

Unlocking Economic Growth through Urbanisation: Policy Perspectives and Strategies

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Unlocking Economic Growth through Urbanisation: Policy Perspectives and Strategies

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Abstract

India's current level of urbanisation falls short of the standards necessary to achieve its ambitious goal of becoming a 5 trillion-dollar economy by 2025. As of 2021, only 35.4% of the population resides in urban areas, with just 30 percent of districts classified as urban. India's performance falls significantly short in critical metrics, including access to clean drinking water, use of sanitation facilities connected to sewer networks, annual exposure to PM 2.5, and the proportion of the population living in slum settlements, when compared to other developing countries. India's urbanisation process is plagued with chaos and a lack of regulation, stemming from inadequate legislative management, underfunding of existing cities, and a shortage of affordable housing. Well-planned urbanisation can serve as a catalyst for promoting industrialisation and development. Therefore, it is imperative for India to address the challenges of unplanned urbanisation and poor city management by implementing effective policies and corrective actions to ensure high economic growth and employment.

Keywords: Congestion in cities, Proliferation of slums, Agglomeration economies, Economic development, Masterplans, Legislative Management, Affordable housing

Introduction

As India strides ahead into the next quarter-century, navigating the path of Amrit Kaal, its accomplishments and progress garner the attention of the global community. India's recent climb to the position of the world's fifth-largest economy, having surpassed the United Kingdom, has led to increased expectations and a sense of responsibility to achieve the country's developmental goals. The movement of people from rural to urban areas has gained momentum in recent years, and the pace of this shift holds significant implications for India's economic growth, employment rates, and poverty reduction efforts. Despite occupying only 3% of the landmass, urbanisation contributes to nearly 60% of India's GDP, highlighting the untapped potential of this segment (NITI Aayog & Asian Development Bank, 2022). Given

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the limited financial resources, providing physical and social infrastructure to all 10 lakh villages is a formidable task. The clustering of people in urban areas offers economies of scale, enabling infrastructure sharing and lower costs for all. But it is important to note that, as per World Bank data, as of 2021, only 35.39% of India's total population is urban in nature. Therefore, India must prioritise urbanisation to propel growth and achieve holistic development in the next 25 years.

- Benefits of Strategic Urban Development
- Strategic urban development can bring a wide range of benefits, including:

