right to adequate housing’ may not be found within national legislation, a synthesis of national laws and judicial decisions may in fact provide considerable protection of citizen rights in this respect.

The 1995 Final Report of the UN Special Rapporteur on Housing Rights provides guidance into how the right to adequate housing should be approached by firmly stating that this *right should not be taken to mean*: (a) That the State is required to build housing for the entire population; (b) That housing is to be provided free of charge by the State to all who request it; (c) That the State must necessarily fulfil all aspects of this right immediately upon assuming duties to do so; (d) That the State should exclusively entrust either itself or the unregulated market to ensuring this right to all; and (e) That this right will manifest itself in precisely the same manner in all circumstances and locations.

1.9 APPROPRIATE TECHNOLOGY FOR HOUSING

Technology plays a very important role in housing construction. Using proper technology, not only helps in optimising on the use of materials and saving on time, but also helps in reducing the cost of housing and making it more affordable. In order to bridge the gap between research and development and large scale application of new building material technologies, the erstwhile Ministry of Urban Development, Government of India, had established the Building Materials and Technology Promotion Council (BMTPC) in July 1990. The Council strives to package proven innovative technologies for the benefit of entrepreneurs interested in setting up manufacturing units in tiny, small, medium and large scale sectors. There has been a demand for setting up such an apex institution in order to provide an inter-disciplinary platform to various agencies under Central and State Governments and the private sector for scaling up proven technologies to enhance their wide-spread use and for assisting commercial production as well as systematic dissemination of appropriate technology for the benefit of the construction agencies and different sections of the population. The Council is structured to undertake the task of the extension and application of technologies and materials developed by research institutions on the ground with the backing of financial institutions and enabling regulatory environment.

The objectives of BMTPC are as follows:

- Improving the policy environment for sustained growth of cost-effective building materials, production and availability.

Urban Challenges

- Promotion of production units of building materials/components based on industrial waste such as Flyash, Redmud, Phosphogypsum; agricultural residues such as rice husk, jute, coir etc. other wastes and by-products.
- Modernisation of small scale and village level building materials production units in rural and urban areas.
- Construction of Demonstration Structures to showcase appropriate technology and wider dissemination.
- Formulation of standards for innovative building materials and construction technologies.
- Strengthening industrial extension services for attracting more investment in building materials sector by working with national and international agencies.
- Up scaling of technologies, know-how acquisition, absorption and dissemination.
- Assessing vulnerability and risk in natural disaster prone areas.
- Promoting natural hazard resistant construction technologies.
- Global technology search and encouraging joint ventures in building materials and construction sector.

The Council through its extensive networking with various R&D Institutions, Ministries/Government Departments, Universities, Financial Institutions, Public Agencies, Business Federations/Organizations and various international organizations such as UNIDO, UNCHS, ADB, World Bank etc., strives to provide multifaceted S & T services to the various stakeholders in the construction and building sector.

- Support for identification and development of technologies and building materials based on agricultural and industrial wastes and promotion of proven technologies for rural and urban housing construction.
- Advise entrepreneurs in technology selection, prototype development, commercial production and marketing and extend appropriate support for training and development/up gradation of process/technologies and procuring equipment, etc.
- Assist in arranging technology transfer from other countries, selection and evaluation of foreign technologies.
- Undertake Techno-Economic Feasibility Studies and formulation of detailed Project Reports on innovative energy-efficient building materials/products and construction systems.
- Assist in capacity building and skill development through training of village artisans, craftsmen and help in production of simple building components using local materials, skills and manpower and to coordinate with national, State and local level institutions of periodic training and orientation courses for professionals like engineers, architects, town planners, contractors and construction managers for creating confidence in use of new materials and technologies.

In this section you studied, housing in policies/plans. Now, you should be able to answer some questions relating to this section given in *Check Your Progress 4*.

Check Your Progress 4

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What is National Urban Housing and Habitat Policy (NUHHP), 2007?

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2) What are the appropriate technologies for housing?

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1.10 LET US SUM UP

India is part of a global trend that is advancing towards an increasing urbanisation, according to which more than half of the world’s population is living in towns and cities. India has a total population of 1,027 million as accounted by the 2001 census, out of which 27.8 percent live in urban areas. The span of ten years between 1991 and 2001 has showed a steady increase of 2.1 percent in the proportion of urban population in the country. It is noteworthy that the contribution of urban sector to Gross Domestic Product (GDP) is currently expected to be in the range of 50-60 percent. In this context, enhancing the productivity of urban areas is now central to the policy pronouncements of the Ministry of Urban Development. Cities hold tremendous potential as engines of economic and social development, creating jobs and generating wealth through economies of considerable scale. They need to be sustained and augmented through high urban productivity for a country’s economic growth. National economic growth and poverty reduction efforts will be increasingly determined by the productivity of these cities and towns. For Indian cities to become growth oriented and productive, it is essential to achieve a world class urban system, which in turn depends on attaining efficiency and equity in the delivery and financing of urban infrastructure.

After 1950, the Government of India formulated ten five year plans aimed towards housing and urban development, which led to the launch of Urban Poverty and Alleviation Programme of *Nehru Rojgar Yojana* (NRY). These plans laid emphasis on institution building and on construction of houses for government employees and weaker sections. The Industrial Housing Scheme was widened to cover all workers. As a follow-up of the Global Shelter Strategy (GSS), National Housing Policy (NHP) was announced in 1988, whose long term goal was to eradicate the problem of lack of housing, improve the housing conditions of the inadequately housed, and provide a minimum level of basic services and amenities to all. The role of Government was conceived, as a provider for the poorest and vulnerable sections, and as a facilitator for other income groups and private sector by the removal of constraints and the increased supply of land and services.

1.11 REFERENCES AND SELECTED READINGS

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1.12 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress 1

1) What are the different types of Housing? Explain any one briefly?

Ans. The different types of housing are: Census House, Household, Institutional Household, Permanent House, Semi-Permanent House, and Temporary House.

One of type is Institutional Household, where a group of unrelated persons who live in an institution and take their meals from a common kitchen is called an *Institutional Household*. Institutional Household are boarding houses, messes, hostels, hotels, rescue homes, jails, ashrams, orphanages, etc.

2) What are the factors influencing housing pattern? Explain any one?

Ans. The factors influencing housing pattern are social, economic, political factors and also influence of Climate, Materials and Technology.. In the coastal areas, the climate is moderate in nature. There is little difference between the summers and winters. Humidity is high and therefore, there is a need for wind flow in order to attain thermal comfort. Rains are also quite heavy

here. Therefore, as a result of all these conditions, the traditional house form here has emerged with spacious houses having a central courtyard, large windows to allow free passage of air and high gable roofs to take care of the rains. Further, use of locally available stone, brick and timber is common.

Check Your Progress 2

1) What do you understand by Housing finance? Explain briefly

Ans. The majority of the population landless and do not have access to housing. In order that households gain access to affordable housing finance, the Government of India has initiated several measures. Housing finance in India can be seen in terms of two levels; bulk finance and retail finance. Bulk finance for developing various large scale housing projects by state housing boards and development authorities is made available at reasonable rates by the Housing and Urban Development Corporation (HUDCO). On the retail side, a large number of housing finance companies (HFCs) have emerged in the country.

2) How are housing classified? Explain any one?

Ans. Housing is classified into: Public Housing, Rental Housing and Co-operative Housing. Cooperative Housing: The National Cooperative Housing Federation of India (NCHF) is the apex organisation of entire cooperative housing movement in the country. It is engaged in promoting, developing and coordinating the activities of housing cooperatives since its inception in the year 1969. At the grass roots level there are now about 92,000 primary housing cooperatives with a membership of over 65 lakhs. A large number of cooperative housing societies have been formed in various cities of India. Mumbai and Delhi are good examples of a large number of cooperative housing societies.

Check Your Progress 3

1) What is meant by affordable housing?

Ans. Affordable housing is the “ability and willingness to pay.” The affordability of a household in a given location is an outcome of the following factors:

Household Income, House Price Number, and Age of the Members of the Family, Spending and Savings, Policies of Mortgage Funding Agencies

2) Who are the stakeholders in housing development?

Ans. The stakeholders in housing development are Real Estate Developers and Brokers, Public private partnerships, slums and squatter settlements, illegal land colonisation. Real Estate Developers and Brokers: Private profit-making developers or real estate developers are allowed to operate in our cities and towns in order to produce housing of various types’ viz. villas, apartments, townships, etc. They usually cater to the upper income population and the quality of the products is invariably better as compared to those of the public housing authorities.

Check Your Progress 4

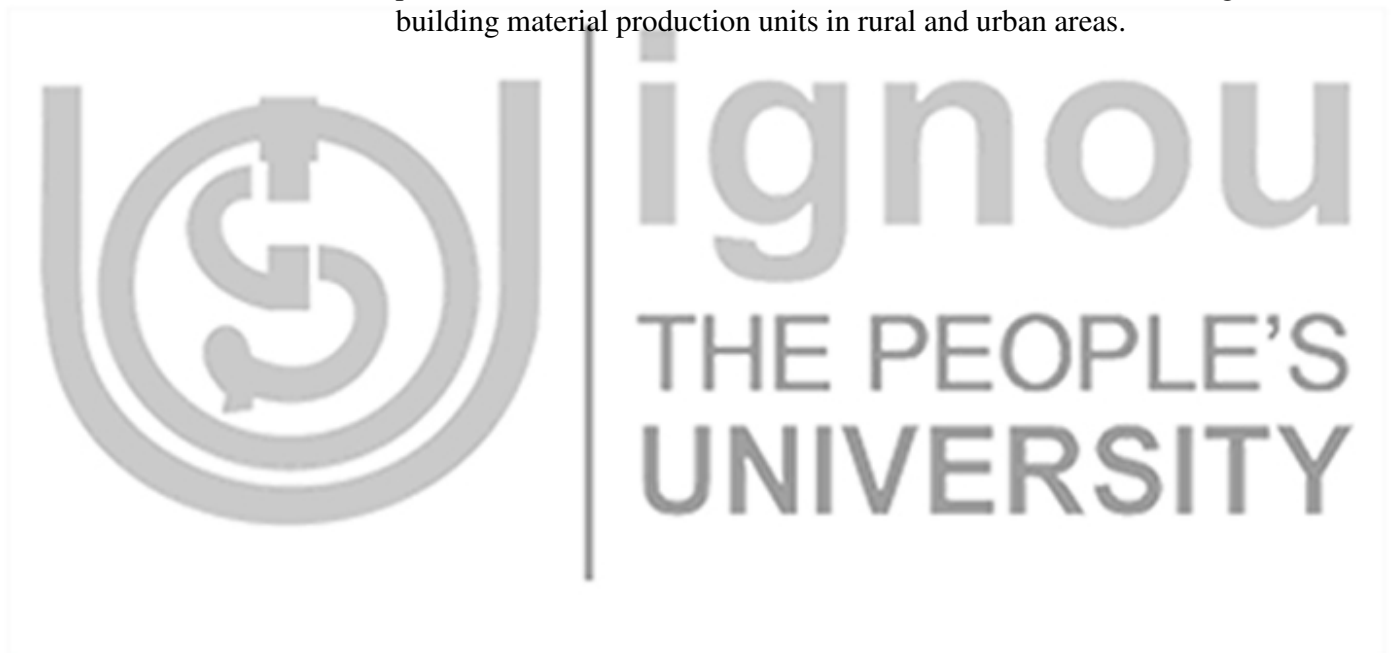
1) What is National Urban Housing and Habitat Policy (NUHHP), 2007.

Ans. NUHHP 2007 addresses “Urban Housing” exclusively. The focus is on Affordable *Housing for All* with special emphasis on Scheduled Castes / Tribes, Backward Classes, Minorities, the urban poor and Empowerment of Women. The new initiatives under NUHHP, 2007 are:

- 10 per cent-15 per cent land or 20 per cent-25 per cent FSI (whichever is greater) to be reserved for EWS and LIG housing
- Private sector to be permitted land assembly within Master Plan
- A special action plan to be prepared for urban slum dwellers

2) What are the appropriate technologies for housing?

Ans. Technology plays a very important role in housing construction. Using the proper technology not only helps in optimising on the use of materials and saving on time, but also helps in reducing the cost of housing and making it more affordable. Promotion of production units of building materials/ components based on industrial waste such as Flyash, Redmud, Phosphogypsum; agricultural residues such as rice husk, jute, coir etc. other wastes and by products. There needs to be modernisation of small-scale and village-level building material production units in rural and urban areas.



