



Urbanization and Economic Development in India: A Case Study of Major Cities

Vedant Anand

Chapter 1: Introduction

1.1 Background

India's recent rapid urbanisation has significantly influenced its economic environment. Urban cities like Mumbai, Delhi, Bangalore, and Chennai have become central economic regions due to enhanced infrastructure, increased employment prospects, and higher life standards. The fast growth of cities in India was seen by the McKinsey Global Institute in 2010 as a great chance for the country to improve its economy (Shaban *et al.* 2022). The numbers show that by 2030, more than 70% of India's GDP and 70% of its new jobs will be in cities. As more people move to cities, their incomes could increase four times as much (Shaban *et al.* 2022). People from all walks of life have come together because of this change, which has led to more business and creativity. However, cities also have problems, such as bad infrastructure, different jobs, and social and economic imbalance (Sahoo & Sethi, 2020). Due to this, the link between urbanisation and economic growth in India's big cities needs to be studied more.

1.2 Rationale

In the last few decades, Indian urbanisation experienced rapid growth resulting in a tremendous economic boom in major metropolises. Consequently, cities become hubs for emerging infrastructures, leading to job opportunities and improving living standards for all inhabitants. For example, the unemployment rate dropped to 2.4 per cent during the financial year 2022–2023 in rural areas of India (Dge.gov.in, 2024). The Union Ministry of Housing and Urban Affairs says that by 2031, 600 million people will live in cities in India (Mukhopadhyay, 2023). It is important to understand the economic factors at play because of this. This study examines how moving to cities has affected economic growth in India's big cities. It focuses on how changes in employment trends, facilities, and

living standards have happened. The current research is important because it can change the quality of life and give urban designers and lawmakers important information.

1.3 Aim

The research aims to examine the influence of urbanisation on economic growth in major Indian cities, focusing on infrastructure, employment, and quality of life.

1.4 Objectives

- To analyse the correlation between urban infrastructure development and economic growth in major Indian cities.
- To evaluate the relationship between urbanisation-driven employment patterns and economic productivity in selected urban areas.
- To understand the impact of urbanisation on the quality of life indicators in major Indian cities

Chapter 2: Literature Review

2.1 The correlation between urban infrastructure development and economic growth

Urban infrastructure development and economic growth are correlated. This is especially true for countries like India, which are rapidly urbanising. According to the literature, infrastructure investments result in establishing essential manufacturing facilities, which immediately stimulate economic activity. According to Sahoo *et al.* (2014), it also lowers the prices of businesses and deals, making them more competitive and easier for markets to join together. This change to the infrastructure not only helps businesses that are already there but also brings in new investments, which helps the economy grow. It has also been pointed out that a country's inadequate and poor infrastructure is a major obstacle to economic growth and business development in that country. As per Mahtta *et al.* (2022), the country's limited building facilities prevent it from realising its full economic potential and impede efforts to increase output and efficiency.

To get long-term economic growth and make progress in ending poverty, it is necessary to fix these building problems. The limited building facilities impede output and efficiency gains and keep the country from realising its full economic potential. To get long-term economic growth and make progress in ending poverty, it is necessary to fix these building problems. On the other hand, Sahoo *et al.* (2014) mentioned that a country could improve its infrastructure, including its transportation networks, energy networks, and social service networks, to better connect its resources to its production hubs, people to jobs, and goods to markets. As a result, an economy that works for everyone and grows quickly will grow.

2.2 The relationship between urbanisation-driven employment patterns and economic productivity

The connection between employment patterns changed by urbanisation and economic productivity is different between developed and developing countries. There are two main reasons urbanisation has generally been linked

to economic growth in developed economies such as the economies of scale and division of labour. According to Onjala & K'Akumu (2016), The division of labour boosts output by concentrating producers and service providers in urban centres. Due to this specialisation, production costs and efficiency decrease, leading to new ideas and economic growth. Larger towns also have economies of scale that allow businesses to share infrastructure costs and access a wider range of talent pools. This increases output even more by making it easier for companies and workers to find each other. On the other hand, Zhao *et al.* (2023) stated that rapid urbanisation often happens faster than economic growth in developing economies. In this case, the urban movement brought on by hopes for better chances in cities leads to an unfair increase in urban populations without a matching increase in economic activity or job opportunities. As per Onjala & K'Akumu (2016), government policies favor cities by gathering resources and services. This brings people from rural areas to cities but doesn't always lead to enough job creation or income growth. For growing countries to get the most out of urbanisation, it is important to handle it well. In simple words, this includes making smart investments in infrastructure, education, and government to promote economic growth that benefits everyone, lower poverty, and use the productivity-boosting effects of urbanisation (Onjala & K'Akumu, 2016).