2.1 Boost to Economic Growth:

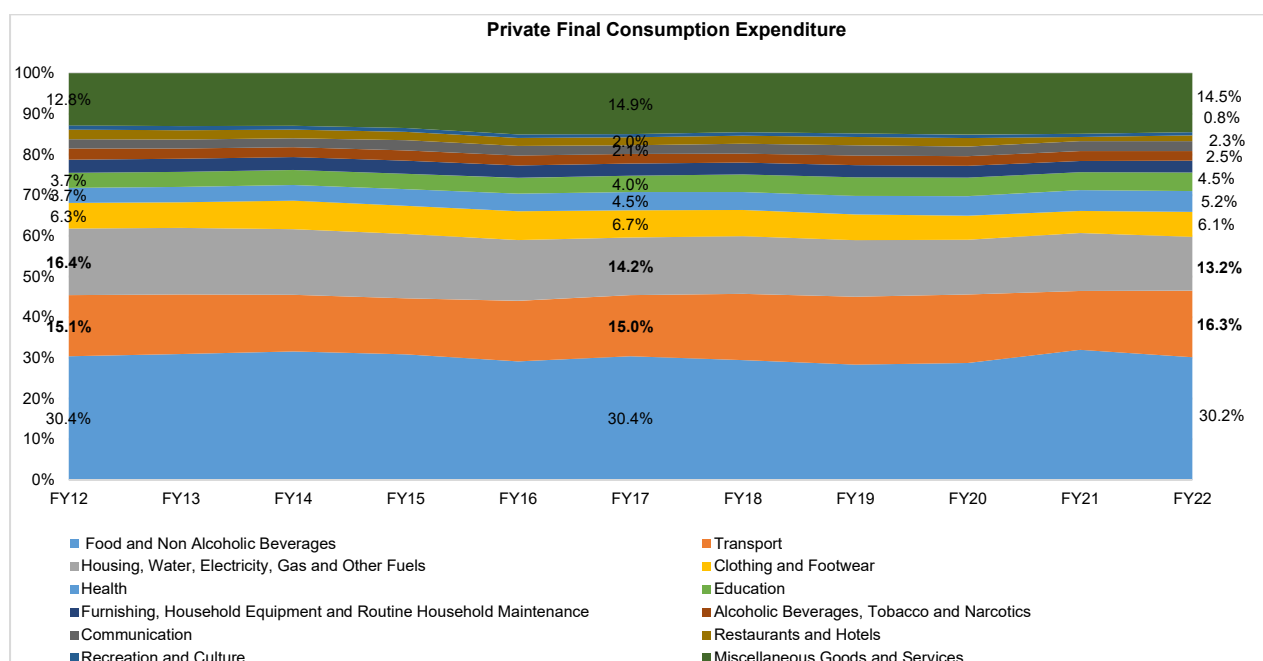
Urban areas have the potential to generate significant economic growth by attracting businesses and investment, creating jobs, and driving innovation. Well-planned cities can provide the infrastructure and services that businesses need to thrive, such as reliable transportation, communication networks, and access to skilled labour. Productivity is a critical factor in economic growth, and urbanisation can contribute to productivity through the division of labour and economies of scale, ultimately fuelling economic growth (Sinha, 2022). China provides a compelling case of how urbanisation can act as a catalyst for economic growth and development. Over the past few decades, millions of people have migrated from rural to metropolitan areas, leading to China's urbanisation rate skyrocketing from 26.4% in 1990 to 61.9% in 2021. During this period, China's Nominal GDP experienced an unprecedented growth of 3800%, while India's Nominal GDP only grew by over 700% during this period. Moreover, China's economic growth has also brought about significant enhancements in the quality of life (Holla, 2021). To meet its ambitious target of achieving a \$5 trillion economy by 2025, India can emulate China's example of using planned urbanisation as a driver of economic growth and development.

2.2 Boost to employment:

Urbanisation also has the immense potential to boost employment in the country. This is because construction and building infrastructure have high employment elasticity as compared to other sectors. In comparison to manufacturing (0.34), public administration (0.47), and the economy's overall average (0.20), construction's employment elasticity (1.01) is significantly higher, indicating that a one percent increase in construction production leads to a 1.01 percent increase in employment in the economy. On the other hand, a one percent increase in manufacturing output only leads to a 0.34 percent increase in employment. The reason for this is that construction is a labour-intensive industry that requires a significant workforce, ranging from unskilled labourers to skilled tradespeople and engineers, to complete tasks. Infrastructure-building also has a high employment elasticity of 1.17, around six times that of the overall economy (Misra & K Suresh, 2014). Given India's massive infrastructure deficit, investment in urban infrastructure can create significant employment opportunities and positively impact the country's economic growth. Therefore, focusing on sectors like construction and infrastructure development that stand out due to their high employment elasticity can be an effective way to address the infrastructure deficit while also providing employment opportunities.

2.3 Increased private final consumption demand for other non-essential items:

As depicted in the figure below, the allocation of private final consumption expenditure reveals that transportation and housing, subsequent to food expenditure, hold the second and third largest proportions, respectively. If urbanisation can facilitate the advancement of accessible and cost-effective public transportation infrastructure and affordable housing options, households will inevitably witness an augmentation of disposable income, thus enabling greater expenditures on discretionary commodities. This infusion of purchasing power, in turn, can generate a multiplier effect within the economy, amplifying economic growth and stimulating employment opportunities across various sectors.



Source: CSO

2.4 Sharing of Infrastructure:

Urbanisation facilitates the efficient sharing of infrastructure, which can significantly reduce the fiscal costs of providing essential services. In cities, the concentration of people and economic activity generates higher demand for infrastructure, leading to the creation of efficient and effective systems for sharing resources like energy, water, and transportation. This ability to share resources more efficiently is made possible by the higher population density in urban areas, which creates economies of scale and enables governments to provide infrastructure at a lower cost per user than in rural areas. Additionally, urban governments can provide facilities to a larger population at once, further reducing the fiscal cost of delivering essential services.