UNIT 2 URBAN INDUSTRIALISATION

Structure

- 2.1 Introduction
- 2.2 Industrialization and Growth
- 2.3 Phases of Industrial Development
- 2.4 Perspectives on Size Structure of Firms
- 2.5 Agglomeration and Industrial Clusters
- 2.6 Foreign Direct Investment Flows
- 2.7 Industry and Employment
- 2.8 Let Us Sum Up
- 2.9 References and Selected Readings
- 2.10 Check Your Progress-Possible Answers

2.1 INTRODUCTION

Industrialization has always been considered a necessary path to economic development. In fact one cannot think of modern civilization without a considerable development of industries. A vast section of the population in developing countries such as India still largely depend upon agriculture and since there had not been enough efforts to increase the productivity in agriculture and also because it is relatively difficult to escape diminishing returns in this sector it becomes imperative to create alternative sources of gainful employment. Industry and especially manufacturing had proven itself to be the drivers of economic growth. The geography of industrialization also changed over time. Historically it had been linked to availability of raw materials but later on it created its own space which had been also linked to the growth of urban centers. In other words, beyond certain level of development, industrial growth had been the drivers of the emergence of urban centers. Industrialization and urbanization went hand in hand. Later on, of course, in a more recent phase, there had been a delinking of industrial development and urbanization. The trajectory of industrial growth often resembles to a definite pattern and theories offer explanation to such patterns. The relative importance of various size categories of firms changes in different phases of industrial development. This also depends on technological development. However all these depend on the nature of industrial regime a country follows and the broader economic questions it aims to answer. In other words, the demand pattern and its macro-management, the availability of resources in terms of labor and capital, the technologies that evolve depending on specific historical necessities that largely defines the contours of industrialization of a specific country. This implies that there can't be any unique pattern of industrialization and the paths differ on the basis of specific historical and social contexts. Industrial development in Europe and in other developed countries had often been conceived as something homogeneous and also referred to as ideal pathways to industrial growth. But these notions are not grounded on serious inquiry. The idea of 'catching up' to the developed world although drives the mental models of industrial development in developing countries but the two trajectories hardly match. And industrial development literature offers a pluralistic vision of industrial development rather than sticking to Western ideal typologies.

Industrial development had often been equated to the growth of large industrial structures involving huge capital investments either from private or public monopolies. The Fordist structure as it is termed defines an industrial pattern that is primarily meant to cater huge demands of standardized goods or goods of mass production. Hence, capital investment with large oligopolies as leaders was conceived to be the drivers of industrial growth. But with the decline of welfare states and Keynesian demand management industrial regimes also underwent a change. Not only in terms of size structure of industry but also in terms of emerging technology and demand patterns. Large size, huge investments and command structures no longer remained to be the guiding principle of industrial growth. Knowledge and human capital became important inputs to trigger cumulative growth of industries. Economic theories tried to capture these changes and explained how simple linear relations between physical inputs and output hardly capture the dynamic relations within industrial growth. The rising proportion of knowledge inputs coupled with a massive decline in the cost of transacting information has also led to a relocation of industries and also new markets for knowledge related activities. There had been a rising trend towards division and re-division of tasks which are performed across the globe and managed by multinational corporations or trans-national corporations. Global production networks are emerging and firms or regions of developing world are increasingly drawn into the global value chains. The globalization process induced liberalization had also triggered a surge in cross-border capital flows that to a large extent influences the industrialization process of a country.

In this unit on urban industrialization we would discuss issues that provide a comprehensive understanding of the past and present trajectories of industrial growth.

After reading the unit, you will be able to:

- Explain industrialization, growth and phases of industrial development
- Describe perspectives on size-structure of firms
- Analyze agglomerations and industrial clusters
- Discuss Foreign Direct Investment Flows, Industry and employment

2.2 INDUSTRIALIZATION AND GROWTH

Economic growth has been conceived as a process of increasing output per capita by enhancing productivity and employment. The growth of population adds to the labor force in a country which if employed use other resources and give rise to new output. But addition of labor also requires additional sources for survival and if the output generated gets exhausted for sustenance of the labor force then there will be no net addition to output or growth. In other words growth involves a process of rising productivity such that output produced per capita should be at least higher than the amount required for survival of the labor force. On the other hand if the growth of productivity is much faster than the growth of labor force there would be increasing possibilities of unemployment. In developing countries the typical problem is the persistence of surplus labor largely engaged in agricultural or other low productivity activities. The surplus labor implies a situation where the marginal product of labor is close to zero, but since people can't survive without subsistence output produced by others, they are shared among community members. This is precisely the reason why the wages in the

agricultural segment is determined by the average product of labor which marginally changes over time. The challenge of growth, hence involves a process that employs an increasing proportion of population to increasing returns activities. This simply implies that people need to be engaged in activities where they could increase the net addition of outputs. Agriculture is considered to be a segment where it is relatively difficult to escape the diminishing returns tendencies, although productivities in agriculture could be substantially increased.

Kaldor (1966, 1967) introduced the concept of dynamic economies of scale explaining the role of manufacturing as the 'engine of growth'. The advantages of creating higher returns in manufacturing flow from both demand and supply sides. On the supply side manufacturing unlike agriculture and services entails a process of 'learning by doing' that gives rise to a cumulative growth of productivity. On the other hand, on the demand side the income elasticity of demand for manufacturing use to be higher than that in agriculture but more or less similar to services. The growth of manufacturing and growth of the economy does not imply a simple correlation but it is a causal relation and Kaldor's first law states that the faster the rate of growth of manufacturing the faster would be the growth in the economy. In other words, higher the rate of growth of manufacturing compared to the growth of GDP, the higher would be the overall growth. This of course acknowledges the fact that manufacturing grows much faster than the growth of GDP. The other important aspect of manufacturing is that productivity increases much faster than that in services. As a result prices of manufacturing goods increase slowly. The income elasticity of demand for services beyond a certain level of income could be similar or even higher to that in manufacturing but since prices for most services rise much faster than manufactured products the rise in the elasticity of demand is to an extent counterbalanced by rising prices. There are studies that show that some services show characteristics very similar to manufacturing and could be considered as an additional engine of growth.

The relation between growth and industrialization is also important in the way the two mutually influences each other. Growth gives rise to incomes which should be distributed to various social classes. If we consider two broad groups for reasonable abstraction, growth is distributed between labor and capital in terms of wages and profits. The trajectory of growth results in various distributional patterns that influence demand and the commodity composition of the economy. Moreover, the growth depends on profit income less would be the impact of income on consumption demand. This is precisely because capitalists save more in proportion to income than the workers. On the contrary if the growth enhances the share of wages then there would be relatively higher impact on consumption demand. The other aspect of course is indirect. The growth of profit incomes in the economy raises the demand for luxuries and importable that always have lower employment elasticities. In other words the growing share of the income of the rich would entail a demand pattern that requires higher technologies and declining use of labor force. The question basically is linking growth with a proper distribution that would create adequate demand for industries. Otherwise higher growth with a skewed distribution of income together with higher dependence on imports might lead to de-industrialisation.

Finally industrial development in the modern age signifies a marked shift from artisanal production to factories and manufactures. The growth of large industries

required a massive supply of labor force who would be working in factories and as a result people from rural areas were drawn in to urban centers. This is precisely the reason why the trajectory of growth of industries matches with the growth of modern urban cities. In other words at the advent of modern industrialization growth of manufactures drove the growth of urban centers. This involves a creation of new space that brings together labor and capital and defines the new geography of production.

2.3 PHASES OF INDUSTRIAL DEVELOPMENT

Industrial development changed across space and time. On the one hand the nature of work that arise in given historical periods are often conditioned by the dominant paradigm of technology on which they rely. On the other, necessities and endowments create contours of space that define the changing geographical distribution of industries. In other words, the technological development and the relations of production that emerged in definite historical periods and in various geographical locations tells us about the phases of industrial development in the world. The first phase marked by the origin of industrialization in Western Europe and USA in the eighteenth and nineteenth centuries were mainly concentrated around coal fields. Most industries were to be found in locations where water power was available for use in the production of basic consumer goods such as clothing and textiles (Hudson, 1988). These industries gradually grew from artisanal or home-working basis onto a factory form and then relatively small emergent capitals with the subsequent introduction of mechanization and an increasing division of labor within the factory. The second phase that constituted the 'old' industrial regions of Western Europe originally UK and USA were associated with coal fields, where coal could be mined by existing technologies. The natural endowments along with the emerging factory structures gave rise to industries of natural extraction and processing industries, iron and steel plants and gradually spreading to various industries producing means of production for other industries. There were also developments in extending transport, roads and railways and also basic consumer goods. Industries were basically controlled by large oligopolists who cartelized several industrial lines. The third phase is marked by a shift in location of industries, a movement away from coal mines to urban centers. The industrial areas were surrounded by non-industrial locations but these locations provided the market for growth of consumer goods industries as well as those producing machines for other industries. However in all these phases we did not find that activities belonging to the same industry are splinted up and distributed across space. Only since 1940s we find that the whole production being split into segments depending on the requirement of skill and technology and deployed onto regions where such inputs are easily available. This was made possible by increasing integration of nations and markets. The reservoir of disposable labor in developing economies was made accessible to all and productivities of such labor were made comparable to developed countries by taking recourse to longer hours of work and other precarious forms of labor process. Furthermore, division and subdivision of the production process were made in such minute details along with increased use of technology and routinization that the need for skilled labor gradually declined.

The growth of industries in developing countries had always been conceived on the notion of 'catching up' the developed West but historically they had been

different. Expansion of industries in developing countries, especially manufacturing, has never been a smooth trajectory. It normally involves enclaves of growth those later diffuse to a more dispersed process of industrialization. Faster growth experienced in developing countries has been correlated to the extent of sophistication and diversity of their manufacturing output and exports. These patterns substantiate the notions of ‘new structuralism’ that says that growth of a developing country is not only dependent upon the extent of structural change from agriculture to manufacturing but also on the structural composition of the manufacturing output itself. The theory suggests a U-shaped relationship between specialization of production and per capita income of the country (Imbs and Wacziarg, 2003). This means that at a low level of income a country specializes in producing low value added product and as income level grows countries produce diverse range of products and finally beyond a higher level of income countries again specialize but more on producing high value added goods. The same pattern is visible in the case of exports as well. Increasingly industrialization is becoming “lumpy” in products, space and time. In terms of products it is lumpy in the sense that it is becoming increasingly difficult to shift from one product range to another and the choice is becoming increasingly limited to moving up the ladder in a given range of production.

The pattern of industrialization in developed countries and that in developing world is neither independent of each other nor could be comprehended as something symmetric, rather the pattern of industrialization in developing countries had largely been influenced by a dependent relationship. The relationship is essentially asymmetric. The dependent and truncated patterns of industrialization of the developing countries were largely driven by the imperial needs of the developed countries in the colonial periods. Later on, the dependence became although less explicit the gap between the two continues to exist not only for the initial lag but because of a complex hegemony of the developed world.

2.4 PERSPECTIVES ON SIZE STRUCTURE OF FIRMS

The trajectory of industrial growth involves a changing distribution of various size categories of firms. In the initial stage there would be predominance of household enterprises. Gradually these would be replaced by workshops and factories and finally large scale enterprises take over. These phases although are not very distinct and there would be different degrees of overlap depending on the specific situations of countries. Moreover this trajectory has little resemblance to industrialization process in developing countries. Industrial structure at the beginning would be predominated by large enterprises mostly led by large oligopolies or state owned firms. The growth of industrialization involves a deepening process and that creates demand for smaller firms in backward linkage. The advantages of large and small scale enterprises and the appropriate size structure of firms had been a major area of debate both in theory and policy.

Larger scale primarily relates to higher labor productivity and hence higher efficiency wages to labor, that in a way increases the mass market as well as demand for modern goods. The scale advantages flow out of several aspects starting from those linked to marketing and managerial gains to those related to

technology and innovation. In some sense or the other the principal arguments in favor of small are generation of employment and efficient use of capital in a labor surplus or capital scarce economy. The other important objective of protecting and promoting small enterprises was the creation of employment in a capital scarce labor abundant economy. But in that case, the little amount of available capital needs to be spread over the vast number of labor and in which case the marginal product of labor could be even lower than their subsistence wage, very similar to the case in agriculture in developing countries. As a result the creation of employment without generating adequate income ultimately lands up to a case of poverty sharing. In this view in order to increase income especially in a capital scarce country, small units can be preferred since they operate at less capital-income ratio compared to large enterprises. But on the other hand, large enterprises usually produce at lower unit costs compared to the small producers and hence would automatically emerge as winners in the market. As a result given the structure of endowments, if the policymakers believe in increasing income, employment becomes relevant only in the sense it might help in saving scarce capital. And to achieve higher income although small scale production may be considered suitable but it would not be supported by the market and hence requires protection and reservation from the state. There is also a counter argument in this context which says that in order to increase income in the long run it would be wise to maximize surplus for future investments and on that count small enterprises would no longer be a favorable choice. The policies to protect the small enterprises are based on the assumption that small enterprises are labor intensive compared to larger units and hence could create more employment opportunities, although, the unit costs of production might be greater in small scale enterprises. However this presumption is not beyond doubt as it cannot be generalized for all industries with varying organic composition of capital.

We come across four major strands of literature on optimal size of the firm and these are the following:

- i) Arguments based on technology say that optimal size of the firm is determined at the minimum point of the long run average cost curve of the firm.
- ii) The transaction cost based analysis underlines how firms reduce transaction costs through cooperation and integration.
- iii) Industrial organization literature primarily points to the market imperfections and distribution of market share among monopoly or oligopolistic firms.
- iv) Finally there is a political economy perspective that assumes small firms as petty capitalist or proto-capitalism in the waiting and it is assumed that those would eventually emerge as large structures once the asymmetric power relations and access to resources get dissolved.