2.3 The impact of urbanisation on the quality of life indicators

The growth of cities or urbanisation has a high impact on the quality of life measures by changing many aspects of people's health and happiness. Urban areas' physical layout and design are crucial in determining residents' experiences and general happiness with life as cities grow and populations gather. As Hebbert (2014) stated, since the middle of the 20th century, urban planning has been about making places that encourage social interaction, community involvement, and physical experiences, all of which improve the quality of life in cities. Access to basic services like healthcare, schooling, and public spaces are important parts of urbanisation that affect quality of life. Cost-efficiency of urban bias is evident through various juxtapositions between rural and urban dwellers, with governments always favouring the former even though they may not be representative or have similar needs in terms of resource allocation. At the same time, research on quality of life shows that it has many aspects, such as psychological well-being, objective measures like income and work, and social factors. According to Ceder (2021), effective urban infrastructure, such as transport networks and services, makes things easier to get to and takes less time and effort every day, making people generally happier. At the same time, urban areas offer various cultural and economic advantages that can improve individuals' lives by providing them access to social connections, jobs, free time activities, etc.

Conversely, Romice *et al.* (2017) argued that fast urbanisation in developing nations frequently leads to congestion, poor housing, and environmental degradation, which normally tends to depress the quality of life indicators. Cost-efficiency of urban bias is evident through various juxtapositions between rural and urban dwellers, with governments always favouring the former even though they may not be representative or have similar needs in terms of resource allocation. At the same time, research on quality of life shows that it has many

aspects, such as psychological well-being, objective measures like income and work, and social factors like group ties and the quality of the surroundings (Romice *et al.* 2017). Urbanisation's impact on these dimensions significantly depends on urban planning practices, government efficiency, and social inequalities within cities.

2.4 Literature Gap

Through offering a focused analysis of the specific consequences of urbanisation on economic growth, employment patterns, and quality of life indicators in the major Indian cities, the study seeks to fill a gap in the literature which is still lacking such information. On the other side, research tends to be broad across countries or focus on developed or developing countries without a clear understanding of the nature of urbanisation in India. Finally, it can be said that this study examines these interrelated issues in the context of India's unique socio-economic and urban development situation. The aim is to provide a more detailed view that can be used to create policy changes and urban planning strategies based on the changing urban landscape.

Chapter 3: Methodology

3.1 Philosophy

The research philosophy method is an important part of the research methodology. The three main ways of philosophy are pragmatism, interpretivism, and positivism. The research was done using the interpretivism method, which focuses on understanding social events from the point of view of the people who are directly involved in them (Newman & Gough, 2020). The researcher used qualitative data to figure out the difficult connections between employment trends, the building of infrastructure, and measures of quality of life in Indian cities that are becoming more urbanised. This was possible because of the method. The method also helped collect data on the current state of Indian cities and the progress made in their infrastructure (Dzwigol, 2022). It highlighted the subtleties of meanings connected to city changes and gave data to guide comprehensive urban policies.

3.2 Approach

The researcher utilised a deductive approach to direct the research. It permits researchers to begin with laid out theories. It can give a structured framework to analysis (Newman *et al.* 2020). This approach guarantees a careful analysis where findings are legitimately resulting from existing theories and tried against observed data. This approach approves an effective investigation where findings are coming about because of existing theories (Dzwigol, 2022). It improves the steadfastness of research outcomes by permitting clear hypothesis testing.

3.3 Data Collection Method

The researcher utilised secondary data collection to direct the research. The researcher gathered data from various articles, official websites, government sites, journals, Google Scholar, etc. The researcher utilised secondary data since it gives admittance to many existing data sources (Romice *et al.* 2017). This approach saves time and resources contrasted with primary data collection. It takes into account analysis across a few cities (Ceder, 2021).

Essentially, secondary data can give longitudinal perspectives that for the most part empower the researchers to distinguish trends and patterns in urban growth.

3.4 Data Analysis

The researcher used thematic data analysis to conduct the research. This method allows the researcher to identify and analyse thoroughly themes that relate to urban growth, economic indicators and development impacts across different cities (Newman *et al.* 2020). The thematic analysis enables a deeper understanding of compound urban marvels by organising data into meaningful themes (Dzwigol, 2022). It provides nuanced information into the factors that influenced economic development among express urbanisation in major cities in India.