2.5 Lower environmental costs:

According to Dave (2010), higher population densities and compact urban development have the potential to support sustainable development in rapidly growing cities in developing countries. This is because high-density cities can reduce travel times and increase the feasibility of public transportation, while compactness can determine energy use. Urbanisation can

facilitate the development of public transportation systems, which are typically more feasible to provide in a compact setting. This can reduce the need for individuals to own cars and make public transportation more accessible and affordable. Well-planned metropolitan areas offer various environmental sustainability advantages. Urban development can be designed to reduce carbon emissions, promote renewable energy, and increase green spaces. Vertical, high-density cities that have efficient mass transportation networks and promote bikeability and walkability have lower environmental costs.

2.6 Benefits of agglomeration economies:

Urbanisation can raise productivity through economies of agglomeration. Agglomeration refers to the concentration of economic activity in a particular geographic location, such as a city or metropolitan area. When economic activities are concentrated in a specific area, it creates a positive feedback loop that leads to increased productivity and efficiency. One of the main ways in which urbanisation raises productivity through economies of agglomeration is by facilitating knowledge sharing and innovation. When firms and workers are located in close proximity to one another, they can share ideas and knowledge more easily, leading to the creation of new products and services. This is particularly true in industries that require a high degree of specialisation or knowledge, such as high-tech industries. Urbanisation also makes it easier for firms to access specialised inputs, such as skilled labour and intermediate goods. This is because agglomerations create specialised supply chains that allow firms to access the specific inputs they need more easily and at lower costs. Besides, urban areas provide access to larger markets, offer better infrastructure, create opportunities for specialisation, and can generate positive spillover effects that benefit society as a whole.

3. Key Features of Urbanisation in India

3.1 Current Status of Urbanisation in India: What does the data say?

The Census of India defines urban areas as geographical areas with a minimum population of 5,000, at least 75% of the male working population employed in non-agricultural industries, and a population density of at least 400 people per sq. km. The Indian urban landscape can be divided into two parts, i.e., census towns and statutory towns. Census towns are areas that are identified as urban because they exhibit urban characteristics, fulfilling the criteria set as per the definition of urban areas, but technically remain rural as they are administered by rural local bodies only. Whereas statutory towns are urban areas that are administered by a municipality, corporation, or town area committee. As per the Census data 2011, there are 3,784 census towns and 4,041 statutory towns in the country. This implies that a striking 48% of the total urban towns in the country are classified as census towns, while only 52% are recognised as statutory towns. In terms of percentage, we can say that 14.4% of the urban population lives in census towns and 84.5% of the urban population lives in statutory towns. India's poor state of urban development is evident from the fact that as of 2021, only 35.4% of the total population is urban, and on top of that, 14% of that population lives in census towns, which are administered by rural local bodies. Furthermore, Master plans are crucial for guiding the growth of urban areas and ensuring they develop in a planned and organised way. However, 52% of statutory towns and 83% of census towns lack a master plan to guide their spatial growth and infrastructural investments (NITI Aayog, 2021). This implies that three-fourths of the urban centers in India do not have a spatial strategy for the next 20 years, pointing to a poor state of urbanisation compared to other countries. Moreover, it is important to note

that even if the master plans exist, they are plagued by delays, legal conflicts, and implementation complications. The consequence of these shortcomings is haphazard growth, characterised by piecemeal interventions and urban sprawl. Implementing comprehensive master plans, free from delays and legal complications, is essential for guiding the growth of statutory towns in a scientifically planned manner. Only then can India fully harness the benefits of urbanisation and overcome the challenges posed by haphazard and unplanned expansion.