Although these arguments provide some insights to explaining the size distribution of firms in varying reference frames yet gaps remain in capturing all the micro and macro factors those that influence the size distribution of firms. In the macro sense , the size distribution of firms are influenced by factors such as demand situations, nature of market segmentation, levels of capital intensity, supply of credit and infrastructure and also institutions that conditions exchange relations. Inequalities in income and endowment in a country is highly correlated to wage

gaps by size of firms and to size distance within the industry as well. Structural changes in the economy impact upon the size distribution in the sense that more the economy, it depends upon service activities the less would be the share of large firms because requirements of fixed costs are relatively less in services. There are studies showing how historical patterns of land holdings influence the size distribution of firms that evolved in a region. As a result large number of factors including issues related to technology, coordination, market and non-market institutions as well as historical conditions need to be brought in to analyze size distribution of firms.

The techno-allocation paradigm could not determine the exact optimal size of the firm if the long run average cost curve has flat stretches that makes the minimum indeterminate. And according to this argument if there is a global decreasing returns to scale then appropriate size would be infinitesimal while if there is global increasing returns to scale then optimal scale would be infinite. So, how and when diseconomies of scale due to organization and technology set in remains largely unexplained in theory. One can say that the appropriate size of the firm will be determined at the intersection between rising economies of scale flowing from increasing returns and diseconomies of organization arising from increasing size. But this involves a dynamic analysis that cannot be limited to technological factors alone. The transaction cost argument in some sense is also driven by technological determinism as it assumes that transaction costs arise exogenously given technology and organizations take shape in order to reduce such costs. Moreover how different forms of coordination take place depending upon the complementarities and similarities of activities within firms in various industries need to be looked at. Finally the macro factors, those influencing demand although are of great significance but in a globalised world, scale advantages can be reaped by depending upon foreign demand and emerging global value chains also throw up possibilities where firms could derive scale advantages not only by producing finished goods but also by supplying intermediate tasks at a large scale to the global production process.

In this section, you studied industrialization and growth, phases of industrial development, perspectives on size structure of firms. Now, answer a few questions related to these aspects in *Check Your Progress 1*.

Check Your Progress 1

- Note:** a) Write your answer in about 50 words.
 b) Check your answer with possible answers given at the end of the unit.

1) What are the phases of Industrial Development?

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2) What do you understand by size structure of firms? Explain briefly.

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2.5 AGGLOMERATION AND INDUSTRIAL CLUSTERS

The phenomenon of disintegration of large hierarchical firms and subsequent rise of post-Fordist structures, such as dense network of small enterprises embedded in clusters, gained importance to academics and policy makers. This was primarily driven by a perceivable shift in the demand pattern towards customized goods with multiple styles produced in smaller batches using flexible technologies. As a response, flexible specialization emerged as the new paradigm of industrial organization that involves flexible machines, flexible labor process and flexible production organizations. Fixed costs were drastically reduced by increasing use of malleable technologies, particularly machines capable of doing multiple tasks. As a result the functional durability of machines increased - thereby, reducing average costs to a large extent. In a Fordist structure average costs could be reduced only by mass production, however by increasing use of flexible technologies average costs could be brought down even at a much lower scale of operation. The moments of competition also changed - producing only at a lower cost did not work much, what became important is responding to the customized needs of consumers at the lowest possible price.

This perspective once again brought back small enterprises into the agenda of course with a caveat - emphasis was less on the rigid notions of scale and more on the flexible production organization that helps reducing transaction costs, costs of inventory and time of response. Attributes of cumulative competitiveness in an industrial cluster do not depend much upon strict homogeneity in size. Organizational synergies and interdependence of firms in vertical and horizontal linkages are more important issues than strict notions of size and scale of firms. Agglomeration of firms defined by an organic interaction, deriving benefits from positive externalities created through localization and contained in a dense network of formal and informal institutions defined the new order of industrial organization- the industrial cluster.

The large volume of literature evolved from the success stories of European clusters offers a different paradigm in capturing the problems of small producers as a constellation of interlinked factors. The key point is that successes of clusters cannot be analyzed investigating individual firms, their strength lies in clustering and cooperative competition that opens up efficiency and flexibility gains which individual producers can rarely attain in isolation. Marshall (1920) first coined the term 'industrial district' identifying the major causes of localization of industries that generates economic gains through positive externalities. However, in mainstream theory external economies can never be a deliberate creation of

an individual firm but is always incidental and involuntary because in these situations economic agents cannot capture in the price of their product, all the benefits of their investment. Schmitz (1999) goes beyond the conventional perception of external economies and recognizes an element of consciously pursued joint action as the sufficient condition for a growing cluster. This opens up the study of interlinked enterprises in a dynamic way and recognizes the fact that clustering enterprises are both recipients and providers of external economies and underinvestment ceases to be the necessary or dominant outcome. Thus collective efficiency, that characterizes successful clusters is the outcome of both the incidental external effects of individual action and consciously pursued joint action. This kind of industrial organization is believed to be appropriate in the context of rapidly changing pattern of demand. It distributes risks of investment, stabilizes labour redundancies tied to business cycle, and is resilient to external shocks (Brusco, 1982). To be competitive is never a static attribute, but a continuous process of responding to changing and emerging markets. In the context of industrial cluster this implies a cumulative progress of joint action and cooperative endeavor.

Porter (2003) defined clusters as geographically close groups of interconnected companies and associated institutions in a particular field, linked by common technologies and skills. They normally exist within a geographic area where ease of communication, logistics and personal interaction is possible. Clusters are normally concentrated in regions and sometimes in a single town. Using multi-criterion approach clusters are categorized into some very general types based on either spatial characteristics, inter firm linkages or both (Markusen 1996).

Marshallian: Clusters comprising primarily of locally owned, small and medium-sized firms concentrated in craft-based, high-technology, or producer services industries. Substantial trade is transacted between firms. Specialized services, labor markets and institutions develop to serve firms in the cluster.

Hub and spoke: These are clusters dominated by one or several large firms surrounded by smaller suppliers and related activities. Co-operation exists between small and large firms but noticeably absent is cooperation among competitor firms to spread risks, stabilize markets and share innovations.

Satellite platforms: Industry clusters dominated by branch facilities of externally-based multi-plant firms. These branch plants are large and relatively independent. Minimal trade or networking takes place among the clusters' branch plants and the incidence of spin-off activities is relatively small.

State-anchored industry clusters are regions where the local business structure is dominated by a public or non-profit entity (e.g. military base, university, government offices). Supplier and service sectors develop around these public facilities, but these local firms are relatively unimportant to the development of these clusters.

Porter (1998) points to the paradox of economic geography during an era of global competition. It is recognized that changes in technology and competition have diminished many of the traditional roles of location. Yet, clusters, or geographic concentrations of inter-connected companies, are a striking feature

of virtually every national, regional, state and even metropolitan economy. Peer production is emerging as an alternative mode of production that can harness human skill, ingenuity and intelligence more efficiently and effectively than traditional firms. It is assumed that short geographical distance facilitates knowledge spillovers between firms for reasons those stem from the nature of the innovative process (Audretsch and Feldman, 1996). These are uncertainty, complexity, reliance on basic research, importance of learning-by-doing, and cumulateness.

In the case of hierarchical structures vertical differentiation may be effective for routine tasks, but less effective when tasks are non-routine. On the other hand, market is not the efficient mechanism to allocate knowledge in a socially optimal way since the marginal cost of supplying an additional unit of knowledge is close to zero. Hence, between authority and competition emerges the space of community relationship and trust - an additional mode of exchange compatible with the growing use of knowledge in production. Industrial clusters seem to be the appropriate site bearing traits of the evolving pattern of knowledge exchange.

2.6 FOREIGN DIRECT INVESTMENT FLOWS

Foreign Direct Investment is generally defined as a financial phenomenon that takes place whenever a company acquires ten per cent or more of the voting stock in a commercial entity incorporated in a foreign country (Cohen, 2007). However this limited definition could not capture the importance of FDI in the present context of globalization and underplays the fact that FDI is related more to ownership and control over a firm and assert long term influence on the trajectory of growth of a business entity. The degree of influence however does not always depend on the percentage of voting shares that a foreign investor acquires and could be maneuvered by several ways using the legal structure of a specific country depending on the nature of interdependence between collaborating partners (Rao and Dhar, 2010). There are large variations in the definition of FDI used by various countries where some define on the basis of equity share while others relate to the power enjoyed by the foreign player. As a result there is little uniformity in defining FDI across countries and absence of a standard measure on this count for cross country empirical study.

In spite of the ambiguity that exists in arriving to a standard definition of FDI, one can easily comprehend the increasing influence of FDI in the course of industrial development in the past decades. In the past two decades FDI grew much faster than GDP. During the period 1982 to 2004 value added of foreign subsidiaries worldwide increased six-fold while world output only tripled during the same reference period. Moreover FDI emerged as the largest single source of external finance although for poorer countries foreign aid and workers' remittances remains to be the most important source. Sales of foreign subsidiaries were almost twice as large as world exports of goods and services and almost one half of the size of the world GDP (Cohen, 2007). Exports by foreign subsidiaries in 2004 were about one-third of world exports and if we include exports from headquarters, this amounts to be two-thirds of world trade in goods. Intra-firm trade of multinational companies accounts for one-third of international trade which clearly depicts the increasing importance of FDI and MNCs in the world economy.

The nature and pattern of FDI has undergone changes depending on the shifting motivations of foreign investors over time. As a brief review of such evolution we may come across the following patterns of FDI:

- a) **Resource seeking strategy:** This was the dominant pattern of foreign investment in the pre-World War II and continued to be so in the neo-colonial regimes of 1950s and 1960s. The host country used to be the supplier of raw materials for the industries located in the developed North and the decision whether to allow such outflow primarily depended upon political dependence as well as cost-benefit analysis of the host country. The home country could access cheap raw materials and there was little to lose on their side since such trade did not replace any existing export or employment.
- b) **Market seeking strategy:** This strategy emerges based on a perception that export based marketing strategy has peaked and setting up business abroad could protect the existing markets as well as could help in extending further. The rationale of such strategy was based on the idea that setting up production sites abroad would reduce transaction costs, provide better knowledge about existing and potential markets and help pacifying the opposition of nationalist sentiments since production takes place within the territory of the host country. Since 1960s this was the major concern for foreign investors and FDI inflow was primarily targeted towards industrialized countries that could provide large markets as well as supply of skilled labour.
- c) **Efficiency seeking strategy:** In a later phase FDI was looking for host countries that could provide inputs at a relatively lesser cost and help increase the competitiveness of existing produce. The primary concern was to get access to the large pool of cheap labor in developing countries and even though large gaps in productivity exists it could be mend to a large extent by extended working hours and other precarious forms of working conditions that could hardly be allowed in developed countries.
- d) **Asset seeking strategy:** The emergence of an economy in which the speed of innovation largely determines the competitiveness of a firm had changed the strategies of FDI to a large extent. Reducing input costs and getting access to markets goes to the back seat since firms are looking for assets that are perceived to be capable of strengthening the overall competitive position of the acquiring company. Acquisition of strategic assets might help in understanding and improvising the existing product, broaden its output portfolio or upgrade the technologies embedded in its products.

The reorganization of the global production process takes plays in both horizontal and vertical lines and sometimes it emerges as a complex network of interconnected production arrangements. The horizontal process is shifting of a portion of jobs to host countries abroad that used to be carried out by the parent firm itself. However, a growing subcategory that increasingly draws our attention is the global value chains or a more holistic concept of global production networks. The unit of investigation spreads beyond specific industries and also specific regions. This signifies a marked change in the sphere of industrial research in the sense, value chains include all activities, both within and beyond the specific industry, related to the final act of profit making. The production and distribution of profits is viewed as an ensemble of several factors in place of linear relations

between inputs and output and might include activities related to agriculture or services mediated through a complex web of relational structures (Coe *et. al.*, 2008). However, splitting up of production and the spatial organization of the chain of activities has given opportunities to less developed countries in contributing to the global production process. This reduces the entry barrier for developing economies because a highly skill intensive final product might have a low-skilled component and a region endowed with low-skilled labor would get the opportunity in contributing to the production of a high-valued product (IDR, 2009). Nevertheless, participation is not all and the distribution of value-added as well as the realized profit draws us to the issues of power relations involved in the governance of such value chains.

2.7 INDUSTRY AND EMPLOYMENT

Industrial development is supposed to generate employment which increases earnings of the urban population, create demands for goods and services and through multipliers give rise to a virtuous circle of growth and employment. Industrial employment in countries such as India is all the more important because it provides avenues to shift the surplus labor from decreasing returns activities to increasing returns activities. The vast number of people engaged in agriculture either have their marginal product equal to zero or less than their average product and one way of employing this vast labor surplus is to engage them in industries. However the relation between industrial growth and urban employment is not always linear in the sense the growth of industrial output does not necessarily lead to higher growth of urban employment. It depends on the nature of industrial growth and the kind of demand such growth is relying upon. In the case of India the precise reason for a disconnect between high growth and employment is the specific growth trajectory which the reforms have given rise to. The fruits of growth are unequally distributed between wages and profits that resulted in a widening gap between the share of wages and share of profits in the organized manufacturing sector. Since the proportion of income spent on consumption demand is much higher for the wage earners, such a skewed distribution in favor of profit incomes dampens the aggregate demand and also results in composition of the consumption demand. Higher incomes for middle class and upper classes generate demand for luxuries that could be met either by producing goods using higher technologies or rely on imports. In both the cases there would be increasing dependence on labor saving technologies that reduces employment elasticity. On the other hand because of opening up of markets there is little dichotomy left between domestic and global market. In fact domestic producers have to compete with foreign goods not only abroad but within the domestic market itself. This has insisted large domestic producers to depend on increasing use of labor saving technologies and get a larger share of the monopoly rents that they could make by collaborating with the big players in the global market. In other words the act of profit making hardly depends on catering to the needs of the mass market which involves labor using technologies. Studies show the rise in capital intensity in India's manufacturing sector in the past two decades in spite of availability of cheap labor. And this can be explained by the fact of relative cheapening of capital by increased availability of credit. The other reason being the nature of goods demanded requires higher quality to compete with foreign goods and that requires high precision and accuracy which is sometimes beyond the capacity of human labor.