Chapter 4: Findings & Discussion

4.1 Relation between urban infrastructure development and economic growth

The study highlights a strong connection between development of urban infrastructure and economic growth. Investments in infrastructure, like transportation networks and utility services, reduced transaction costs and enhanced integration in the market (Kanga *et al.* 2022). This improvement supports existing enterprises and attracts new investments. It inspires overall economic growth. Moreover, inadequate and poor-quality infrastructure poses significant barriers to the development of the economy (Sahoo *et al.* 2020). Moreover, addressing these shortages is significant for sustainable economic growth as well as alleviation of poverty. Apart from that, effective governance arises as a critical factor that mainly influences urban land expansion (ULE) (Sharma *et al.* 2020). Regions with stronger governance frameworks display more planned and efficient urban growth. It is characterised by well-developed markets, high-quality infrastructure, and effective land use policies.

The impact of governance on urban land expansion (ULE) is thoughtful, with significant differences that are mainly observed across governance situations and income levels (Dutta *et al.* 2020). Weaker governance often correlates with unplanned urban sprawl in lower-income countries that are mainly driven primarily through rapid growth of population (Mahtta *et al.* 2022). This unrestricted expansion intensifies problems like inadequate infrastructure and service delivery. It leads to challenges in meeting the basic necessities of urban populations. Without effective governance frameworks, urban areas may experience divided development patterns, informal settlements, and unproductive land use practices. It can delay overall economic development and quality of life. As countries progress to higher income levels, the drivers of urban expansion shift. While economic growth continues to play a significant role through the accumulation of economies and infrastructure development, population growth gains distinction (Li *et al.* 2022). Factors like migration from rural to urban areas and the availability of urban amenities shape the spatial subtleties of urban expansion. In these backgrounds, governance becomes essential in shaping sustainable urban development.

Policy interventions play a significant role in managing urban expansion across different income levels (Sahoo *et al.* 2020). In lower-income countries, policies that prioritise economic growth can motivate spatial economic planning and strategic investments in infrastructure (Mahtta *et al.* 2022). These interventions support urban

productivity and enhance the habitability of cities by improving access to essential services and enhancing economic opportunities.

4.2 Urbanisation-driven employment patterns and economic productivity

The researcher found that economies of scale and division of labour in developed countries. Developed economies benefit suggestively from urbanisation through economies of scale and division of labour. Thinking of producers and service providers in urban centres enhances productivity through reducing production costs and increasing efficiency (Dutta *et al.* 2020). This specialisation enhances innovation and economic growth. Moreover, urban areas offer a huge talent pool. It enables businesses to access skilled workers more easily, which further increases economic output.

Moreover, the researcher also found the significance of strategic urban management. Strategic management is important to attach the full potential of urbanisation for economic productivity in developing countries (Li *et al.* 2022). It emphasises the necessity for smart investments in infrastructure, education and governance. It improves urban infrastructure and public service that can support economic activities and attract investment. Moreover, it creates more job opportunities (Kookana *et al.* 2020). Similarly, investing in education and skill development also ensures that urban populations are prepared to contribute effectively to the economic growth of the economy. It also reduces poverty and enhances overall productivity.

4.3 Impact of urbanisation on the quality of life indicators

Urbanisation deeply impacts the quality of life (QOL) indicators that influence on different aspects of health, happiness, and overall well-being for city inhabitants. As cities grow, urban planning and infrastructure development play significant roles in shaping experiences of residents (Shekhar, contribute significantly to refining QOL (Kanga *et al.* 2022). Effective urban design increases social interaction, physical activities as well as community engagement. These are connected with higher levels of satisfaction and happiness amongst urban residents.

On the other hand, quick urbanisation in developing countries leads to challenges that can reduce QOL. In this case, problems like inadequate housing, and environmental degradation can impact on physical health and psychological well-being (Sahoo *et al.* 2020). Moreover, urban preference in resource allocation results in unequal delivery of services and opportunities within cities that damage social differences.

The difficult nature of QOL covers different dimensions, like, physical health, psychological well-being and environmental quality (Sharma *et al.* 2020). Urbanisation influences these amounts based on factors like, practices in urban planning, effectiveness of governance as well as disparities of socioeconomic within cities.

To effectively manage the impact of urbanisation on QOL, approaches assimilate both objective and subjective assessments which are significant. Objective indicators like infrastructure quality to services provide a baseline to understand disparities within cities (Dutta *et al.* 2020). Urbanisation shows opportunities for developing QOL through enhanced urban features and economic opportunities. Careful planning and inclusive policies are

necessary to mitigate challenges. It also ensures reasonable benefits across urban populations (Li *et al.* 2022). The integration of inclusive QOL assessments can inform urban development strategies intended to encourage sustainability and growth in cities internationally.

