

Study of Urbanization and Economic Growth

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Abstract

The connection between increasing urbanisation and economic expansion has been a source of much concern. If the change of human civilization that has taken place since the beginning of the Industrial Revolution were to be summed up in no more than three words, there are few possibilities that are more appropriate than urbanisation, industrialization, and globalisation. These three aspects are intertwined and interdependent on one another. Industrialization results in the direct output of economic growth, which, in turn, provides additional impetus to a vigorous process of urbanisation in both developed countries and newly industrialised ones. This is accomplished primarily through the specialisation of labour and the unprecedented development of non-agricultural sectors. The historical evidence and statistical data unequivocally demonstrate that the vast majority of industrialised nations have both a greater degree of urbanisation and a higher level of GDP per capita than less developed nations do.

Key words: urbanization, economic, globalization, industrialized etc.

Introduction

It is a widely held belief that increased economic development is directly responsible for the proliferation of modern businesses and the rise in the number of people living in urban areas. Urbanization, on the other hand, is believed to be somewhat responsible for increased economic growth. Because of this, many emerging nations have begun implementing a variety of initiatives that aim to quicken the pace of urbanisation and economic expansion respectively. In many parts of the developing world, governments have adopted plans that encourage healthy urbanisation with the intention of fostering faster economic expansion. In this day and age of globalisation, the urbanisation of the world is undergoing rapid transformation, and the pace of change has been accelerating at a quicker rate in the past three decades than it ever has before. A very short time ago, academics predicted that more than half of the world's population will be living in urban regions by the year 2050. There is a definite connection between urbanisation and the expansion of the economy. Although it is commonly accepted that urbanisation may play an important part in fostering economic expansion, it is also true that urban congestion, poor infrastructure, and unfavourable externalities can severely weaken the potential positive impacts of urbanisation on economic expansion. According to recent research, fostering long-

term economic expansion requires focusing on elements such as innovation, market agglomeration, knowledge spillover, creative cities, lively systems of cities, forward-looking public policies, and enhanced urban design. Nevertheless, the empirical support for any of the explanations is lacking, which is a great shame. As a direct result of this, there has been a recent surge in the number of people interested in researching urbanisation and economic expansion.

Meaning of Urbanisation:

One of the universal hallmarks of progress in economics is the urbanisation of formerly rural areas. The process of urbanisation is dependent on the movement of surplus populations from rural to urban regions, as well as the creation of certain industrialised metropolitan centres, and it occurs in tandem with the progressive expansion of the economy.

Trends of Urbanisation of India:

Since the beginning of this century, there has been a discernible upward tendency toward urbanisation in India's population, which has been documented. The rural-urban composition census statistics show that there has been a constant growth in the pace of urbanisation in India, notably during the second half of the current 21st century.

The following is a list of elements that contribute significantly to the rapidity with which urbanisation is occurring:

Natural Increase in Population:

Because of the great pace at which the population is naturally expanding, rapid urbanization is now going place. When the birth rate in metropolitan areas is higher than the mortality rate, a natural rise in population is taking place. The natural growth rate of the urban population is greater than that of the rural population because of the higher net survival rate that results from better health and medical services. This difference may be attributed to the fact that more people live in urban areas.

The incidence of water-borne infections, communicable diseases, and other illnesses has decreased as a result of improvements made to health and medical facilities, supplies of drinking water, and sanitation facilities.

Migrations:

Migration from rural areas to urban centres is seen as another significant contributor to India's rapidly growing urban population. During the time period after independence, rural residents have been moving to urban areas as a consequence of many different circumstances. As a consequence of the proliferation of manufacturing and commercial enterprises that arose from

the growth of industry, a large number of individuals from rural regions moved to urban areas in search of employment and, as a result, greater earnings.

Expansion of Industry and Trade:

In recent years, urbanisation has taken place in a given state or area in conjunction with the rising spread of industry and commerce. The expansion of an industry together with its supporting businesses and the localization of industry will always provide conditions that are favourable for the development of an urban infrastructure.

Boundary Changes of Towns:

As the borders of cities and towns continue to expand, more and more formerly rural regions are progressively being included in the definition of rural areas. Although life in these newly enlarged regions will initially continue in a rural setting, the incorporation of these areas into existing towns and cities will inevitably result in an increase in the number of people living in urban areas.

Consequences of Rapid Urbanisation:

The process of fast urbanisation may have both positive and negative effects on people's health in many dimensions and repercussions.

(i) Healthy Aspects:

The growth and establishment of a great number of industrial cities is a direct consequence of rapid industrialization. In tandem with the proliferation of industrial facilities in such metropolitan regions came the expansion of the ancillary and service sectors. Second, new and extra job chances are developed in urban regions thanks to the rapidly increasing manufacturing and service sector units. These opportunities may be found in urban areas. The growth and establishment of a great number of industrial cities is a direct consequence of rapid industrialization. In tandem with the proliferation of industrial facilities in such metropolitan regions came the expansion of the ancillary and service sectors. Second, new and extra job chances are developed in urban regions thanks to the rapidly increasing manufacturing and service sector units. These opportunities may be found in urban areas.