The shrinking base of consumption demand had not been compensated by a rise in investment demand precisely because of lowering expectation of profits. However there had been a shift in employment from rural to urban areas as well as from agriculture to non-farm employment. The shift is primarily caused by declining absorption capacity of agriculture that resulted because of declining public investments in the reform period and consistent neglect of agriculture at policy levels. The attraction to urban employment was not because of a rising expectation of getting a formal job in the organized sector because in the post-reform period employment growth in the organized industry was almost close to zero or negative. Therefore the shift was largely because of non availability of employment and declining per capita share in agricultural value added that in fact triggered the shift in employment. The sectors which are major absorbers in non-agricultural employment are construction, hotels and restaurants, transport and communication and services related to finance and business services. The other important fact being that the major absorption has taken place in the informal sector of these industries. Expanding informal employment raises question about the quality of jobs and vulnerability of the workforce in the urban segment. There has also been an increase in the share of urban population and Census data shows that for the first time since Independence the absolute increase in population in the last decade had been higher in urban compared to rural areas. The reasons being the following: natural growth of population, declaring new areas as urban and rise in the number of Census towns. The rise in Census towns signifies the growth of non-farm employment. The growth perhaps is not driven by industrialization, rather there seems to be a disconnect between urbanization and industrialization. Urbanization is primarily driven by a convergence in demand pattern across classes and that has increased the scope of trading and related services resulting in a growth in non-farm activities.

In this section, you studied agglomeration and industrial clusters, foreign direct investment flows, industry and employment Now, answer a few questions related to these aspects in *Check Your Progress 2*.

Check your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What do you understand by knowledge economy?

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2) What is foreign direct investment flows?

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2.8 LET US SUM UP

The relation between industrialization and growth is a causal relation and the growth of manufacturing industries assumes the role of an engine in driving the growth. The growth of urbanization in the initial phase had been linked with industrialization. Industrial development in the world has undergone several phases and the geographical location and concentration of industries was primarily driven by endowments and availability of technologies to use resources. There had also been various phases of specialization in industrial activities. The typologies in the developed and developing countries were not very similar. There had been a marked shift in industrial organization from rigid hierarchical Fordist structures that catered the mass market of standardized goods to post-Fordist regimes of flexible organization that responds to customized demand depending on malleable technologies. The rise of the 'knowledge-economy' characterized by enormous increase in the dissemination of knowledge is actually a process of increased commercialization of knowledge inputs. The precondition of higher commercialization is increased standardization and codification. However higher codification also demands increased capacities of contextualizing codified knowledge. The decline of hierarchical structures gave rise to agglomerations and clusters as the new organizational form that is based on cooperative competition and collective efficiency. It primarily relies on internalizing within the cluster the externalities created by individual firms. It depends on an organic relationship among firms both vertically and horizontally linked and facilitates cumulative collective action. The role of foreign direct investment has assumed importance in industrialization in the current phase of globalization. Foreign investment takes place with different motives in different phases of engagement with the host country. The geographically dispersed nature of production and their mutual dependence through value chains has increased the opportunity for developing countries in getting linked to global production structures. The process of industrialization in India had taken a peculiar course, in the sense; higher growth had been accompanied by declining employment elasticities. The opening up of competition to global market and increased reliance on profit incomes in the domestic economy gave rise to demand for goods that invokes increased capital intensity. Major employment in non-agriculture is taking place in the informal segment and urban growth is increasingly delinked from the process of industrialization.

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2.10 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress 1

1) What are the phases of Industrial Development?

Ans. The first phase marked by the origin of industrialization in Western Europe and USA were mainly concentrated around coal fields. The second phase that constituted the 'old' industrial regions of Western Europe originally UK and USA were associated with coal fields, where coal could be mined by existing technologies. There were also developments in extending transport, roads and railways and also basic consumer goods. The third phase is marked by a shift in location of industries, a movement away from coal mines to urban centers. The industrial areas were surrounded by non-industrial locations but these locations provided the market for growth of consumer goods industries as well as those producing machines for other industries.

2) What do you understand by size structure of firms? Explain briefly

Ans. The trajectory of industrial growth involves a changing distribution of various size categories of firms. In the initial stage there would be predominance of household enterprises. Gradually these would be replaced by workshops and factories and finally large scale enterprises take over

Check Your Progress 2

1) What do you understand by knowledge economy?

Ans. The 'knowledge economy' signifies a structural break from the capitalist relations of production, arguing to the extent that the economy of mind has triumphed the economy of matter and the knowledge worker is the owner of the key input, hence capable to escape the traditional exploitative relations between labor and capital.

2) What is foreign direct investment flows?

Ans. Foreign Direct Investment is generally defined as a financial phenomenon that takes place whenever a company acquires ten per cent or more of the voting stock in a commercial entity incorporated in a foreign country



UNIT 3 URBAN LAND MARKET

Structure

- 3.1 Introduction
- 3.2 Urban Land: Concept and Related Legal Aspects
- 3.3 Land Market: Concept and Types
- 3.4 Classification of Land and Land Markets
- 3.5 Characteristics of Urban Land Market
- 3.6 Segment of Urban Land Market
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- 3.11 Check Your Progress-Possible Answers

3.1 INTRODUCTION

India is the second largest populated country in the world, next to China. The pattern of urbanisation in India is characterised by concentration of population and activities in large cities. India's urbanisation is followed by certain inherent problems such as housing, transport, infrastructure (water supply and sanitation), pollution and inadequate social infrastructure. Thus, leading to environmental degradation and affecting quality of life.

Land is the greatest natural gift, bestowed on human beings. All human activities whether social, political or economic, revolve around the enjoyment of land and benefits related to land. The supply of land is limited, while its demand is constantly rising and competing over the years. All endeavors of the Government in infusing growth and development into the economy are closely related to land utilization for rural and urban activities. Any attempt to make land available for various activities is bound to have repercussions on problems of land acquisition, development and distribution.

Rapid urbanisation has not only over-burdened the existing urban infrastructure but also inflated land prices in urban areas. The continuous and excessive rise in land values in and around the urban centres poses serious problems for development planning. Reliable data on land prices are extremely difficult to come by. Prices of land recorded at the registration offices are neither properly quoted nor they are published. One has to rely on the scanty, scattered information lying here and there.

A 'Market' is a mechanism that regulates trade and a site where buyers and sellers exchange goods, services or information. It consists of a framework of institutions, social practices, relationships, regulations and actors, all of whom participate, in one way or another, in the production and exchange process. A market thus brings together buyers and sellers to exchange goods for money, the prices of these goods are set according to the forces of 'Supply' and 'Demand'.

After studying the unit on urban land market, you shall be able to:

- Discuss about land, access to land and urban land policy
- Explain various factors relating to land markets and land price
- Describe the problems associated with urban land markets
- Narrate the characteristics and classification of urban land markets

3.2 URBAN LAND: CONCEPT AND RELATED LEGAL ASPECTS

“Land’ is a State subject, as per the scheme of distribution of legislative powers under the Indian Constitution, only the state legislatures can make laws in respect of the lands. However, if the State legislatures accord their concurrence, the central government may also enact on such subject as in the case of Urban Land (Ceiling & Regulation) Act, 1976 (which is now repealed) was a central legislation. Hence, every state has its own legal and regulatory framework; for acquiring, developing and disposal of land and thus plays a significant role in the efficient functioning of the land market.

3.2.1 Urban Land: Concept and Meaning

Land is defined under the Land Acquisition Act, 1894 as ‘the expression ‘land’ includes benefits to arise out of land, and things attached to the earth or permanently fastened to anything attached to the earth’.

Urban land is an area which is characterized by concentration of population and various other uses for different activities. Urban areas are termed as cities, towns or conurbations. Urban land is defined under the Urban Land (Ceiling and Regulation) Act (ULCRA), 1976 as:

- 1) “Any land situated within the limits of an Urban Agglomeration (U.A) and forming part of Master Plan, if prepared.
- 2) If there is no master plan, any land within the limits of U.A and situated within the local limits of Municipal Corporation, municipality, notified/town area committee and cantonment board area”.

However, urban land does not include any land within the limits of a U.A, if:

- i) It is used for the purpose of agriculture and horticulture.
- ii) The land is entered in the revenue land records, as used for the purpose of agriculture and not for any other purpose.

3.2.2 Land Assembly, Development and Disposal

There have been, by and large, two approaches to managing new urban growth in India. In the first approach, the planning authorities and development agencies acquire large portions of land and use this land in a desirable and appropriate manner, according to a Plan. This is referred as the “land acquisition” method of land assembly.

In the second approach instead of acquiring the land, it brings together or “pool together” a group of land owners and re-plan the area by readjusting or reshaping

every land parcel in a manner so that it is given a regular shape and access and in the process, a portion of land parcel is appropriated to provide for roads, infrastructure, and public amenities. This is referred to as the “land readjustment and pooling” method of land assembly, the approaches are briefly explained as:

i) Land Assembly: In this method, the public planning authorities/development agencies acquire large areas of land from agricultural landholders (farmers) under the Land Acquisition Act of 1894. Compensation paid to farmers is based on prevailing land prices or as notified by the Government. To minimize opposition to acquisition, farmers are paid prices higher than agricultural land prices. Master plan of the area is prepared, laying out the roads, plots for social amenities, and plots for sale. Roads and infrastructure are then built, using government funds or loans. Developed plots are then sold for planned uses at market rates or pre-determined price, which are most often much higher than the rates at which land is acquired. This land assembly method can be broadly categorized into two types of practices:

a) Land Pooling/Readjustment Scheme: Town Planning Schemes

(TPS): The concept of land readjustment is to assemble small land parcels into a large land parcel, provide it with infrastructure in a planned manner and return the reconstituted land to the owners, after deducting the cost of the provision of infrastructure and public spaces by the sale of some of serviced land. A land readjustment scheme is typically initiated by the municipal or the Government designating an area which is about to be converted from agricultural to urban land use. A subdivision plan is developed for a unified planning of the area. Provision of infrastructure and services is financed by the sale of some of the plots within the area, often for commercial activities. The original landowners are provided plots within the reshaped area which, although smaller in size, now have access to infrastructure and services.

b) Guided Land Development (GLD): Guided land development is a land management technique for guiding the conversion of privately owned land from rural to urban uses. It uses the provision of infrastructure as a mechanism to guide urban development. It is done in partnership with landowners who pay for the cost of servicing their land through donation of land for public infrastructure and payment of a betterment levy. The principle behind Guided Land Development is that the government agency entrusted with urban planning or land development proactively selects the direction where it feels urban development should take place and provides infrastructure in those areas. This encourages private land developers to develop land in that area. By not building infrastructure in other areas it acts as a disincentive for private development in those areas.

ii) Tools for Land Development: Land is developed according to Master Plan/ Zonal Plans proposals by providing physical and social infrastructure based on Planning norms / standards. Various schemes related infrastructure such as water, sewage, drainage, power, solid waste management under physical infrastructure and health, education and others under social infrastructure are implemented as part of Urban Development for projects namely Housing, industries, special projects like port development, SEZ(special economic

zones), individual townships and industrial townships. Some of the important tools in the land development are as follows:

- a) **Planning:** The commonly used planning tools are general development plan, master plans/ development plans, strategic plans, structure plans, action plans, local area plans and others. The broad objective of these plans is to guide the development of the city for a specified time period and to promote the land-use pattern which most efficiently fulfils the objectives of the planned growth.
- b) **Master plan:** Master plan provides a broad framework for local decision-making and it involves public participation in making such a plan.
- c) **Zoning:** The Master Plan /Development Plan use different forms of zoning and regulations. Zoning dictates to the land owner the use of land; for and what activity/use premise is permissible on that land such as: residential, commercial, industrial, agricultural or other land uses. It is an effective tool to control densities and protect the natural and living environments.
- d) **Subdivision Regulations:** Land subdivision and building regulations are used to plan at the micro level. The regulations define standards for layout and lot sizes, street improvement and procedures for assigning land for public purposes. Subdivisions provide the essential characteristics of land uses, street patterns and public utilities/facilities.
- e) **Building Regulations:** Building regulations are another means of regulating use of land for urban activities. Their main objective is to secure socially accepted minimum standards. These are concerned with safety such as fire protection, structural safety and sanitary conditions.
- f) **Land Disposal:** Land is generally disposed by the government through Government's Grant Act, 1958, on lease hold basis, with no profit no loss, subsidized rates, auction rates, tendering to highest bidder and at market price.

3.2.3 Urban Land Policy

Central Government formulated the Urban Land Policy for Delhi. This policy contains directions on assembly, development and disposal of lands through the following legislations: for bulk acquisition of land – Land Acquisition Act, 1894; for land development – Delhi Development Act, 1957 (MPD/ZDP) and for disposal of land – Government's Grant Act, 1958 (Lease Hold basis).