Chapter 5: Conclusion

Based on the analysis of the impact on economic growth, employment patterns, and quality of life of urbanisation indicators in major Indian cities, different key conclusions can be drawn. Urbanisation in India has incontestably inspired economic growth through creating opportunities with the help of improved infrastructure. It also attracts diverse talent pools. Investments in urban infrastructure, like transportation networks and utility services, have facilitated market integration and reduced transaction costs.

On the other hand, together with these economic benefits, urbanisation has brought challenges like, inadequate infrastructure, social and economic inequalities in different areas and degradation of the environment. These challenges understand the significance of strategic urban management and wide-ranging policies to ensure sustainable development. It also ensures a reasonable distribution of benefits across urban populations. Effective urban infrastructure, such as transport networks and services, makes things easier to get to and takes less time and effort every day, making people generally happier. At the same time, urban areas offer various cultural and economic advantages that can improve individuals' lives by providing them access to social connections, jobs, free time activities, etc.

The relationship between urbanisation-driven employment patterns and economic productivity highlights the dual nature of impact of urbanisation. While developed countries benefit from economies of scale and division of labour, developing countries such as India face the challenge of managing rapid urbanisation to maximise the productivity of the economy. Cost-efficiency of urban bias is evident through various juxtapositions between rural and urban dwellers, with governments always favouring the former even though they may not be representative or have similar needs in terms of resource allocation.

Urbanisation influences the quality of life indications that mainly affect health, happiness and overall well-being. Effective urban planning and infrastructure development are significant in enhancing access to essential services. It encourages community engagement and social interactions.

On the contrary, unchecked urban growth can intensify issues like overcrowding and inadequate housing. It impacts physical and psychological well-being negatively. Therefore, to manage urbanisation in India requires a balanced approach that influences economic opportunities to address social and environmental challenges. Policy interventions to focus on sustainable urban development, equitable resource allocation, and inclusive growth are necessary to alleviate the adverse effects of fast urbanisation and boost the quality of life for all citizens.

References

- Ceder, A. (2021). Urban mobility and public transport: future perspectives and review. *International Journal of Urban Sciences*, 25(4), 455-479. <https://www.academia.edu/download/101618955/12265934.2020.pdf>
- Dge.gov.in. 2024. Employment and Unemployment Scenario of India. Retrieved July 1, 2024, from https://dge.gov.in/dge/sites/default/files/2024-02/Employment_Situation_in_India_NOV_2023.pdf
- Dutta, D., Rahman, A., Paul, S. K., & Kundu, A. (2020). Estimating urban growth in peri-urban areas and its interrelationships with built-up density using earth observation datasets. *The Annals of Regional Science*, 65, 67-82. <https://www.academia.edu/download/93508048/s00168-020-00974-820221102-1-nm30d.pdf>
- Dzwigol, H. (2022). Research methodology in management science: Triangulation. *Virtual Economics*, 5(1), 78-93. <https://www.virtual-economics.eu/index.php/VE/article/download/145/101>
- Hebbert, M. (2017). Historical exploration/explanation in urban design. In *Explorations in urban design* (pp. 313-324). Routledge. <https://www.taylorfrancis.com/chapters/edit/10.4324/9781315581606-37/historical-exploration-explanation-urban-design-michael-hebbert>
- Kanga, S., Meraj, G., Johnson, B. A., Singh, S. K., PV, M. N., Farooq, M., ... & Sahu, N. (2022). Understanding the linkage between urban growth and land surface temperature—a case study of Bangalore City, India. *Remote Sensing*, 14(17), 4241. <https://www.mdpi.com/2072-4292/14/17/4241>
- Kookana, R. S., Drechsel, P., Jamwal, P., & Vanderzalm, J. (2020). Urbanisation and emerging economies: Issues and potential solutions for water and food security. *Science of the Total Environment*, 732, 139057. <https://www.sciencedirect.com/science/article/pii/S0048969720325742>
- Li, L., Zhao, K., Wang, X., Zhao, S., Liu, X., & Li, W. (2022). Spatio-temporal evolution and driving mechanism of urbanization in small cities: Case study from Guangxi. *Land*, 11(3), 415. <https://www.mdpi.com/2073-445X/11/3/415>
- Mahtta, R., Fragkias, M., Güneralp, B., Mahendra, A., Reba, M., Wentz, E. A., & Seto, K. C. (2022). Urban land expansion: the role of population and economic growth for 300+ cities. *Npj Urban Sustainability*, 2(1), 5. <https://www.nature.com/articles/s42949-022-00048-y>
- Mahtta, R., Fragkias, M., Güneralp, B., Mahendra, A., Reba, M., Wentz, E. A., & Seto, K. C. (2022). Urban land expansion: the role of population and economic growth for 300+ cities. *Npj Urban Sustainability*, 2(1), 5. https://scholar.google.com/scholar?output=instlink&q=info:wU6ZHHu-4B4J:scholar.google.com/&hl=en&as_sdt=0,5&as_ylo=2020&scillfp=3997739183917613055&oi=lle
- Mukhopadhyay, S., 2023. Downtoearth.org.in. Budget 2023-24: What can it offer for the development of Indian cities? Retrieved Jan 31, 2023, from <https://www.downtoearth.org.in/blog/governance/budget-2023-24-what-can-it-offer-for-the-development-of-indian-cities--87388#:~:text=In%20India%2C%20the%20urban%20population,inadequate%20infrastructure%20and%20environmental%20degradation.>

