

# RURAL-URBAN CLASSIFICATION AND MUNICIPAL GOVERNANCE IN INDIA

**Ram B. Bhagat**

**International Institute for Population Sciences, Mumbai, India**

---

## ABSTRACT

Rural-urban classification constitutes an important framework for the collection and compilation of population data in many countries. While “urban” is often specifically defined, “rural” is treated simply as a residual category. The criteria defining urban also differ from country to country. This paper argues that these rural and urban statistical categories are also highly significant for local governance, increasingly so in recent years given the emphasis on local governance and its restructuring. In India, constitutional amendments have given constitutional status to local bodies in the federal structure of the country. Local bodies are thus now expected to draw up their own plans and initiate development works, which requires them to generate their own resources and lessen their dependence on central government funding. It is thus necessary to reorganise urban space into viable spatial units in terms of their revenue base. While rural-urban classification is the task of the Census of India, state governments are responsible for granting municipal status to urban centres. This paper examines the criteria and limitations of the rural-urban classification followed by the Census, its congruence with the dynamics of state-accorded municipal/non-municipal status and some implications for municipal governance in India.

*Keywords:* census, urban local bodies, transitional areas, urban agglomeration, property tax, governance, India

---

## INTRODUCTION

In many countries today the classification of settlements into rural and urban areas serves as an important input in the formulation of development strategy and provides an appropriate framework for local governance. Viewed from the perspective of policy, planning and governance, the categories of rural and urban are of immense importance. As such, there has been an increasing preoccupation with the criteria for defining “urban” among researchers and national agencies entrusted with the task of rural-urban classification

(Champion & Hugo, 2003); demographic and economic criteria for defining urban are being sharpened and the sociocultural criteria distinguishing urban from rural continue to be debated (Wirth 1938; Halfacree, 1996; Pandey, 2003). The categorisation of rural and urban is a first step for initiating local governance. It is an important instrument of political empowerment of marginalised communities and is closely associated with the level and composition of revenue bases (Reza, 2002).

In India, the economic deregulation policy launched in 1991 to avert a balance of payments crisis was part of the International Monetary Fund (IMF) loan requirements for structural adjustment. During this phase, the failure of state governments and the private sector to deal with the needs of rapidly expanding cities became apparent, generating alarm about the lack of infrastructure, shortage of housing and of basic amenities in urban areas (Kim, 1996).

Decentralised governance based on the principles of self-reliance, competitiveness and efficiency was rediscovered as a new means to meet the challenges faced by urban local bodies. Moreover, the emphasis on a new definition of governance (fundamentally differing from “government”) included not only the organisation of and relationships between political and administrative institutions, but also concerned the relationships between government, private institutions and civil society. Understood this way, governance represents the relationship between the government and the governed encompassing issues of accountability and empowerment, particularly of socially and economically marginalised groups and interests (IIPO, 2001; UN-Habitat, 2002). In view of this changed philosophy of governance, the Indian Parliament enacted the Constitution Act of 1992 granting rural and urban local bodies constitutional status in the federal structure of the country.<sup>1</sup> As per the provisions of these constitutional amendments, local bodies are now expected to prepare their own development plans and take initiatives in generating their own resources, besides receiving grants from the state governments.

Different local bodies, namely Municipal Corporations, Municipalities, Notified Area Committees and *Nagar Panchayats* (town councils), govern the urban areas, whereas the rural areas are served by *Gram Panchayats* (village councils).<sup>2</sup> The rural-urban distribution in local governance is based on the fact that rural and urban areas differ significantly in terms of socioeconomic and demographic

characteristics and, therefore, could be subjected to different governance and planning processes. In India, the Census of India – an organ of the Central Government – classifies settlements into rural and urban, whereas it is state governments which grant municipal status to urban centres. This paper examines the criteria of rural-urban classification used in the census and its role in fulfilling the needs of urban governance. The paper further examines the implications for municipal governance of the congruence between rural-urban status on the one hand and municipal and non-municipal status of urban centres on the other.

## CRITERIA OF RURAL-URBAN CLASSIFICATION

An agglomeration of population, the predominance of non-agricultural activities and provision of social amenities have emerged as distinguishing features of settlements following the industrialisation of agrarian economies. In seeking to define the “urban”, however, different countries have applied various criteria – from size and density of population to percentage of non-agricultural workforce to administrative status.<sup>3</sup>

In South Asia, for example, Nepal on the one hand defines urban areas on the basis of population size only: a settlement of more than 9000 is declared urban. On the other hand, countries such as Bangladesh, Sri Lanka and Pakistan apply administrative criteria to declare a settlement urban: any settlement with a municipal corporation, municipality, town committee or urban council, for example, is declared as urban (United Nations, 2001). By contrast, the definition of urban in China is very much political. Urban areas comprise both town and countryside areas as determined by the extension of town government seats; non-agricultural populations living in the areas of town government seats enjoy certain benefits and the rural-urban classification is associated with differential privilege (Zhu, 2001).