Most countries put restrictions on the use of land in both free-hold and lease-hold holdings. Once individuals or corporate entities acquire either land or land-use rights they acquire tenure. This tenure can either be sold or leased by the owner. Therefore tenure is divided into two categories: (i) lease-hold and (ii) free-hold. Leases can vary from 30 years to 99 years or in perpetuity. The longer the term of lease the more it resembles freehold. Most leases place restrictions on the lease holder. For example a lease holder may be allowed to construct a building over the land but may have no rights to the minerals in the land. Free-hold has very few restrictions on it and is considered to be more secure. Lease-hold is considered more equitable as it reserves the right of ownership of land to

the society as a whole rather than to an individual. However, restrictions are put on the use of both free-hold and lease-hold in the better interest of society.

3.3 LAND MARKET: CONCEPT AND TYPES

A market is a site where buyers and sellers exchange goods, services or information. It brings together buyers and sellers to exchange goods for money. The prices of these goods are set according to the forces of supply and demand.

In an economy, land is regarded as one of the three basic factors of production, together with labour and capital. Land is a special component because unlike labour and capital it is finite. Land and land-use rights have always been used as a commodity to be bought and sold in capitalist systems. Land Tenure, Characteristics of Efficient Land Market and Land Speculations are important features of land.

‘Urban Land Market’ is shaped by state regulations, policies, norms and principles of supply and demand. These factors are enforced by a variety of bodies, including the state, consumer rights organisations, international trade organizations, and localized community or social organizations. Depending on the sophistication of the market, the number of these components and their relationships can vary considerably. The key to an efficient land market is the easy and ready availability of developed land which does not mean less regulation. Constraints to efficient land markets are often more political than technical. Efficient and equitable land markets are a prerequisite for well-functioning cities. However, most cities in developing countries suffer from land market distortions caused by poor land development and management policies which include poor planning, slow provision of infrastructure and services, poor land information systems, cumbersome and slow land transaction procedures, as well as under regulation of private land development, leading to unplanned or ribbon/corridor development of land in the urban periphery.

3.3.1 Formal and Informal Land Market

In Indian cities the coexistence of formal and informal land markets is quite apparent. While they follow different rules, regulations and processes, they also share similarities, actors and logic. Defining formal and informal markets is difficult, as they are often inter-related. Formal land markets are those whose transactions are legally recognized and are officially registered in the government’s systems.

‘Informal land markets’ include a variety of urban land transactions, exchanges and transfers that are not recognized by the state as legal, but are socially accepted as legitimate by a variety of urban actors. Typically, private or government land types are also traded in the informal land market. Informal land market transactions are not recognized by law and are not officially registered in the government’s systems.

Like the formal urban land market, informal markets consist of a variety of institutions which support, facilitate, regulate and arbitrate informal land transactions. These include state officials, such as local government councillors, traditional leaders, chiefs, community leaders, and community and family networks. Like formal markets, these regulatory bodies can be effective in

facilitating exchange or can be overly restrictive and make it more difficult for (some) poor people to access land.

Within the informal land market, there are varying degrees to which land is commodified. The degree of commodification has a significant impact on how the price of land is determined. The informal land market has a large number of socially dominated land market transactions, where the supply and demand of land are mediated more by social relationships than by a financial logic. The sale of peri-urban land in the informal market is fast becoming a thriving trade, where sellers are able to fetch market related prices. As demand for urban land increases as a result of urbanization, more and more customary land is traded through this market.

The increasing demand for urban land has resulted in its commodification in areas that have historically had communal tenure. Despite this, the informal market is generally considered a risky investment because the transactions are illegal. Informal land owners are not typically registered by governments as the legal owners of the land – this tends to discourage investment in land because of fear of losing their land and property. Moreover, without a centralized and reliable system for registering land and owners’ rights, urban land transactions are vulnerable to illegal sales such as the sale of one piece of land to more than one buyer. These problems increase the risk that potential buyers have to take, discouraging investment in land and dampening activity in the urban land market.

To overcome these problems, the informal sector is developing systematic mechanisms of recognizing tenure and rights. These methods adopt formal processes, such as the issuance of agreements and certificates that have been witnessed by recognised leaders in the community. While these forms of registration may not be legally recognised, they are considered socially legitimate by the actors involved, and in some cases help to reduce land fraud. Both the formal and informal urban land markets are an integral part of urban land dynamics.

3.4 CLASSIFICATION OF LAND AND LAND MARKET

3.4.1 Classification of Lands

Every piece of land under the pressure of urban growth has its peculiar characteristics; hence can form a class in itself. However, considering the major characteristics including the physical attributes of the land and the attitudinal attributes of the owner, the lands can be classified into four categories:

- 1) Farmlands or vacant lots with no infrastructure and urban facility except perhaps, an approach road. These lands may be located just outside the city municipal limits.
- 2) Farmlands and unused lots with basic infrastructure such as roads to the site, drainage, electricity etc. and suitable for building purposes and located outside the administrative boundary of the city.
- 3) Buildable lands recently developed with or without buildings and with-all urban infrastructure and facilities and located within the city boundary.

- 4) More than ten years old developed/buildable lands and buildings including those in the old parts of the city with very high land value but with the preponderance of old buildings of deteriorating quality.

Further sub-categorisation of the above four types of lands are possible depending upon the site conditions, the intensity and type of the existing use, legality of tenure and whether the land is owned by the government or privately. The latter two conditions especially determine the translatability of the land to a great extent. In the case of the lands where the tenure of the present user is illegal, the market transactions are not normal, as is the case with the squatter settlements or even when the tenureship of the occupant is under legal dispute. Transactions, however, do take place but often with a depressed price. Eviction of the illegal occupants or fighting the legal dispute to establish tenureship becomes one of the conditions of the sale deal. The following briefly states the conditions which affect the market transactions of each of the four categories of land listed above.

Category 1: The lands which occur outside the urban limits with good access to the city, become the most potential lands for urban growth; and hence, for market transaction. Industries which are not permitted within the city for environmental reasons, housing and tertiary activities find easy access to lands. These lands are also not often subject to municipal land subdivision regulations, building codes and taxes, and therefore, are more amenable to urban growth and easy market transactions.

Market transactions of these types of lands are dominated by a large number of sellers and buyers. Land parcels of various type and varying locations are transacted. Because of the involvement of a large number of sellers and buyers in the initial stages, there is a lot of articulation regarding what the land price should be and a notion about the land price prevails. The price paid for the recent transactions in the locality usually becomes the guide. Normally, the land transactions are officially registered and the initial condition of virtually no infrastructure keeps the land lot price low and thereby facilitates the access of the poor and low- income households.

Category 2: The lands of this category occur in small pockets and are usually located along the main access routes to the city or in small patches in townships which are developed close to the city limits. The transaction of these land lots is normally controlled by medium sized developers and their operations are more articulated and commercial than those for the lands of the first category. However, the land price in these markets is 30 to 40 per cent lower than that for the similar types of land within the city. Relatively low land price and the legality of tenure are the main attractions which influence the transactions. The demand for such lands is mostly from low-middle income workers who prefer commuting over one hour to one and a half hour travel time to staying in small rented dwellings near the workplace in the city.

Category 3: These lands are the prime lands of the city and invariably most of the lots are built upon these lands. Therefore, the land and housing markets operate at the same time in these areas. The lands and dwellings which carry ownership tenure are of a significantly higher price than those subject to public leasehold tenure. Market transactions of these leasehold lands and dwellings are usually restricted as in the case of Delhi. However, market transactions of these lands do

take place, often circumventing the restrictions. Very conservative estimates of the Delhi Development Authority in 1989 show that more than 50 per cent of the publicly leased lands have changed ownership for practical purposes though, on the official papers, the original ownership continues. It is, however, generally believed that this proportion is higher. Extensive transactions of the leasehold properties in Delhi show the great market demand and the 'ineffectiveness of the restrictions put by the authorities.

Category 4: These lands, occurring in the central and old built-up parts of the city, include aged housing areas, vacated industrial sites, port and dockyards, aged public buildings, with uneconomical uses, abandoned railway yards, etc. High to very high land prices of these lands reflect the high prices the commercial users can afford to pay. High-rise development reflects the intensity of use of space for these centrally located lands, and the quality of redevelopment determines the potential value of these lands. In traditional parts of the cities these lands often consist of traditional housing, which are high density but low-rise developments with many old and dilapidated structures. The ownership titles of these lands are often complicated. Therefore, the market operations are difficult and are strongly influenced by the social preferences of the community. Free transactions are also often restricted. Implementation of renewal projects is hindered due to the involvement of a large number of small land owners.

Some generalisations can be made from the above different categories of lands. Amongst the onsite factors, besides location, site conditions, size of the lot, availability of infrastructure, accessibility, the tenure status and whether or not the particular lot of land is subject to land subdivision and building regulations by the city authority, also become important factors which determine the land price and the conditions for the market transactions. The demand and supply position of land prevailing at the city level, however, determines the base or the national price for all lands, more specifically for the lands in the formal market.

3.4.2 Classification of Land Market

In almost all transactions of land, any kind of sale has to be officially registered with the government, as per the law and also, both the buyer and the seller have to pay the required taxes for transfer of the tenure rights. Therefore, official recognition to the transaction brings legality. In theory, the norms followed in these transactions, should conform to the accepted commercial norms. However, it is observed that a large number of such transactions do not follow normal commercial norms, especially those related to mode of payment, deferred payment, uniformity in conditions for all buyers, etc. Often these norms keep varying at the will of the private sellers and even in case of some public land sellers, the accepted commercial norms are not followed. Broadly the land markets can be classified into three:

- 1) Those dealing with private lands
- 2) Those dealing with public lands
- 3) Those dealing with lands whose transactions are not recognised by the government.

In actual operation of the markets, these three classes function distinctly different, though, brokers or middlemen may operate for one or more such markets. The market operations and the procedures followed in each type of market depend

on the type of operations involved in the deal. The operators can be classified normally as sellers, buyers, brokers, and financial institutions. The sellers, who play the dominant role in land markets which are usually sellers' markets, can perhaps be classified as follows:

Table 1: Conditions for operations and types of land

Seller Type	Conditions for Operations	Types of Land
1. Public owner	<p>A) Operations are controlled and effectuated by the public agency.</p> <p>B) Operations are controlled by the public agency but actually effectuated by officially recognised brokers who operate with commission on the sale proceeds.</p> <p>C) Operations effectuated by not officially recognised brokers, who through their personal level contact with the public officials, facilitate the transactions outside the rule and give advantage to the buyer.</p> <p>Though the operation is illegal it is rarely detected.</p> <p>The broker gets commission from the buyer in case of first sale deals and from both the buyer and the seller in case of subsequent sale of lands and properties which have public restrictions for free sale.</p>	All types of developed land within the city
2. Private owner	<p>D) Lands within city limits</p> <p>A) Operation by the owner:</p> <ol style="list-style-type: none"> 1) Direct deal between the owner and the buyer 2) Operation by the owner through the broker 3) Operation by owner through land developer or real-estate builder 4) Operation by owner associations <p>B) Operation by the real-estate developer owner:</p> <ol style="list-style-type: none"> a) Real estate owner as the selling agent b) Real estate owner selling through broker 	<p>Lands with government restrictions on use and construction</p> <p>Land with no or minimal Governmental Intervention</p>

	<p>II) Farm/non-farm lands with no or minimal outside city limits government restrictions</p> <p>a. Rural land owner directly selling to buyer</p> <p>b. Rural landowner and the real-estate developer jointly selling to the buyer</p> <p>c. Owner associations dealing with the buyer</p> <p>d. Real estate developer owner selling to the buyers</p>	
3. Speculators	<p>a. Private owners with exclusive speculation motive</p> <p>b. Public owners who transact land with implicit or explicit motive for speculation</p>	All types of land
4. Land grabbers	<p>a. Influential leaders of gangs who forcibly squat and occupy lands illegally</p>	Lands which are prone to squatting especially public lands lying unused for long periods and lands along railways or highways near city

As may be seen from the above listing, a fairly large number of operators function in the land markets and often in combination, depending upon what type of land they are dealing with. But, where land markets are more developed, better organised and are supported by efficient information systems and development controls, the operators are relatively less in number and so are the variations in operational conditions of the markets.

Based on the commercial nature of the transactions and the eligibility for official recognition, the three broad categories of land markets can be further classified as follows (Table 2):

Table 2: Formal and Informal land types

	Formal	Informal
Commercial	<p>i. Public/private sale of land for industrial/commercial/residential and other urban uses. Public/private rental or hire-purchase of land for all type of urban uses.</p> <p>ii. Government purchase of land for all types of urban uses.</p>	<p>i. Illegal sale of land officially not approved for subdivision or sale Sale/rental of properties</p> <p>ii. Public/private rental or built on land which is not officially approved for subdivision.</p>

		iii. Sale of subdivided rural land for all types of urban land in urban fringe.
Non-Commercial	i. Public lease of lands for all types of urban uses. - Public supply of developed lands at subsidised rates, especially for residential use. - Public regularisation of the erstwhile ii. Unauthorised developments. - Lands obtained through gifts and inheritance.	Sale/rental of lands in squatter settlements located on lands owned by the government. - Sale/rental of lands in transient or makeshift squatter settlements near large construction sites

The ‘informal’ land markets not only account for vast majority of all land transactions in each metro city but also, more importantly, those provide the most efficient means by which the low income and the poor households have access to land and/or home and consequently consolidate their positions in the urban economy.