(ii) Unhealthy Aspects:

Even while economic growth and urbanisation are inextricably linked to one another, the latter has still given rise to a number of critical issues. To begin, the rising rate of urbanisation is a primary contributor to the worsening traffic congestion in the world's major cities. An excessive amount of traffic congestion has given rise to issues such as traffic jams and an

excessive concentration of the people, the management of which is constantly becoming more challenging and expensive. Second, an excessively high population is another unfavourable element of urbanisation that contributes to the development of urban disorder in areas such as housing, education, and medical facilities, as well as the expansion of slums, unemployment, violence, and overpopulation, among other issues. The standard of living for humans would suffer as a direct consequence of all of these factors.

(iii) Urban Policy Measures:

In light of the negative impacts of fast urbanisation, it is of the utmost importance to devise urban policies that would allow for the expansion of cities while minimising the number of unintended consequences.

The following are some of the measures that may be adhered to in major part:

- (i) Integrating the process of urbanisation into the overall plans for the country's development in order to foster the growth of non-agricultural industries such as manufacturing, services, and infrastructure, which would ultimately lead to the achievement of external economies
- (ii) Putting in place plans for targeted urban development with the goal of mitigating as many of the negative effects of these enormous communities as possible,
- (iii) In order to improve rural areas, settlements will need to be developed in very remote regions.
- (iv) To create satellite townships both within and outside of big cities; and
- (v) reducing the amount of stress placed on major urban centres by fostering the growth of urban amenities in sufficient numbers so as to make city life more tranquil.

The Theory of Agglomeration Economics

Our knowledge of the benefits of economic concentration is grounded on the division of labour and economies of scale, both of which are fundamental to this thinking. The former provides an explanation for the increases in production and, as a result, growth that result from specialisation. Businesses often organise themselves around certain goods or activities, which may result in increased efficiency and improved capabilities. The concept of specialisation is applicable at the city level as well, which means that there are advantages to concentrating on a function or collection of functions for which certain locations either naturally possess or may

develop an advantage. As the volume of international commerce increases and the level of competitiveness rises, the significance of specialisation will only increase.

There are two components to economies of scale. Internal economies of scale are those that exist inside a company itself and refer to the reduced unit costs or increased efficiency that come about as a consequence of producing on a greater scale. External economies of scale, also known as "agglomeration economies," are the benefits that a company receives from being located in close proximity to other companies in order to lower transaction costs (such as those associated with transport and communication) and to benefit from network effects (such as shared information). When there are more people in a network, there is a greater pool of information and experience from which to draw. The closeness of a company to a big labour pool, suppliers, consumers, and rivals within the same sector (known as "localization economies"), as well as companies operating in other industries, may result in agglomeration economies (urbanization economies).

Urbanization and Growth

It is challenging to untangle and evaluate the consequences of agglomeration due to the intricacy of those effects and the feedback effects they produce. The advantages of economic concentration are somewhat cancelled out by the greater expenses of land and labour, as well as by the increasing amount of traffic congestion. As a direct consequence of this, the consequences may not be easily visible in aggregate economic metrics such as production, employment, or average pay. These variables are affected by a great number of other factors as well, such as the occupational make-up of the city and the industrial structure of the city. Because of the openness of city administrative units and the leakage of resources across borders, the impacts may not be seen at the size of city administrative units, which is the level at which geographic data is traditionally accessible. The underlying economic processes may also be obscured by government financial transfers across regions, especially when these transfers are intended to redistribute resources from regions with stronger economies to regions with economies that are weaker. When attempting to evaluate the dynamic consequences of agglomeration, one has the added challenge of temporal complexities.

Conclusion

The process of urbanisation is intrinsically linked to the expansion of the economy. The term "economic development" refers to a growth in a nation's average level of per-capita income as

well as its quality of life, in addition to an expansion of job possibilities to accommodate the country's rising population. The process of urbanisation begins on a more faster scale after economic growth and increased industrialization have been attained. Certain regions develop the characteristics of a big metropolitan centre, complete with extensive commercial and industrial operations. These locations began to provide an increasing number of work possibilities, which resulted in a migration of people away from rural areas and into these urbanised centres. Therefore, the progress of urbanisation in a nation benefits from its overall economic growth. Both the rate of economic growth and the rate of urbanisation in a nation may be expected to accelerate in tandem with growing industrialization. An increase in the pace of economic growth leads to an increase in the average level of income and the quality of life of the population, which in turn leads to an increase in the demand for a variety of different products and services.

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