In the United States, where the urban population constitutes more than 75 per cent of the total population, rural and urban categories are still important in the allocation of funds for education and health sectors (Congress of the United States, 1989; Huang, 1995). The rural-urban distinction in this case is based on the concept of an urbanised area (UA), which includes a central city and the surrounding urban fringe (suburbs) that together have a population of 50,000 or more and a population density generally exceeding 400 persons per km<sup>2</sup>. All persons living in urbanised areas as well as in places of 2,500 people or more outside the urbanised areas constitute the urban population while the rest constitute the rural population (United Nations, 2001). Significantly, rural-urban classification is attempted *post facto* (United States Bureau of Census, 2001), whereas in India rural-urban classification is attempted prior to the census, based on information from house listing.

In countries such as the United Kingdom, Sweden and Brazil, the concept of built up area (BUA) is applied to define urban. In the United Kingdom, continuously built up areas are deemed urban, and the largest urban areas are defined as agglomerations in which urban subdivisions are formed. In Sweden, urban areas are defined on the basis of built up areas with at least 200 inhabitants and where houses are at most 200 m apart from each other (United Nations, 2001). In Brazil, urban areas are legally defined on the basis of buildings, streets and intense human occupation; this includes areas that have been affected by transformations resulting from urban development and those reserved for urban expansion (Cunha, 2002).

During the period of British colonial rule in India, urban areas were defined as including every municipality (whatever size); every cantonment; all civil lines (residential areas of officials) not included in municipal limits; and every collection of houses permanently inhabited by not less than 5,000

persons and of an urban character, though not under municipal government (Census of India, 1911a:15). This definition, which continued until 1951, left the scope for State Census Superintendents to apply their judgements in declaring settlements as urban. The 1961 census, however, applied the following criteria of urban settlement: all those places having urban bodies (Municipal Corporation, Municipality, Notified Area Committee and so on); and all those places having a population not less than 5,000, a population density of 400 persons per km<sup>2</sup> and 75 per cent of the workforce employed in the non-agricultural sector. In addition to these, the Director of Census Operations, in consultation with state governments and the Census Commissioner of India, has the power to declare a settlement urban.

The definition adopted in the 1961 census applied more strict criteria to differentiate space into rural and urban categories along the agricultural-industrial continuum. However, the census retained much of the earlier definition except for the added stipulations that 75 per cent of workers be engaged in non-agricultural sectors and population density be at least 400 persons per km<sup>2</sup>. Since the 1981 census, two more changes have been incorporated related mainly to what/who counts as part of a non-agricultural workforce: first, to consider only male members of the workforce, introducing gender bias into the definition of urban; and second, to exclude workers engaged in livestock, forestry, fishing, hunting and plantations, orchards and allied activities, making the definition of urban more industrially-biased.

In India, there has been very little *in situ* urbanisation. Historically, urban centres have grown up due to sudden investment in certain areas by state governments or through administrative mechanisms such as transplanting district and subdistrict (tehsil) headquarters and municipal apparatus. In the past, rulers had built up prominent towns and cities mainly for political and strategic reasons

**TABLE 1. DISTRIBUTION OF NON-MUNICIPAL (CENSUS) AND MUNICIPAL (STATUTORY) TOWNS IN DIFFERENT STATES OF INDIA, 1991 AND 2001**

STATE	1991				2001			
	NO. NON-MUNICIPAL	%	NO. MUNICIPAL	TOTAL	NO. NON-MUNICIPAL	%	NO. MUNICIPAL	TOTAL
Andhra Pradesh	148	56.0	116	264	91	43.3	119	210
Assam	19	20.4	74	93	49	39.2	76	125
Bihar*	99	36.5	172	271	116	41.1	166	282
Goa	18	58.0	13	31	29	65.9	15	44
Gujarat	185	70.0	79	264	73	30.2	169	242
Haryana	10	10.6	84	94	22	20.7	84	106
Himachal Pradesh	1	1.7	57	58	1	1.7	56	57
Jammu & Kashmir	2	2.8	72	74	2	2.6	73	75
Karnataka	127	41.6	179	306	44	16.2	226	270
Kerala	131	66.5	66	197	99	62.2	60	159
Madhya Pradesh**	78	16.8	387	465	80	19.5	142	222
Maharashtra	90	26.8	246	336	130	34.4	248	378
Orissa	22	17.7	102	124	31	22.4	107	138
Punjab	8	6.7	112	120	18	11.4	139	157
Rajasthan	23	10.4	199	222	39	17.5	183	222
Tamil Nadu	358	76.3	111	469	82	9.8	750	832
Uttar Pradesh***	43	5.7	710	753	87	11.0	703	790
West Bengal	266	69.6	116	382	251	66.9	124	375
INDIA	1,693	36.0	2,996	4,689	1,372	26.6	3,789	5,161

Note: includes newly created states of \*Jharkhand; \*\*Chhatisgarh; and \*\*\*Uttaranchal.

Source: Census of India (1991; 2001a; see also <<http://www.censusindia.net>>).