The informal land markets are subject to abuse and manipulations by interest groups and the resultant development is often of rather poor physical quality with limited possibilities for improvement. In spite of this shortcoming, however, the informal land markets significantly contribute to urban growth by catering to the needs of the majority of the urban population which is economically advantaged.

In this section you studied legal aspects related to urban land, land market, classification of land and land markets. Now, you should be able to answer some questions relating to this section given in *Check Your Progress 1*.

Check Your Progress 1

- Note:** a) Write your answer in about 50 words.
 b) Check your answer with possible answers given at the end of the unit.

1) What are the legal aspects relating to urban land?

.....

2) What is formal and informal land market? Explain

.....

3.5 CHARACTERISTICS OF URBAN LAND MARKETS

Once land is traded as a commodity, a land market is considered to exist. A well-functioning land market could be defined as one whose system of governing the land market is: a) Efficient, i.e. encourages quick development and transaction of land; b) Equitable, i.e. provides reasonable access to all income groups; c) Environmentally sound, i.e. protects its sustainable use for the good of both current and future users and d) Compatible- integrated with other laws and regulations governing land, such as, planning, taxation and provision of public infrastructure and services.

A poorly functioning land market leads to several ills including, land speculation, creation of slums and squatter settlements, environmental deterioration, and an inefficient urban development pattern which increases the cost of doing business in the city and adversely affects the urban economy.

i) Land as Profitable Asset

Since land is valuable, it is a profitable asset for the owner. To own land or real estate property provides lifetime satisfaction to most people and it is often seen that through acquisition of land or space people consolidate themselves in the urban economy. Land ownership provides societal status in many societies and moreover land is an important vehicle of transfer of wealth through inheritance. For all these reasons, to own land or a real estate property is not only an economic necessity but a psycho-social necessity as well for many. Besides the owners' personal preferences, the market forces and the societal needs also influence the land. While a land owner may like to keep his land vacant or underutilised for personal reasons or even for speculative purposes, it may not be desirable considering the market efficiency and the societal needs. Thus, there is often a clash of interests, that of the owner, the market and the government. Theoretically, market value of a piece of land is determined by factors such as location, site conditions and the use potential. The value of the land, in turn, dictates its most potential use and there is a close economic relationship between the value and the use the land should have. If the land is not put to its potential use, the urban economy suffers and thereby, one may say, the society suffers.

Assigning appropriate use to a piece of land commensurate with its value is a critical input because such a decision involves great financial stakes, and once a use is put on the land, it is not easily reversed. This is one of the major reasons which explains the existence of large pockets of land, owned by private and public agencies as well, which continue with the original uneconomic uses even in rapidly growing cities.

ii) Urban Land Market Operation

The land market operation in any society portrays the interplay of a number of interest groups. The forces which govern the market transactions and the use of urban lands always heighten the conflict between efficiency and equity. The latter requires socialisation of the ownership and wider distribution of the tenure but, invariably, at the cost of efficiency in use.

On the other side, uncontrolled free market ownership is seen to promote high efficiency in the use of individual parcels of land, but, again invariably at the cost of the societal and community interests. Hence, the classical struggle for all public authorities is to evolve means by which the efficiency and equity issues are optimally balanced within a given socio-political situation. It is in this very context of efficiency and equity concepts that the characteristics and peculiarities of the land markets are discussed in this paper.

3.6 SEGMENT OF URBAN LAND MARKET

The various segments of urban land market are discussed below:

- i) **Space Segment:** Different types of urban dwellers demand different kinds of urban space. For instance, a commercial business will demand space in an area where there are high volumes of people passing through, while this may not be an important criterion for a household seeking residential space. For new immigrants in a city, affordable housing may be an important criterion, and they may therefore be drawn to slums or peri-urban areas where housing is cheap. Similarly, space to trade in the informal sector is a significant criterion for the majority of urban dwellers in Indian cities. For these urban actors, informal markets, city streets and even residential homes become important spaces for economic activity. The supply of new space to the urban market is a function of the property values, building costs, land availability and expected returns that investors and developers are able to secure.
- ii) **Capital Segment:** For the land and property market to function effectively, equity, debt financing or other types of funding must be available in the capital segment of the market. For example, in the residential sector, the need for and accessibility of land or housing can only be translated into effective demand if mortgage finance or micro finance is available to serve both higher-income and lower-end clients. Where the commercial sector is concerned, the capital segment influences how property values are determined, as commercial sector clients mainly acquire these properties for their income-generating potential – they are therefore valued and finances are made available for their acquisition in terms of their potential yield.
- iii) **Development Segment:** Actors in the development segment carefully consider supply and demand conditions in the space market, as well as the property values derived from the capital segment of the market. Thus, where the future supply will be located in the space segment, what type of development will occur and who will undertake such developments is decided within the development segment of the land market.
- iv) **Land Segment:** Development activity translates into a demand for land in the land segment. Land segment is the manifestation of the nature of demand in the space segment, the availability of debt financing in the capital segment and the development decisions made in the development segment. The supply of land in the land segment can be divided into land that has already been zoned for development and land that has not been brought into the market yet.

3.7 PROBLEMS WITH REGARD TO LAND MARKETS

The urban land market is facing a lot of problems and different problems associated with the urban land market are:

- i) **Imperfect Substitutability of Land:** The most important source of imperfection is the lack of substitutability. No two pieces of land are the same. Even between two adjacent pieces of land, there can be differences in terms of size, shape, access, soil quality, etc. In other words, each parcel of land has some unique characteristics, which reduce its substitutability and give the landowner some degree of monopoly power.
- ii) **Private Value V/s Market Value:** The lack of perfect substitutability also means that there could be a private value associated with a given piece or parcel of land, which is different from its market value. The private value is determined by the landowner's expectations of future economic benefits from that land or its opportunity costs.
- iii) **Land Value is Dependent on Use-Path:** The economic value of any given piece of land is contingent on the developments in the area surrounding the land. If an area, for example, gets urbanized, then economic activities in the area increase and in the process land values also increase. At any given point of time, the price of a given piece of land reflects the probability of alternative activities taking place in that area that can potentially alter its use. This is the reason why land prices change due to development of infrastructure in an area.
- iv) **Hold-Out Problem:** One of the important problems recognized with regard to the functioning of land markets, especially in urban areas, is the 'hold-out' problem. This occurs when a large piece of contiguous land is required for a certain use, which involves the acquisition of land from a large number of land holders, some of whom may be unwilling to sell (that is, hold-out).

3.8 URBAN LAND PRICE

The spatial concentration of economic activities creates the value of urban land. Market value of a piece of land is determined by factors such as location, site conditions and the use potentials. The value of the land, in turn, dictates its most potential use and close economic relationship between the value and the land use. If the land is not put to its potential use, the urban economy suffers and thereby, the society suffers. Most urban economic activities do not require land *per se* but mainly the permissible total built up (floor) space on it. The spatial concentration of floor space where various activities are taking place allows the increasing returns.

The terms price, cost and value are often used interchangeably but have different meanings in economics. Understanding these concepts is especially useful in India where a history of customary and neo-customary practices means that land is often not treated purely as a commodity that can be bought or sold on the open market. When a clan or family is allocated land by a traditional leader, they will typically offer him a gift. But this cannot be equated to the price of the land or its

market value because it is not intended as ‘payment’ and is often much less than the price one would pay in the market. They may, however, ‘pay’ in other ways – through loyalty, through political support or through taxes over time.

The concept of open market value has a specific and universally accepted definition. The International Valuations Standards Committee defines it as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. Each one of these elements is essential in the determination of the open market value.

When dealing with land, market value is not the only form of value that exists. Indeed, land markets illustrate just how many different types of value there are and provide good examples of non-monetary / non-market ways of deriving value. Because land is a resource that has social, cultural and political value to which a material value cannot always be attached, the value of land is also subjective, based on emotions, personal preferences and beliefs. Property is particularly prone to the impact of externalities because it is fixed in space. A landowner or tenant cannot move their land if a neighbour opens a noisy bar or brothel next door or because the city decides to build a highway over their house. However, a landowner may incur positive externalities from being located close to public transport, schools, employment or other social amenities.

The time, effort and money spent accessing land (for example, getting to meetings and negotiating with the owners, securing and registering the land with the deeds office and obtaining building permits from local government offices) are transaction costs that must be paid along with the land’s market value.

3.8.1 Aspects/Factors Influencing Land Price

Land price varies depending on the following factors: Location (near to highway, railways, CBD etc), size of the urban development (Metro, Type I,II,III and IV cities/towns), economic activities (industrial/ commercial/ trading/ administration/ tourism/ religious), urban land policy; urban development policy (high rise/low rise), governance and institutional frame of urban settlements, development control regulations (FAR, Ground coverage, By-laws, building height, parking norms), and applicable. Therefore, in brief the land price depends on the size of the city, importance of location, and development controls applicable.

Further in a planned development area, the land prices are majorly dependent on two factors i.e. Provision of quality of infrastructure based on planning norms (which includes transport, water, sewerage, drainage, power supply and education, health, recreation and socio-cultural facilities) and applicable development control regulations to be applied by public and private agencies at layout and building level within the framework of development policies contained in the Master Plan. Which include provisions for the use of premises/property and limitations upon shape, size and type of buildings that are constructed or occupy the land. These provide regulations for both horizontal as well as vertical use of land.

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the various segments of urban land market? Explain any one

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2) What are the problems with regard to land markets? Explain briefly

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3.9 LET US SUM UP

Land is the greatest natural gift, bestowed on human beings. All human activities whether social, political or economic, revolve around the enjoyment of land and benefits related to land. Supply of land is limited. Its demand is rising and competing over the years. All endeavours of the Government in infusing growth and development into the economy are closely related to land utilisation for rural and urban activities. Any attempt to make land available for various activities is bound to have repercussions and problems of land acquisition, development and distribution.

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3.11 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress 1

- 1) What are the legal aspects relating to urban land?

Ans. “Land’ is a state subject, as per the scheme of distribution of legislative powers under the Indian Constitution, only the State Legislatures can make laws with respect to lands. However, if the State Legislatures accord their concurrence, the Central Government may also enact on such subject as in case of Urban Land (Ceiling and Regulation) Act, 1976 (which is now repealed) which was a Central Legislation. Hence, every State has its own legal and regulatory framework; for acquiring, developing and disposal of land and thus plays a significant role in the efficient functioning of the land market.

- 2) What is formal and informal land market? Explain

Ans. Formal land markets are those whose transactions are legally recognized and are officially registered in the government’s systems.

‘Informal land market’ include variety of urban land transactions, exchanges and transfers that are not recognized by the state as legal, but are socially accepted as legitimate by a variety of urban actors.

Check Your Progress 2

- 1) What are the various segments of urban land market? Explain any one?

Ans. The various segments of urban land market are:

- 1) Space Segment
- 2) Capital Segment
- 3) Development Segment
- 4) Land Segment

Space Segment: Different types of urban dwellers demand different kinds of urban space. For instance, a commercial business will demand space in an area where there are high volumes of people passing through, while this may not be an important criterion for a household seeking residential space.

For new immigrants in a city, affordable housing may be an important criterion, and they may therefore be drawn to slums or peri-urban areas where housing is cheap.

2) What are the problems with regard to land markets? Explain briefly?

Ans. A few problems with regard to land markets are as follows:

- i) **Imperfect Substitutability of Land:** No two pieces of land are the same. Even between two adjacent pieces of land, there can be differences in terms of size, shape, access, soil quality, etc.
- ii) **Private Value V/s Market Value:** The lack of perfect substitutability also means that there could be a private value associated with a given piece or parcel of land, which is different from its market value.
- iii) **Land Value is Dependent on Use-Path:** If an area, for example, gets urbanized, then economic activities in the area increase and in the process land values also increase.
- iv) **Hold-Out Problem:** This occurs when a large piece of contiguous land is required for a certain use, which involves the acquisition of land from a large number of land holders, some of whom may be unwilling to sell (that is, hold-out).



UNIT 4 URBAN PARADOXES

Structure

- 4.1 Introduction
- 4.2 Urbanisation Paradox: Concept and Meaning
- 4.3 Shortcomings of Rapidly Growing Urban India
- 4.4 Urban Crime and Violence
- 4.5 Health Consequences of Living in Cities
- 4.6 Urbanisation and Violence in India
- 4.7 Challenges of Sustainable and Inclusive Cities
- 4.8 Let Us Sum Up
- 4.9 References and Selected Readings
- 4.10 Check Your Progress - Possible Answers

4.1 INTRODUCTION

While India is one of the most densely populated countries in the world, it is a paradox that it is also one of the least urbanised. Research shows that an increase in urbanisation rate has positive association with the real per capita income. The law of development is that 'growth' is directly associated with the re-allocation of labour and capital away from traditional (rural) sectors to modern (urban) sectors. Spatial transformations that give rise to urbanisation, accelerate growth because households and firms benefit from scale economies, mobility, and specialisation. Increased urbanisation contributes to growth, job creation and poverty reduction, which can become a virtuous circle. The present unit deals with urban paradoxes. After reading this unit, we will be able to:

- Explain the concept and meaning of urban paradoxes
- Identify shortcomings of rapidly growing urban India
- Discuss the challenges of sustainable and inclusive cities

4.2 URBANISATION PARADOX: CONCEPT AND MEANING

Despite rapid economic growth, it is a paradox that the urbanisation rate in India remains low at less than 30 percent compared to 40 percent in China. What are the causes of this slow pace of urbanisation? Is it the geography, institutions, or peculiar growth patterns? Different factors affect the pace of spatial transformations in different ways. Countries that provide strong incentives for development of towns to be re-classified as urban may be characterised by urbanisation above the predicted level (e.g. Bangladesh). Whereas, geographically isolated and mountainous regions are likely to have a lower level of urbanisation than what would be predicted, solely based on the level of per capita income (Nepal).