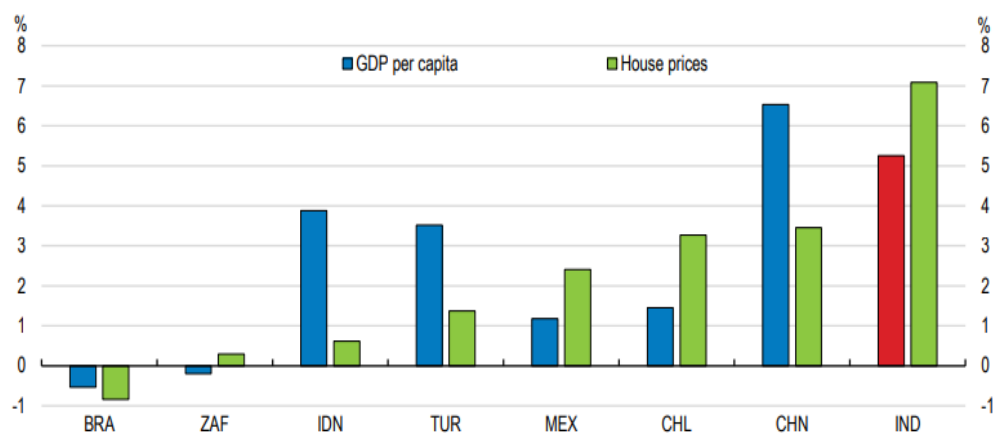
3.2 Other notable characteristics of India's urbanisation

Asymmetry:

Urbanisation in India exhibits a notable "asymmetry" with varying patterns across states and cities. Kerala, for instance, is projected to have a remarkably high urban population, expected to exceed 96% by 2036. Conversely, states like Assam and Bihar are anticipated to have alarmingly low proportions of urban populations, with estimated figures of 17.16% and 13.2%, respectively, by the same year. Union Territories such as Delhi and Chandigarh, on the other hand, are expected to achieve complete urbanisation by 2036. The issue of asymmetry extends beyond states to cities as well. Tier 1 metropolitan cities like Mumbai, Delhi, and Kolkata are increasingly challenging to live in due to issues such as overcrowding, chaotic traffic, pollution, and inadequate civic facilities. To mitigate this problem and avoid exacerbating the asymmetry, it becomes crucial to develop tier 2 and tier 3 cities across the country. By promoting economic activity and settlement in these cities, the burden on already overcrowded Tier 1 cities can be alleviated. Asymmetric urbanisation gives rise to disparities in economic and social resources among different locations, resulting in economic and social gaps between cities, regions, and states. These disparities have significant implications for social stability, economic progress, and efforts to reduce poverty.

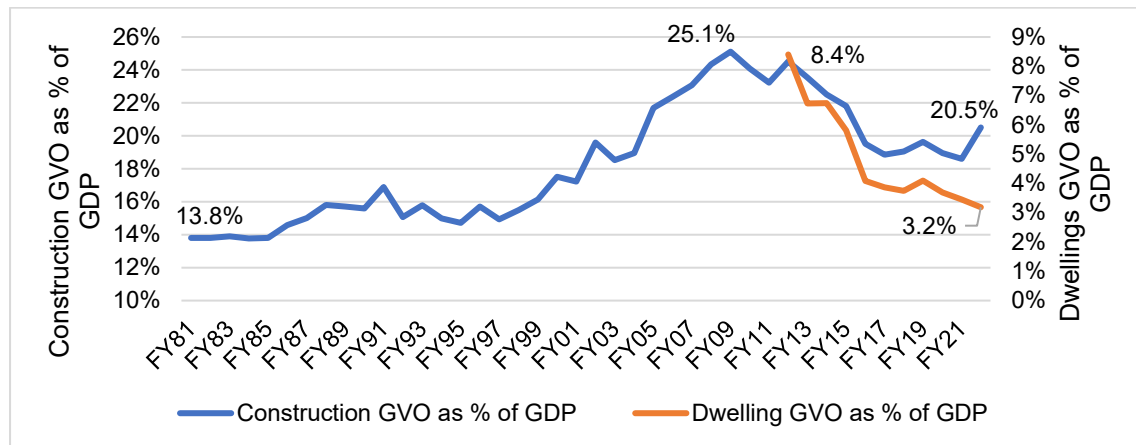
Lack of Affordable housing:

The housing sector is characterised by a substantial supply-demand gap, with demand consistently outpacing supply. As shown in the figure below, average real housing prices have increased much more than GDP per capita over the period 2012-2019, undermining housing affordability in particular for low-income households.