(Census of India, 1961a). The three important mega-cities of Kolkatta (Calcutta), Mumbai (Bombay) and Chennai (Madras), for example, had also been transplanted as port centres during British rule. As Mr. Baille, the British Census Official, said:

In India towns attract the trade and not the trade the towns (Census of India, 1911b:24).

As towns grow, they engulf the adjoining areas, resulting in suburbanisation. The present definition of rural and urban, however, fails to capture such a process as there is no transitional category in the urban definition. The Census Superintendent of Punjab raised this problem as early as in 1961, reporting that this bilateral classification led to an underestimation of the growth of urban populations (Census of India, 1961a).

## CENSUS OR NON-MUNICIPAL TOWNS

As the definition of urban incorporates both administrative and demographic criteria, two types of town are identified by the Census: municipal or statutory towns; and census or non-municipal towns. In 1991, 36 per cent of towns in India were classified as census towns compared to over 26.6 per cent in 2001 (see Table 1). Some of the states with larger concentrations of non-agricultural activities such as Gujarat, Kerala, Tamil Nadu and West Bengal had over 65 per cent of towns as census or non-municipal towns in 1991. By 2001, although the population of census or non-municipal towns had decreased significantly in India as a whole, the level remained quite high in the states of West Bengal (66.9 per cent), Kerala (62.2 per cent), Goa (65.9 per cent) and Andhra Pradesh (43.3 per cent). Though

census towns have predominantly non-agricultural bases, they have not been accorded municipal status and supposedly are governed by *Gram Panchayats*.

In contrast to this situation in relatively advanced states – those with higher than average per capita net state domestic product (NSDP) – it may be seen from Table 1 that some of the backward states (those with lower than average NSDP) such as Uttar Pradesh, Rajasthan and Madhya Pradesh have few towns in the census or non-municipal category.<sup>4</sup> The emergence of new towns (census towns) has been sluggish in these states where the level of urbanisation has been lower than the national average of 27.7 per cent (Census of India, 2001b:1). However, even the advanced states of Punjab and Tamil Nadu have shown lower percentages of census or non-municipal towns, though this may be due to the fact that census towns of these states have experienced speedy transition to municipal status, as evident from the recent “spurt” of municipal towns in Tamil Nadu.

Non-municipal towns governed by *Gram Panchayats* qualify for rural development funds from the Central Government, which sometimes provides state governments a strong incentive to keep their status unchanged. In the 2001 census, 1,372 such towns came under the administration of this rural local body (Table 1). The Ministry of Rural Development of the Central Government has a budget of over INR 2,000 crores (roughly USD 450 million) per annum to be distributed as grants to *Gram Panchayats* and for various other programmes such as water supply, roads, schools or healthcare. In contrast, poverty alleviation and employment programmes supported by Ministry of Urban Development make up a paltry figure. Several state governments therefore find it advantageous to allow small towns to remain under *Gram Panchayats* instead of Municipalities so that they can access the largesse distributed by the Central Government.

The desire to avoid taxation has also been a strong motivation for resisting the change to municipal status as municipal areas not only have higher taxation but are also subjected to a wide variety of taxes and charges (see Table 2). Additionally, electricity charges and tariffs are significantly lower in rural areas, while water supply, primary education and healthcare are invariably free (Sivaramakrishnan, 2002). *Gram Panchayats* on average generate a little over 15 per cent of their revenue from their own sources, compared to almost 70 per cent in the case of municipal bodies (Table 3). Thus, *Gram Panchayats* survive primarily on development grants provided by state governments and little effort is made towards generating their own resources (Aziz, 1998).

Many settlements under the influence of big cities are still governed by *Gram Panchayats* where tax rates are lower. It has been noted that taking advantage of low rates of tax in the outlying *Gram Panchayats* offers possibilities for evasion of octroi,<sup>5</sup> vehicle tax and house tax (Jain, 1989). Moreover, construction lobbies are ubiquitous in Indian cities. The creation of a Municipality is invariably followed by some measure of planning and building regulations. In the current context, it is possible to live in close proximity to a city and access its economy while evading its planning and building rules. Recently, 14 settlements within New Bombay and Thane municipal limits were officially remade “villages”. In the most recent civic elections in Maharashtra, villages at the fringe of Thane City boycotted the polls to press their demand to be excluded from Municipal Corporation limits. It was also reported from the sugar belt of Maharashtra that sugar barons wielding political power divided an urban centre into a number of *Gram Panchayats*, each headed by a *Sarpanch* (chief of the *panchayat*) belonging to the same extended family (Pandey, 2003:49). The state of Haryana also denotified several small municipalities and made them *panchayats* again (Sivaramakrishnan, 2002). Thus, the

**TABLE 2. MAJOR SOURCES OF INCOME FOR MUNICIPAL BODIES IN INDIA**

SOURCES	MAJOR COMPONENTS
<i>Internal/Own Sources</i>	
Tax Revenue	Property taxes; tax on vehicles, animals, trade, and callings and professions; theatre tax/show tax; tax on advertisement, boats etc.
Non-Tax Revenue	Rents from municipal assets; income from municipal undertakings; user charges; fee and fines; income from municipal investments
<i>External Sources</i>	
Grants-in-aid	General purpose; specific purpose; grants in lieu of taxes
Shared Taxes	Entertainment tax; motor vehicle tax; land revenue; stamp duties; professional tax etc.