Some industries and services are more prone to clustering. It contributes more to urbanisation than industries and services which benefit relatively less from agglomeration economies. It is found that services tend to cluster more into larger

cities, while manufacturing into smaller cities or newer towns. In India, more people live in the largest cities than in small towns when compared to China. Nearly 6 percent of the urban population lives in the largest cities in India, which is double in comparison to China. This is explained by a bigger and more dynamic service sector in India. Service industries, which are less land intensive and more skill intensive, appear to agglomerate more in large cities like Bangalore. Whereas manufacturing industries (more land intensive and less skill intensive) seems to thrive better in smaller towns. But other factors like land market, property rights, and contractual institutions should also be taken into consideration. These factors can restrain mobility and prevent households and firms from moving into cities, which in turn can slow down the pace of industrialisation.

Internal conflicts and violence can either accelerate or retard urbanisation. When conflicts arise predominantly in rural areas, rural-to-urban migration rates tend to accelerate. Internal conflicts can lead to distressed urbanisation that's urbanisation without growth. The prolonged civil unrest in countries such as Cambodia, Myanmar and the Philippines seems to have contributed to this type of urbanisation. Whereas when conflicts that arise in urban areas, tend to experience under urbanisation, as they deter private investments. Other factors such as poor infrastructure in urban areas can also deter migration and urbanisation. Thus, these are some of the challenges facing Indian urbanisation.

Some questions for further discussion are: Can the “new economic geography” be distilled into development of cities? How important are the economies of scale, factor market distortions, and the role of city Mayors, in urbanisation? Are spatial dimensions of development impacted more by social and environmental factors? Are crime, violence, and squalor “*externalities*” of urbanisation or an integral part of development?

4.3 SHORTCOMINGS OF RAPIDLY GROWING URBAN INDIA

Most modern cities in India are undergoing a haphazard growth, because of which, the effects of living in huge cities have not been fully anticipated. The social, economic and psychological consequences of industrialisation and urbanisation have not been fully considered and the steps which should have been taken to bring about an adjustment between man and his new environment have not been forthcoming in ample measure. This is particularly true in the case of under-developed regions.

The old controversy between town and village life is puerile. Much has been written against urbanisation, although, the objection in reality is not to urbanisation *per se*, but to the unplanned drift to the towns from the countryside and to centralisation of industry and administration in the urban areas which has created so many problems of a baffling nature. The critics of urban civilization regard it as representing social decay and deplore its artificiality, sophistication, intellectualism and loss of instinctive activity. The critics also feel its denial of family life and blood ties, loss of vitality and of the will to live, which clearly is being manifested in the decline in birth rate and in the high rate of suicides in the urban areas. It also points to the growing evils of urbanisation such as juvenile delinquency, prostitution, addiction to alcohol and drugs of the most injurious kind, as well as

the unplanned growth of slums, increasing in crimes and suicides. The poor are forced by necessity to live on footpaths, in slums or under most dehumanised conditions. They are forced to confront the inclement weather and live amidst incredible squalor, dirt and disease. Urbanisation has not only created slums, but also has denied a large section of the people even elementary civic amenities—pure drinking water, underground drainage, hospitals and dispensaries, well-built and well-run schools and *pucca* roads.

Urbanisation has created another vital problem that's environmental pollution. According to a biologist, the price of pollution could be the death of man. It's the direct outcome of the application of science and technology to human problems. Man has learnt to turn deserts into fertile lands, harness the forces of nature for human benefit, add immensely to production in all spheres, so that the rapidly growing population may be 'fed, clothed, housed and provided' with all sorts of luxuries and comforts, and even conquer space. But Man has not yet learnt to live in peace with nature and preserve the balance which has made life possible and given it such richness. The increasing use of science and technology in industry and agriculture is playing havoc with both urban and rural environments, but the urban environment is affected much more, because most industries are located in the cities and more urban people use cars and other power-driven machines. Chemical wastes also contaminate rivers and seas and poison drinking water and fish.

As Lewis Mumford has pointed out that, while large-scale urban community contains dangerous and destructive potentialities, it also had a bright future before it, if people plan city-life intelligently and decentralise it. There is no warrant for the belief that urban life is unhealthy, unnatural and harmful, that the people in villages live longer, are free from ailments common among city folk and live more naturally. The fact that urbanisation is accompanied by various evils, and involves certain undesirable consequences, does not establish that they are inherent in it. It only emphasises man's inability to plan his life intelligently and create an environment congenial to him. The pressure of population has led to the construction of vertically rising skyscrapers to accommodate the maximum number within the minimum space. It has given birth to lot of problems such as fire hazard, insanitary conditions, congestion, traffic jams and lack of civic amenities like parks, playgrounds.

Urbanisation disturbs the equilibrium between demand and supply in the economic market, resulting in larger demands and lesser supplies. It is very difficult to get pure food, milk and other commodities or pure drinking water. Everything is either impure or adulterated or spurious. Sociologically, urbanisation has led to the breaking of joint families and the establishment of 'nucleus' families. People in the cities forfeit the ancient ideals of corporate living and tend to become self-centred. They live in their own grooves and flats without having any social contacts with their neighbours, or other fellow beings.

Despite the fact that India is considered the capital of Information Technology (IT), more than a million girls are killed before or after birth as they are considered a divine curse on a family. Around 47 percent of Indian girls are married off before legal age as was reported by the National Human Rights Commission. While around two-third of the married women are regularly confronting domestic violence, often without recourse to justice. Dowry deaths are very common as

five married women are burnt or killed each day. On an average, around 60 cases of rape take place daily and about 45 per cent of women are either, slapped, kicked and sexually molested in public places or in families annually. Honour killing is on the rise even in big metropolitan cities. Despite the fact that India is changing dramatically, corruption is rampant in all walks of life. It is said that corruption is a one billion dollar strong industry in India with everyone from top to the bottom trying to make money for a legitimate work. India, the land of growth is also the land of regression. Illiteracy, injustice, inequality, crimes, murder, caste and religious violence and corruption are so rampant that no one can escape it. Why is there so much paradox? Why is it that in Mumbai, the financial capital of India, the world's largest slum exists in front of a religious leadership that sings praises of gods for 24 hours? Many places of worship are oozing money and gold, while outside the temples thousands sit hungry, begging for food.

4.4 URBAN CRIME AND VIOLENCE

Crime and violence are typically more severe in urban areas and are compounded by their rapid growth, especially in developing and transitional nations. It has been estimated that 60 per cent of all urban dwellers in developing and transitional countries have been crime victims, with rates of 70 per cent in parts of Latin America and Africa. Some of the major aspects of crime and violence which have engulfed the urban areas in general and metropolitan cities in particular are described below:

i) Fear of Crime and Violence

Cultures of fear of crime and violence are widespread in both developed and developing countries. Public opinion surveys in many countries repeatedly show that people rank crime among the top concerns that they have in everyday life. In Nairobi, Kenya more than half of the citizens worry about crime all the time or very often.

ii) Robbery and Burglary

Primarily a contact crime, robbery, is often classified as both a violent crime and a property crime in many jurisdictions. Consequently, it is more likely to be reported to police than lesser crimes. Global robbery trends increased between 1980 and 2000, from about 40 to over 60 incidents per 100,000 individuals.

iii) Intimate Partner Violence, Child Abuse and Street Children

Also known as *domestic abuse*, intimate partner violence (IPV) negatively affects many intimate relationships and families worldwide. Due to its sensitive and personal nature, many victims do not report crime to the authorities. Surveys in the UK show that there were almost 500,000 official reports of domestic violence in the year 2000. In the US, about 29 percent of women and 22 percent of men are victims of IPV during their lifetime. Globally, women are significantly more likely than men to be victims of IPV.

iv) Corruption

Corruption is generally classified as a crime against public order. There is no universally accepted definition of corruption; but it has been summarized

as the abuse of public power for personal gain. One of the most widely used measures of corruption is the Corruption Perceptions Index, which calculates a score based on perceived levels of corruption in a given country.

v) Urban Terrorism

In recent years, cities have become increasingly vulnerable to terrorist attacks. Indeed, cities make attractive targets for terrorist attacks for several reasons. Terrorism is seen as violent acts that are deliberately targeted at civilians and urban infrastructure.

Major terrorist incidents that have taken place in the cities of both developed and developing countries. Serial blasts in Mumbai, terrorist attack in Delhi, bomb blast in major cities of Pakistan, i.e. Karachi, Islamabad are a few examples. Although these acts of terrorism are local events, they have had international repercussions that have ricocheted across the world. It is worth stressing that in relation to everyday violence, or common crime, the incidence of terrorist attacks is significantly small. Nonetheless, the impacts of terrorism on cities have been enormous in recent years. Different kind of violence, crime, atrocities occurred in ten most dangerous cities in the world as shown in Table-1.

Table 1: Ten Most Dangerous Cities in the World, 2011

Name of City	Problem Related To Crime/Violence
Bogata, Colombia	Violence by narco-terrorist groups and kidnapping and holding citizens for ransom
Ciudad Juarez, Mexico	Crime and Violence
St. Louis, Missouri, USA	Murder, rape, robbery and assault
Port-au-Haiti	Kidnapping, murders, death threats, drug related shootouts, carjacking and armed robberies
Mogadishu, Somalia	Murder, kidnapping, illegal Murder, kidnapping, illegal roadblocks, banditry, and other violent incidents and threats
Caracus, Venezuela	Armed robberies Express kidnappings, in which victims are seized in an attempt to get quick cash in exchange for their release, corruption, pickpockets, hotel thieves
Port Moresby, Papua	New Guinea rape and robbery, carjacking, stoning of vehicles, pickpockets, armed robberies
Grozny, Chechnya, Russia	Gangsters, mob, Organized Crime is rampant political and criminal murder, rape rates, kidnappings
Santo, Domingo, Dominican Republic	Crime, mugging and pick pocketing
Muzaffarabad, Kashmir, Pakistan	Drug trafficking, extortion, human trafficking, abduction

Source:<http://urbantitan.com/10-most-dangerous-cities-in-the-world-in-2011/>

4.5 HEALTH CONSEQUENCES OF LIVING IN CITIES

As outlined in the previous section, good-quality housing and living conditions, social and economic opportunities, and access to services such as education and healthcare contribute to the health and well-being of city dwellers. The higher levels of social support and greater social cohesion typically found in urban areas are also linked to a number of positive health outcomes. Good urban governance underpins the realization of these and other determinants of health. At the same time, cities present a number of health risks, especially when they are poorly governed or fail to sufficiently prioritize health in all policies. Many are confronted by a triple threat: infectious diseases exacerbated by poor living conditions; non-communicable diseases and conditions (such as heart disease, cancer and diabetes) and conditions fuelled by tobacco use, unhealthy diets, physical inactivity and harmful use of alcohol; and injuries (including road traffic accidents) and violence.

i) Infectious Diseases

Infectious diseases are a major threat in many cities due to population density, overcrowding, lack of safe water and sanitation systems, international travel and commerce, and poor health-care access, particularly in urban slums. In the year 2003, the outbreak of SARS is a case in point. Other infectious conditions, such as the human immunodeficiency virus (HIV), tuberculosis, pneumonia and diarrhoeal infections, have an ongoing presence in cities. Frequently, it is the urban poor who suffer the greatest burden. Slums are productive breeding grounds for tuberculosis, hepatitis, dengue, pneumonia, cholera and diarrhoeal diseases, which spread easily in highly concentrated populations. Women are particularly vulnerable to HIV infection, stemming from a combination of biological factors and gender inequality. Female drug users and sex workers are particularly at risk along with the stigma, discrimination and punitive policies only increase their vulnerability.

ii) Non Communicable Diseases

Non communicable diseases and conditions, such as asthma, heart disease and diabetes, are a significant problem in urban centres. Most of this heightened risk can be traced to changes in diet and physical activity as a consequence of urbanisation, as well as exposure to air pollutants, including tobacco smoke. Urbanisation is associated with a shift towards calorie-dense diets, characterised by high levels of fat, sugar and salt. As a result, obesity is on the rise in cities around the world. On top of this, people in cities tend to have physically inactive types of employment, and urban sprawl further discourages physical activity. Other factors that inhibit regular physical activity include overcrowding, high-volume traffic, overreliance on motorized transportation, crime and poor air quality. Air pollution, including tobacco smoke, is a risk factor for asthma and other respiratory diseases.