- Newman, M., & Gough, D. (2020). Systematic reviews in educational research: Methodology, perspectives and application. *Systematic reviews in educational research: Methodology, perspectives and application*, 3-22. <https://library.oapen.org/bitstream/handle/20.500.12657/23142/1007012.pdf?sequenc#page=22>
- Onjala, J., & K'Akumu, O. A. (2016). Relational patterns of urbanisation and economic growth in sub-Saharan Africa. *Development Southern Africa*, 33(2), 234-246. https://scholar.google.com/scholar?output=instlink&q=info:4-OxgvpMjtwJ:scholar.google.com/&hl=en&as_sdt=0,5&scillfp=11037525905197379339&oi=lle
- Romice, O., Thwaites, K., Porta, S., Greaves, M., Barbour, G., & Pasino, P. (2017). Urban design and quality of life. *Handbook of environmental psychology and quality of life research*, 241-273. https://eprints.whiterose.ac.uk/94853/2/14-Romice-Pasino_HandbookQOL%20OCT15.pdf
- Sahoo, M., & Sethi, N. (2020). Impact of industrialization, urbanization, and financial development on energy consumption: Empirical evidence from India. *Journal of public affairs*, 20(3), e2089. https://www.researchgate.net/profile/Malayaranjan-Sahoo/publication/339236877_Impact_of_industrialization_urbanization_and_financial_development_on_energy_consumption_Empirical_evidence_from_India/links/5e60f1f8299bf182deeab069/Impact-of-industrialization-urbanization-and-financial-development-on-energy-consumption-Empirical-evidence-from-India.pdf
- Sahoo, M., & Sethi, N. (2020). Impact of industrialization, urbanization, and financial development on energy consumption: Empirical evidence from India. *Journal of public affairs*, 20(3), e2089. https://www.researchgate.net/profile/Malayaranjan-Sahoo/publication/339236877_Impact_of_industrialization_urbanization_and_financial_development_on_energy_consumption_Empirical_evidence_from_India/links/5e60f1f8299bf182deeab069/Impact-of-industrialization-urbanization-and-financial-development-on-energy-consumption-Empirical-evidence-from-India.pdf
- Sahoo, P., Nataraj, G., & Dash, R. K. (2014). Foreign direct investment in South Asia. *Policy, Impact, Determinants and Challenges*, Springer. https://www.researchgate.net/publication/233248904_Infrastructure_development_and_economic_growth_in_India#:~:text=Further%2C%20causality%20analysis%20shows%20that,for%20the%20last%20few%20years.
- Shaban, A., Kourtit, K., & Nijkamp, P. (2022). Causality between urbanization and economic growth: Evidence from the Indian States. *Frontiers in Sustainable Cities*, 4, 901346. <https://www.frontiersin.org/articles/10.3389/frsc.2022.901346/full>
- Sharma, S., Nahid, S., Sharma, M., Sannigrahi, S., Anees, M. M., Sharma, R., ... & Joshi, P. K. (2020). A long-term and comprehensive assessment of urbanization-induced impacts on ecosystem services in the capital city of India. *City and Environment Interactions*, 7, 100047. <https://www.sciencedirect.com/science/article/pii/S2590252020300283>

Shekhar, S. (2020). Effective management of slums-Case study of Kalaburagi city, Karnataka, India. *Journal of Urban management*, 9(1), 35-53. <https://www.sciencedirect.com/science/article/pii/S2226585619300317>

Zhao, Y., Song, Z., Chen, J., & Dai, W. (2023). The mediating effect of urbanisation on digital technology policy and economic development: Evidence from China. *Journal of Innovation & Knowledge*, 8(1), 100318. <https://www.sciencedirect.com/science/article/pii/S2444569X23000148>