Source: Mathur, M.P. (2001:240).

**TABLE 3. SOURCES OF REVENUE FOR GRAMPANCHAYATS AND MUNICIPAL BODIES, 1990-91 AND 1997-98**

SOURCES OF REVENUE	GRAM PANCHAYATS (%)		MUNICIPAL BODIES (%)	
	1990-91	1997-98	1990-91	1997-98
Own Sources (tax+non-tax)	16.3	10.4	69.6	67.8
Transfer from government	83.7	89.6	30.4	32.2

Sources: Planning Commission (2002:292-95); Mathur, M.P. (2003:250).

political expediency of rural-urban classification vitiates municipal governance in India.

It is an irony that all settlements accorded municipal status are automatically declared urban while urban centres defined by Census criteria are not necessarily accorded municipal status, an anomaly that distorts the level of urbanisation and regional comparisons across the country. In some other instances where state governments have granted municipal status to settlements characterised by village conditions, "one really wonders why the municipal apparatus was foisted on them" (Census of India, 1961a:139). In fact, the declaration of statutory status is a state prerogative, supposedly dependent upon the level of economic development, financial health

and perceived level of urbanisation. An unparalleled example of urbanisation is provided by the state of Tamil Nadu, a relatively advanced state in south India that saw a sevenfold increase in statutory towns in 1991-2001, even while the total number of towns in the state had hardly doubled (Table 1). This upsurge in urbanisation is also inconsistent with the pattern in the contiguous states of Karnataka, Kerala and Andhra Pradesh. Tamil Nadu rose to first rank in level of urbanisation (at 43.9 percent) in 2001, as compared to its third position (34.2 per cent) among major states of India in 1991. Tamil Nadu's generous granting of municipal status, ignoring even the allure of rural development funds, was a response to fears in the previous decade that the state was experiencing a slowdown of urbanisation (Selvaraj, 2001). In

other words, the State Government of Tamil Nadu had sped up the process by granting municipal status to a large number of settlements in the 1990s, perhaps under the impression that by becoming the most urbanised state in India it could boost its image in attracting flows of domestic and foreign investment.

Whereas the criteria identifying non-municipal or census towns are well defined by the Census, standard criteria for declaring statutory towns have yet to evolve. Other issues that demand attention include the changing of municipal boundaries of towns as and when they expand into the adjoining areas in order to tap the increased revenue potential of the extended urban space. At present, state governments do not redraw the municipal boundaries to accommodate such changes, nor is there a fixed timeframe within which they should do so. Changes to municipal boundaries are a time consuming process as these have to be notified through the offices of Deputy Commissioners and District Magistrates for any objections to be given due consideration (Chawla, 1995). As a result, villages adjoining cities and towns are not easily brought within the municipal governance area.

In addition, new developments such as railway colonies, university campuses, port areas and military camps beyond a core or statutory town may lie outside the statutory limits of the various local urban bodies. In most cases, such developments fall within the statutory revenue limits of villages contiguous to the town. As these areas are already urbanised, it is inappropriate to treat them as rural and keep them outside the statutory limits of a town even when they may not satisfy some of the prescribed eligibility tests to qualify as independent urban units. The Census defines such areas as “outgrowths” (OGs) as they are an organic part of the city or town, even if they are not governed by the municipal administration (Census of India, 1991:xxxiii-xxxiv).

## TRANSITIONAL AREAS

During the last few decades, processes of suburbanisation have brought considerable changes to adjoining rural areas, particularly to those near mega-cities and state capitals. The present classification of rural and urban fails to capture these transitional areas of rural-urban space. A threefold classification recommended earlier – namely urban, semi-urban and rural (Census of India, 1961a) – has not been attempted officially. With the constitutional amendments of 1992, three types of urban local bodies are recognised: *Nagar Panchayats*<sup>6</sup> for a “transitional area” (an area in transition from a rural to an urban area); Municipal Councils for “smaller urban areas”; and Municipal Corporations for “larger urban areas”.<sup>7</sup> However, the population size coming under the local bodies for these three urban areas was not specified; furthermore, as the Census does not give any information on transitional areas, state governments apply their own judgment on this too. Few attempts have been made to define transitional areas, a notable exception being the 1994 Municipal Act of Maharashtra which provides that:

no area shall be specified as “transitional area” unless it has a population of not less than 10,000 and not more than 25,000, is not more than 25 km away from the territorial limits of any Municipal Corporation/Municipality and the percentage of employment in non-agricultural activities is not less than 25 per cent (Mathur, M.P., 2001:239).