Rapid urbanisation also threatens mental health. Poor housing conditions, overcrowding, noise pollution, unemployment, poverty and cultural dislocation can cause or exacerbate a range of mental health problems, including anxiety, depression, insomnia and substance abuse.

iii) Injuries and Violence

About 16 000 people die every day as a result of injuries – about 10 percent of all deaths. The principal causes of death from injury are road traffic accidents (22%), suicide (15%) and homicide (10%), with war accounting for another 3%. Road traffic injuries alone are responsible for 1.3 million deaths per year globally. In many developing countries, urbanisation and the increased number of motorized vehicles have not been accompanied by adequate transport infrastructure, enforcement of traffic regulations or implementation of measures to ensure improved road safety. Low and middle-income countries have higher road traffic fatality rates (20.1 and 22.1 per 100 000 population, respectively) than high-income countries (11.9 per 100 000). And, more than 90 percent of the world's road fatalities occur in low and middle-income countries, which have only 48 percent of the world's registered vehicles. For every person who dies from violence, many more are injured and suffer a range of physical, mental and other consequences. Child abuse, youth violence, intimate partner violence, sexual violence and abuse of the elderly, although unlikely to result in death, are other highly prevalent forms of violence with significant behavioural and health consequences. Major contributors to urban violence include social exclusion, poverty, unemployment and poor housing conditions. The fear of such violence further contributes to the fragmentation of cities, socially, economically and politically. Youth particularly affected by urban violence. In urban areas, people aged 15 to 24 commit the largest number of violent acts, and are also the principal victims of violence.

iv) Work –Related and Environment Hazards

The long hours and heavy physical work to which many women are subjected which poses serious threats to their health. In addition, they are exposed to toxic chemicals, radiation, extreme temperatures, excessive noise, violence and sexual harassment and rape. When they are pregnant their unborn children are also affected. Heavy work during pregnancy can lead to premature labour, and when associated with poor nutrition can result in low-birth-weight babies. There is evidence that exposure to toxic fumes from working in the home environment has adverse effects, such as chronic bronchitis.

4.6 URBANISATION AND VIOLENCE IN INDIA

Urban areas are confronted with new kinds of challenges posed by the changing nature, quantum and intensity of crime and violence. There is a need to examine those aspects of urban spatial patterns and social relationships between groups and/or individuals which make urban areas more prone to violent upsurges. This has become relevant due to the manifold increase of crimes in urban areas. An analysis of crime recorded shows that seventeen cities, with a population of more than five lakhs, have registered more than five thousand cognizable IPC crimes each. These cities are Vadodara, Bhopal, Indore, Jabalpur and Trichy besides the twelve metropolitan cities. The overall growth of crimes under IPC and local and special laws had been 2% and 3% per annum respectively (Crime in India, 1991). The cities register much greater share in this overall growth of criminal activities. According to the rate of crime (IPC) the average rate of crime in the urban areas was 318.6 compared to the nation's crime rate of 181.4. The

top ten crime spots in India along with their crime rate are given in Table 2 below. The nature of crimes which the major cities experience is burglary, theft and riots. For instance, share of incidence of theft of cities, having a population of 5 lakhs or more, 40% in Karnataka, is 53% in 30% and in Rajasthan 28%.

Table 2: Top Ten Urban Crime Spots in India

	Name of City	Crime Rate
1)	Bhopal	836.4
2)	Indore	860.3
3)	Jaipur	722.4
4)	Kochi	646.3
5)	Bangalore	569.4
6)	Jabalpur	554.6
7)	Patna	515.9
8)	Vijayawada	512.4
9)	Lucknow	462.4
10)	Ahmadabad	458.6
11)	Bhopal	836.4

Source: <http://socyberty.com/crime/top-10-crime-spots-in-india/#ixzz1xqKcO1b5>

The nature of crimes which the major cities experience is burglary, theft and riots. A disaggregate analysis shows that most of these urban crimes also acquire a communal form. Criminal activities like rioting, stabbing, kidnapping, murder have greater likelihood of acquiring a communal form particularly when criminals belong to religions perceived to be antagonistic. These criminals are seen to be providing security to their religious group in the event of any violent upsurge. They emerge as community leaders working for the welfare of their fellow residents of the locality. Number of studies has shown that spontaneous criminal's acts provide a basis for the eruption of communal riots. For instance, in 1985, 12% communal riots erupted due to improper behaviour with women and 11% riots started due to disputes over land. Significantly, communal riots have also increased manifold since 1956. Between 1956 and 1960, two hundred and thirty eight riots erupted and it increased to four thousand one hundred ninety six between 1986 and 1990.

Another aspect of these crimes pertains to crime against women. During 1991, the cognizable crime against women listed under rape and kidnapping/abduction forms 1.2 and 1.7 percent of the crime respectively. The volume of rape in the total cognizable crimes has been steadily increasing over the years. Cities over 5 lakh population account for 11.7 of the rapes. Though crimes against women such as dowry demands, dowry deaths, molestations, rape, eve teasing have been increasing over the years (total crimes against women were 52,830 in 1987 and 72,987 in 1991) there was some crimes which occur more in urban areas. In Punjab, all the eve-teasing cases that have been registered have occurred in cities. Similarly, crimes such as sex determination and female foeticide would have a higher incidence in urban areas due to easy accessibility of modern technology.

Studies on spatial pattern of a city show that, most of the crime and riot prone areas are in the inner or walled city. The crime rate tends to diminish as one move away from the inner city. The walled cities have paucity of social amenities particularly those relating to health, education, public lavatories, street lighting, drinking water, etc. They are also marked by low economic activities and large size families.

Cluster formation on the basis of religion or caste also provides a congenial environment for crime and violence. This kind of cultural segregation delimits social interaction and perpetuates mistrust and suspicions between religions. Clusters render their residents psychologically claustrophobic and present the other religious group the threat of to be organised. Location proximity of clusters inhabited by diverse religious groups is most vulnerable to rioting. This kind of settlement pattern reinforces the minority persecution complex. The inhabitants of these exclusive clusters see a direct link between their own underdeveloped localities and development of other clusters on the basis of communal categories.

Slums are known for their stinking public toilets. Coupled with their unhygienic conditions are the facts that they are unlawful encroachments on Government land as their inhabitants are mostly poor migrants. The unlawful encroachment is done either by real estate dealers with the tacit approval of law enforcing agencies or in desperation by hapless migrants. In both these cases, a vicious circle of crime and patronage starts ending in myriad incidents of violence generated through drug peddling, bootlegging, prostitution etc. The concentration of poor and impoverished in urban slums in major cities has compounded the crisis of deteriorating facilities and unfulfilled human needs. The frustration thus generated finds expression in violence. Land scarcities and housing problems are leading to property owners seeking 'private justice' instead of legal remedies. *Mafias* seem to have become important agencies for 'developing' land in big cities.

The major cause of increasing crime in cities is a large unemployable population. The young population has been reduced to what has been termed as 'street corner men' involved in dope addiction, sex oriented crimes and rioting. These vulnerable sections become easy prey to communal propaganda and become active participants in a communal riot. Socio-cultural setting in urban areas is increasingly becoming 'crime friendly'. These cities particularly metropolitan cities are more inhabited by unknown neighbourhoods. In fact these cities can be termed as city of strangers. This perhaps is one of the reasons for the growth of exceptionally heinous crimes like cold blooded murders of old couples, rapes of minor girl children etc.

4.7 CHALLENGES OF SUSTAINABLE AND INCLUSIVE CITIES

The most noticeable evil associated with over-urbanisation is the marked deterioration in the environment of the city and the appearance of slums. Modern cities have grown in a haphazard and unplanned manner due to fast industrialisation. Cities in developing countries become over-populated and over-crowded partly as a result of the increase in population over the decades and partly as a result of migration of persons from the countryside to the big industrialised cities in search of employment, or in search of a higher standard of

living and better living conditions. As decent habitation is not possible for them to afford, the poor are driven by necessity to living on foot paths or in slums under most intolerable conditions of incredible squalor, dirt and disease; in fact, they are unfit for habitation, a disgrace to the community. Being devoid of hygienic and sanitary considerations, they breed all kinds of epidemics. They become the nerve centres of all the worst vices and crimes, for all kinds of persons earning their livelihood by dubious means—beggars, thieves, pickpockets, prostitutes, chronic drunkards, vagabonds, gamblers and drug pedlars and the like come to live in slums.

There are four key urban challenges. The first challenge is the sheer scope and pace of urbanisation. We need to provide jobs, housing, water, energy, transport, education and health infrastructure for a city. The second challenge facing our cities is unsustainable development. As a region, Asia and the Pacific have achieved spectacular economic growth and poverty reduction. Producing over 80 per cent of the region’s GDP, cities have been at the forefront of this economic growth. However, this growth first strategy has come at a cost. Cities account for 67 per cent of all our energy use, 71 per cent of all our green house gas emissions and generate 300 million tons of solid wastes per year. Our people suffer from congested roads, energy and water shortages, and air and water pollution.

While coping with the impacts of unsustainable development, we are faced with the third challenge that is of climate change. Over 50 per cent of Asia-Pacific’s urban residents live in low lying areas and are at risk from extreme weather events such as floods and typhoons. The frequency and intensity of climate related disasters will increase — affecting our economy, energy, water and food security. While natural disasters affect both the rich and the poor, it is the poor who suffer most because they do not have the assets to cope with risks and vulnerabilities.

The fourth challenge is most daunting that is the urbanisation of poverty, manifested by slums and squatter settlements. Thirty-five per cent of urban residents of the region live in slums. Urban Asia includes persistent disparities in income as well as in access to services and opportunities. Without addressing this, the grievances that stem from these disparities will sap the hope we presently hold for our urban future. Despite these challenges, our vision for the future is one where cities are socially just and inclusive, environmentally sustainable, and increasingly resilient to climate change and other shocks, while being the engines of economic growth.

In this section you studied urban crime and violence, health consequences of living in cities, and challenges of sustainable and inclusive cities. Now you should be able to answer some questions relating to this section given in *Check Your Progress 2*.

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Define “Urban Paradox” in the context of rapidly growing cities?

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2) What is the nature of crime and violence in Cities? What is the major cause of increasing crime in cities?

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4.8 LET US SUM UP

The city brings together communication, competence and creativeness. Average wages and income in urban areas are higher than rural areas, even making allowance for higher living costs in the cities. In developing countries today urban health conditions seem to be better than in rural areas. Higher life expectancy and low child and women mortality rate in the urban areas of developing countries sound like one of the blessings of urbanization. Education is a powerful motive for moving to the city. Rural education has often been neglected in favour of urban, but it is also an essential urban function. Cities have always provided the intellectual stimulus and educational leadership. In developing countries there is often a substantially higher proportion of educated people in the cities. Urban environments often encourage improvement in women’s status. In negation of the view that city growth is bad and it aggravate social problems; the ‘blessing’ theorists hold cities as engines of growth for economies for millennia. Cities offer more avenues to break the vicious circle of poverty. It is of course an undeniable fact that a process of urban sprawl has taken place, but this phenomenon did not destroy urban functions, but on the contrary reinforced urban functions. The cities attract investments and tap the economic benefits of globalization. Urban growth gives rise to economies of scale. Large cities also provide big differentiated labour markets. This ongoing urbanization process has often been questioned by referring to the phenomenon of over-urbanization, urban bias and the parasitic role of cities.

However, the growth of urban population in developing countries is rapidly changing the demographic profile and at the same time this pattern is also fraught with enormous tension and tremendously complex problems. However, urbanization would be a blessing only when urban problems would be solved through economic efficiency and vast growth of productive forces.

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4.10 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress 1

1) Explain the problem and response of “sex selection” in India?

Ans. Sex selection, whether by infanticide or foeticide, as a result of strong son preference is a recognised problem in India. The government’s response is a legal initiative through the introduction of the Pre-Natal Diagnostic Techniques (Regulations and Prevention) Act (PNDT), which was passed in

1994 and amended in 2003. The Act bans sex determination tests, and has made registration of clinics mandatory. It operates to prevent misuse of techniques leading to sex selection. The PNDT Act has been severely criticised to have too many loopholes and of being poorly implemented.

- 2) What are the environmental problems associated with rapid urban growth? Briefly explain any one?

Ans. The environmental problems associated with rapid urban growth are: water pollution, air pollution, solid waste, noise pollution. Noise generated in urban areas can affect large number of population, both in physical and psychological. Chronic over stimulation has pathological consequences and a level of environmental stimulation greater than the optimum is clearly harmful to health resulting in the so-called “diseases of adaptation”. Small children and young people are today found to be afflicted with hearing impairment for no fault of their own.

Check Your Progress 2

- 1) What are the important questions posed by urbanisation?

Ans. Some of the questions posed by urbanisation are: Can “new economic geography” be distilled into development of cities? How important are the economies of scale, factor market distortions, and the role of city Mayors, in urbanisation? Are spatial dimensions of development impacted more by social and environmental factors? Are crime, violence, and squalor “*externalities*” of urbanisation or an integral part of development?

- 2) What is the nature of Crime and Violence in Cities? What is the major cause of increasing crime in Cities?

Ans. The nature of crime and violence in urban areas are follows: (i) fear of crime and violence; (ii) robbery and burglary; (iii) corruption; and (iv) urban terrorism.

The major cause of increasing crime in cities is a large unemployable population. The young population in the urban areas has been reduced to what has been termed as ‘street corner men’ involved in dope addiction, sex oriented crimes and rioting. These vulnerable sections become easy prey to communal propaganda and become active participants in a communal riot.