It would be meaningful if the Census attempted to identify transitional areas uniformly across all the states. This would require the Census definition of rural and urban to be modified in view of the requirements of decentralised governance laid down in the 1992 Seventy-Fourth Amendment. The Census could also make available relevant information such as property taxes, fees and service charges paid to the local government

in the *Household Tables* published extensively since the 1981 census. In the changed and volatile economic environment, it is necessary to have these data for monitoring the economic health of the local government bodies; for state governments in particular, it would be useful in assessing the viability of urban centres for municipal governance.

Defining transitional areas and an assessment of the revenue potential of the urban centres are likely to be important for state governments in according civic status to urban centres and deciding about state grants to local governments. At present, the practice varies from state to state and the state government has absolute discretion to accord an area with any category of municipal status. Even *Gram Panchayats* can be included into municipalities and there is nothing to limit the power of the state government in constituting municipal districts to include (or exclude) whole villages or suburbs (Chawla, 1995). Clearly, the rationalisation of rural-urban classification commensurate with the requirements of the different categories of municipal governance is very much needed.

## URBAN SIZE

The contemporary role of urban governance in implementing broader structural adjustment and other economic policy changes raises the question of the relation between urban size and economic viability. Urban size has been shown to be intimately related to the level of development and revenue potential of urban areas (Rowland, 2001). Data available from a study in India in the early 1990s (Kundu, 2000:25) show that the per capita revenue of cities with populations of 500,000 and more was two and half times greater than that for cities and towns of less than 100,000, but that the per capita revenue of smaller municipalities was uniformly low across different states. As a result, bigger urban centres are less dependent on grants from the federal government than are smaller towns, and small and medium size urban centres (with

populations of less than 50,000) are especially disadvantaged as their economic bases are generally weak – inferring from the fact that less than 15 per cent of the workforce is engaged in non-household manufacturing as compared to 25 per cent for cities (of more than 100,000). Greater dependence on agriculture (26 per cent) compared with cities (7 per cent) also means lower revenues for the local authorities. Similarly, the level of civic amenities is found to be much lower in towns of less than 50,000 (see Table 4). Thus, it is clear that several small and medium size municipal towns are not in any position to meet the challenges unleashed by the Seventy-Fourth Amendment.

Until recently, the financial viability of urban civic bodies was not a matter of concern as state governments supported their budgetary expenditures through a gap-filling approach. This has been criticised for local bodies being lax in resource mobilisation, tax collection and efficiency (Kundu, 2001). The new approach is to promote infrastructural and industrial investment in cities and towns that can cover their own costs, especially since local bodies are now expected to formulate as well as fund their own programmes and schemes of development (processes that are taking place elsewhere in the developing world; see Barchiesi, 2001; Briggs & Yeboah, 2001).

The prevailing realities of the liberalised economic environment necessitate that urban local bodies should be viable in terms of their revenue base. However, there is hardly any categorical norm of population size for different categories of urban local bodies. For example, the size of Municipal Corporations<sup>8</sup> varies from about 12 million in the case of Greater Mumbai to less than half a million in Dharbhanga and Muzaffarpur; similarly, from state to state, different municipal acts envisage council sizes ranging from not less than 50,000 up to 500,000 (Chawla, 1995). Given that municipal bodies with populations of less than 50,000 are not viable in terms of their limited

**TABLE 4. HOUSEHOLDS WITH BASIC AMENITIES BY SIZE CLASS OF URBAN CENTRES (%)**

URBAN CLASS (*000)	ELECTRICITY	DRINKING WATER	TOILET AMENITIES	ALL AMENITIES
Class I (more than 100)	80.7	84.4	73.7	59.5
More than 500	82.6	86.1	77.7	63.5
300-500	78.0	77.3	63.9	49.1
100-300	74.8	81.0	63.1	49.0
Class II (50-100)	73.5	79.1	57.6	44.1
Class III (20-50)	65.6	74.5	49.6	35.2
Class IV (10-20)	62.2	73.8	43.1	30.4
Class V (5-10)	59.2	72.2	38.8	27.8
Class VI (Less than 5)	69.7	78.6	47.4	37.5

Source: Kundu (2000:22).

economic base and capacity to raise funds from the market, it is necessary to reorganise urban space into more viable spatial units. There are various alternatives here. One is to consider the town group approach as a framework for urban governance (Census of India, 1961b:52). The 1961 census had presented statistics on towns lying close to one other that were interdependent in their daily activities, despite being served by more than one local administration; it was thought that grouping such towns would prove useful for planning their development by assessing their requirements in totality.<sup>9</sup> Subsequently, the concept of “urban agglomeration” (UA), grouping only contiguous urban centres, was put forward in 1971 (Census of India, 1971:3) and adopted in later censuses, but has yet to be utilised in urban governance.

Another concept introduced in the 1971 census, that of standard urban areas (SUAs), is also potentially useful in meeting the emerging challenges of viability.<sup>10</sup> A standard urban area is delimited to towns having a population of more than 50,000 and refers to the projected urbanised areas of towns or cities in the next 20 years (including adjoining towns and villages) according to the following criteria: (i) predominant urban land use; (ii)

intensive interaction with urban centres as reflected in commutation for work and secondary education facilities, extensions of city bus services, the sale of commodities like milk, dairy products, vegetables (other than those transported by rail or truck), and purchase of food grains, clothes and general provisions by the consumers directly; (iii) anticipated urban growth as a result of locational decisions relating to industry, market, transport and communication, administrative and service functions; and (iv) existence of big villages with a large proportion of the workforce engaged in non-agricultural industrial categories (Census of India, 1981:5-7).

The demarcated standard urban area could be used in reorganising urban space in the light of the new requirements of municipal governance. Such reorganisation would also serve to minimise revenue loss and evasion of taxes on account of being rural within the area of influence of an urban centre. However, the impact of the spatial reorganisation of municipal governance much depends upon the degree of autonomy granted to municipal bodies in managing their own affairs without control and interference from the state governments (Sharma, 2000).

## CONCLUSION

This paper has examined the rural-urban classification in the contemporary Indian context in the light of renewed emphasis on local self-government. The Seventy-Fourth Amendment to the Indian Constitution envisaged three types of urban governance for three categories of urban areas, namely larger, smaller and transitional. However, no criteria have so far been specified for this classification as municipal governance is a state matter within the Indian federal system. Most state governments have not attempted to develop criteria for the identification of different categories of urban areas for municipal governance. The Census of India also fails to provide information on transitional areas. Due to the lack of criteria for identifying transitional areas, a considerable number of settlements fall outside the ambit of municipal governance, particularly in those states with better infrastructure facilities and in states that have experienced the Green Revolution in the recent past. The constitutional amendment mandates that *Nagar Panchayats*, an offshoot of urban local bodies, will govern such areas.

A large number of small towns also exist outside the ambit of municipal governance. These census or non-municipal towns have predominantly non-agricultural bases and are largely concentrated in the more developed states. Governed by rural local bodies (*Gram Panchayats*), such towns are not compelled to maximise their own revenue potential, and are, in fact, rewarded with funds from federal rural development programmes. This situation amounts to a diversion of funds meant for rural development to areas that are not rural in the strict sense of the term. In addition, the revenue potential of these predominantly non-agricultural areas is not being realised due to the absence of municipal governance. The long time taken to readjust municipal boundaries to reflect actual changes in rural-urban boundaries results in further loss of revenue.

The viability of small towns is a matter of concern in view of their new role in municipal governance and the concepts of standard urban area (SUA) and urban agglomeration (UA) could be used to determine viable urban areas for municipal governance. The realisation of this potential, of course, will depend upon the commitment of the state governments to empower local governments politically and financially. The Planning Commission (2002:613) was aware of this when it noted:

urban governance to-day is characterised by fragmentation of responsibility, incomplete devolution of functions and funds to the elected bodies and ULBs (urban local bodies), unwillingness to progress towards municipal autonomy, adherence to outmoded methods of property tax and reluctance to levy user charges. State governments continue to take decisions on such matters as rates of user charges, property tax, octroi, role of parastatals in water supply and sanitation services etc., with little reference to ULBs that are affected by these decisions.

A well defined and viable system of urban classification could be the first step to revitalise urban governance. The present adhocism shows that the state governments are not serious about effecting such change. However, an appropriate framework for the reorganisation of rural-urban space will not only remove several anomalies in urban governance, but also help state governments to distribute their meagre state resources with a sense of fairness and justice.

## ACKNOWLEDGEMENTS

The comments and suggestions of three anonymous referees in revising this paper are gratefully acknowledged; I sincerely thank one of them for monitoring the progress of the paper through repeated comments and

suggestions. I am also grateful to R. N. Sharma, Tata Institute of Social Sciences, Mumbai, for his encouragement in writing this paper.

## ENDNOTES

<sup>1</sup> The Seventy-Third and Seventy-Fourth Amendments adopted in the Constitution Act of 1992 can be accessed respectively at <<http://www.constitution.org/cons/india/tamnd73.htm>>; and <<http://www.constitution.org/cons/india/tamnd74.htm>>.

<sup>2</sup> *Nagar Panchayat* is the smallest urban local body and the Municipal Corporation, the largest; *Gram Panchayat* is the rural local body at the village level.

<sup>3</sup> For instance, a recent study (Zlotnik, 2002) shows that 97 out of 228 countries or areas use administrative criteria to draw a distinction between urban and rural; in 96 cases, the criteria used to characterise urban areas include population size or population density. However, the threshold above which a settlement is considered urban varies considerably, ranging from 200 to 50,000 persons. In 25 countries or areas, economic characteristics are used to define urban, and 15 countries apply functional criteria like paved streets, water supply systems, sewerage systems and electric lighting to define urban. In 22 cases, no urban definition was available and in eight cases all the population was considered either urban or rural depending circumstances.

<sup>4</sup> Census or non-municipal towns are identified by demographic and economic criteria, one of which is that they have 75 per cent of the workforce in the non-agricultural sector. As such, the emergence of census or non-municipal towns shows the rate of industrial development in the respective states.

<sup>5</sup> Octroi (the local goods tax) is the most traditional tax and a major source of local revenue. It accounts for about 60-80 per cent of total revenue of the urban local bodies where it is imposed; in the states of Rajasthan, Gujarat and Maharashtra, for instance, it is the major source of revenue. However, several states have abolished octroi; Gujarat has introduced an entry tax instead (UNESCAP, 1999).

<sup>6</sup> The 1992 Act provided that a municipality may not be constituted in such urban areas or parts thereof "as the Governor may, having regard to the size of the area and the municipal services being provided or proposed to be provided by an *industrial estate* in that area and such other factors as he deem fit, by public notification, specify it to be an *industrial township*" (Government of India, 1992:2).

<sup>7</sup> All three being such areas "as the Governor may having regard to the population of the area, the density of population therein, the revenue generated for local administration, the percentage of employment in non-agricultural activities, and the economic importance of other factors as he deem fit, specify by public notification for this purpose" (Government of India, 1992:2).

<sup>8</sup> Urban local bodies are not hierarchical. However, Municipal Corporations enjoy a greater measure of autonomy than other forms of local government and the power of dealing directly with the state government whereas Municipalities have no direct access to the state government and are answerable to the District Collectors and Divisional Commissioners (UNESCAP, 1999).

<sup>9</sup> The 1961 census identified two types of town groupings: one comprising a cluster of neighbouring municipalities; the other, a cluster of municipal and non-municipal localities. In practice, however, groupings encompassed a nucleus town and other towns within an 8 km radius – including any rural (non-municipal) bodies between.

<sup>10</sup> Amalgamation of municipalities and communes is also underway in the developed countries as well (Goldsmith, 1993).

## REFERENCES

- Aziz, A. (1998) 'Income structure of rural local governments: The Karnataka experience', in Konrad Adenauer Foundation, *Local Government Finance in India*, New Delhi: Manohar.
- Barchiesi, F. (2001) 'Transnational capital, urban globalisation and cross-border solidarity: The case of South African municipal workers', *Antipode*, 33(3), 384-406.
- Briggs, J. & Yeboah, E.A.I. (2001) 'Structural adjustment and the contemporary sub-Saharan African city', *Area*, 33(1), 18-26.
- Census of India (1911a) *Volume 1, India, Part II-Tables*, by E.A. Gait, Superintendent of Census Operations, Calcutta, 1913, repr. 1987, New Delhi: Usha.
- Census of India (1911b) *Volume XV, United Province of Agra and Oudh, Part I, Report*, by E.A.H. Blunt, ICS, Superintendent of Census Operations, repr. 1987, New Delhi: Usha.

- Census of India (1961a) *Punjab, General Report, Volume XIII, Part I-A(i)*, by R.L. Anand, Superintendent of Census Operations and Enumeration Commissioner, Punjab.
- Census of India (1961b) *Volume 1, India, Part II-A(i), General Population Tables*, New Delhi: Office of the Registrar General and Census Commissioner, Government of India.
- Census of India (1971) *General Population Tables, Part II-A(i), Series I, India*, New Delhi: Office of the Registrar General and Census Commissioner, Government of India.
- Census of India (1981) *Series I, India, Part-II-A (iii), Standard Urban Areas*, New Delhi: Office of the Registrar General and Census Commissioner, Government of India.
- Census of India (1991) *Series I, Primary Census Abstracts: General Population. Part II-B(i), Volume 1*, New Delhi: Office of the Registrar General and Census Commissioner, Government of India.
- Census of India (2001a) *Primary Census Abstracts: Total Population, Series I, India*, New Delhi: Office of the Registrar General and Census Commissioner, Government of India.
- Census of India (2001b) *Series I, India: Final Population Totals*, New Delhi: Office of the Registrar General and Census Commissioner, Government of India.
- Champion, T. & Hugo, G. (2003) 'Beyond the urban-rural dichotomy: Towards a new conceptualisation of settlement for demographers', paper presented at the *PAA 2003 Annual Meeting*, Minneapolis, 1-3 May.
- Chawla, B.S. (1995) *The Haryana Municipal Act 1973 (Commentary with Allied Rules and Bye-laws, Amended Up-to-date)*, Chandigarh: Chawla Publications.
- Congress of the United States, Office of Technology Assessment (1989) *Defining Rural Areas: Impact on Health Care Policy and Research*, Staff Paper, <[www.wws.princeton.edu/~ota/disk1/1989/8912\\_n.html](http://www.wws.princeton.edu/~ota/disk1/1989/8912_n.html)>.
- Cunha, J.M. (2002) 'Processes of urbanisation and metropolitanisation in Brazil between 1970 and 2000: Continuity, ruptures and methodological challenges', paper presented at the conference *New Forms of Urbanisation: Conceptualising and Measuring Human Settlement in the Twenty First Century*, IUSSP Working Group on Urbanisation, Rockefeller Foundation Study and Conference Centre, Bellagio, Italy, 11-15 March.
- Goldsmith, M. (1993) 'Europeanisation of local government', *Urban Studies*, 30(4-5), 683-99.
- Government of India (1992) *The Constitution Seventy-Fourth Amendment Act of 1992 on Municipalities*, New Delhi: Ministry of Urban Development, Government of India.
- Halfacree, K.H. (1996) 'From locality to social representation: Space, discourse and alternative definition of the rural', in C. Hamnett (ed.), *Social Geography: A Reader*, London: Arnold, 52-68.
- Huang, G. (1995) *National Data for Studying Rural Education: Elementary and Secondary Education Applications*, ERIC Digest 383518 (May), Charleston: Educational Resources Information Center/Clearinghouse on Rural Education and Small Schools (CRESS).
- Jain, S.C. (1989) 'Rural-urban relationship and local government structures', *Nagarlok*, 21(4), 103-16.
- Kim Kyung-Hwan (1996) 'Municipal finance and integrated urban infrastructure development', in Kulwant Singh, F. Steinberg & N.V. Einsiedel (eds.), *Integrated Urban Infrastructure Development in Asia*, London: Intermediate Technology Publications, 315-28.

- Kundu, A. (2000) 'Urban poverty in India: Issues and perspectives in development', *Social Change*, 30(1-2), 8-32.
- Kundu, A. (2001) 'Institutional innovations for urban infrastructural development: The Indian scenario', *Development and Practice*, 11(2-3), 174-89.
- Mathur, M.P. (2001) 'Finances and functioning of urban local bodies: A situation report', in S. Morris (ed.), *India Infrastructure Report 2001*, New Delhi: Oxford University Press, 236-55.
- Mathur, M.P. (2003) 'Panchayati Raj institutions and the State Finance Commission: A report', in S. Morris (ed.), *India Infrastructure Report 2003*, New Delhi: Oxford University Press, 247-56.
- Mathur, O.P. (1996) 'The implications of decentralisation for municipal finance', in K. Singh & F. Steinberg, *Urban India in Crisis*, New Delhi: New Age International, 261-76.
- Pandey, V. N. (2003) 'Re-presenting rural: From definition to discourse', *Sociological Bulletin*, 52(1), 32-52.
- Planning Commission (2002) *Tenth Five Year Plan, 2002-2007, Vol. II, Sectoral Policies and Programmes*, New Delhi: Government of India.
- Reza, A. (2002) 'Understanding urbanisation', *Economic and Political Weekly*, 37(44-45), 4554-555.
- Rowland, A.M. (2001) 'Population as determinant of local outcomes under decentralisation: Illustrations from small municipalities in Bolivia and Mexico', *World Development*, 29(8), 1373-389.
- Selvaraj, A. K. (2001) 'Policy on urban development', Demand No. 33, Policy Note 2001-2002, Ministry of Housing and Urban Development, Government of Tamil Nadu, <[http://bisnetwork.net/timeis/tamilnadu/secpol/urban\\_development.htm](http://bisnetwork.net/timeis/tamilnadu/secpol/urban_development.htm)>.
- Sharma, K. (2000) *Governing Our Cities: Will People Power Work?*, London: Panos Institute.
- Sivaramakrishnan, K. C. (2002) 'Turning urban, staying rural', *The Hindu*, 27 February.
- The Indian Institute of Public Opinion (IIPO)(2001) 'Urban governance', *Monthly Public Opinion*, XLVI(12), 14-16.
- United Nations (2001) *World Urbanisation Prospects: The 1999 Revision*, New York: United Nations Population Division.
- UNESCAP (1999) 'Local government in Asia and the Pacific: Country Paper-India', <<http://www.unescap.org/huset/lgstudy>>.
- UN-Habitat (2002) *The Global Campaign on Urban Governance*, Concept Paper, Nairobi: United Nations Human Settlements Programme, also available at <[www.unhabitat.org/campaigns/governance/documents/concept\\_paper.doc](http://www.unhabitat.org/campaigns/governance/documents/concept_paper.doc)>.
- United States Bureau of Census (2001) 'Rural-urban classification criteria for 2000 census', *Federal Register*, 66(60), 17017-7033.
- Wirth, L. (1938) 'Urbanism as a way of life', *American Journal of Sociology*, 14, 1-24.
- Zhu, Y. (2001) 'The transformation of township into towns and their roles in China's Urbanisation: Evidence from Fujian Province', paper presented at the 24th IUSSP General Conference, Salvador-Bahia, Brazil, 18-24 August.
- Zlotnik, H. (2002) 'Assessing past trends and future urbanisation prospects: The limitation of available data', paper presented at the conference *New Forms of Urbanisation: Conceptualising and Measuring Human Settlement in the Twenty-First Century*, IUSSP Working Group on Urbanisation, Rockefeller Foundation Study and Conference Centre, Bellagio, Italy, 11-15 March.