Source: OECD, Housing for All in India, 2020

Several factors, such as the increase in households, expanding urban areas, and the emphasis on improved construction quality, all indicate that the demand for housing is poised to continue its growth trajectory.



However, the share of the construction sector’s GVO to GDP and more specifically the dwellings sector’s GVO to GDP witnessed a declining trajectory as shown in the graph below, further widening the gap between the demand and supply of affordable housing. The Indian urban landscape faces a severe shortage of affordable housing for the Economically Weaker Section (EWS) and Lower Income Group (LIG) segments of society. Real estate developers and individual investors in India tend to focus on the medium and upper-income levels due to higher profits, resulting in a neglect of low-cost housing projects. Factors such as high land costs, project clearance delays, increasing raw material expenses, and low-profit margins discourage private investors from engaging in affordable housing initiatives. Indian cities also exhibit higher price-to-income ratios compared to cities worldwide. Another significant challenge is the decline of rental housing, with the proportion of rental properties decreasing from 54% in 1961 to 28% in 2011. This decline can be attributed to factors like low rental yields, high prices, and tenant-friendly policies that discourage property owners from renting out their residences. Consequently, the number of vacant houses has risen to approximately 12% of the total urban housing stock. The shortage of affordable housing limits access to economic opportunities that are predominantly available in cities, which in turn affects labour market efficiency.

Proliferation of slums:

The prevalence of slums in Indian cities has become increasingly pronounced. According to the 2011 census data, there has been a staggering increase in the number of people living in slums, rising from 27.9 million in 1981 to an astonishing 65.5 million in 2011. This represents approximately 17.37 percent of the total urban population in 2011. The primary driver behind this alarming growth is the rapid and unplanned urbanisation that has taken place (Nitin et al., 2022). The lack of proper planning has resulted in a shortage of adequate housing, basic services, and social amenities for a significant portion of the urban population, leading to the proliferation of slum areas. The consequences of the proliferation of slums include

substandard living conditions, inadequate sanitation facilities, limited access to clean water, and insufficient healthcare services.

Urban sprawl due to horizontal growth:

Urban sprawl in India is primarily driven by horizontal expansion rather than compact, vertical growth. This is largely due to the rationalisation of Floor Area Ratio (FAR) or Floor Space Index (FSI) limits, which fail to promote dense urban development and meet the demand for affordable housing. A 2017 study by NITI Aayog reveals that the existing allowable FAR in Indian cities is insufficient, leading to a scarcity of space in central business areas. As a consequence of this space scarcity caused by horizontal urban expansion, residential units are forced to move to the outskirts of cities. Even when an increase in FAR is permitted, it typically occurs in peripheral regions rather than the city centre. This pattern of urban development hampers efficient land utilisation and exacerbates the shortage of space in central areas where commercial activities are concentrated. By prioritising horizontal expansion and neglecting the potential for vertical growth, India's urban planning policies contribute to the challenges of urban sprawl and limit the availability of affordable housing in well-connected city centres.

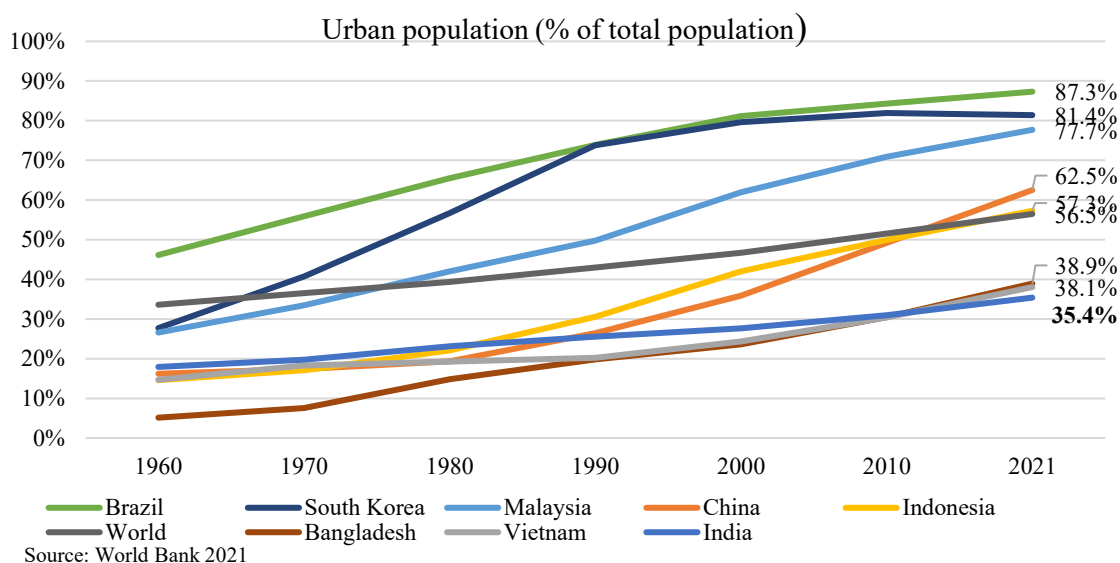
Congestion in cities:

Cities in India are grappling with the challenges of congestion. The unplanned and inadequate urbanisation in the face of a growing population has exerted immense pressure on essential services, housing availability, land use, and the environment. Urban congestion is a common phenomenon on Indian roads, stemming from various factors, including the insufficient separation of lanes for different modes of transportation. India is home to four cities ranked among the top 50 globally for the most congested traffic, according to the 2022 TomTom Traffic ranking. The current state of urban mobility services in India exacerbates the issue, characterised by a lack of last-mile connectivity, overcrowded and poorly maintained buses and local trains, inadequate parking facilities, and rampant traffic congestion. As a result, commuters face increased travel time and expenses due to these factors.

Comparing India's Urbanisation Metrics: A Global Perspective

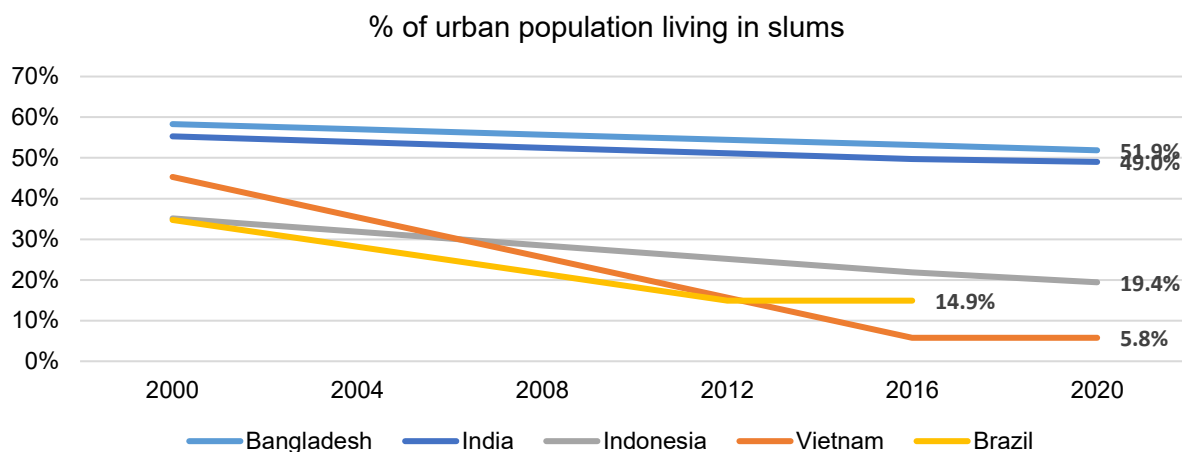
The percentage of urban population compared to the total population is a good indicator of the level of urbanisation in different countries. Unfortunately, according to World Bank data from 2021, India has only 35.39% of its population living in urban areas, which is well below the world average of 56.48%. In fact, other developing countries such as Indonesia, Vietnam, Malaysia, and Bangladesh have a higher proportion of urban population than India. Even Brazil has a significantly higher percentage of urban population, with 87.32% of its total population living in urban areas.

4.1 % of the urban population

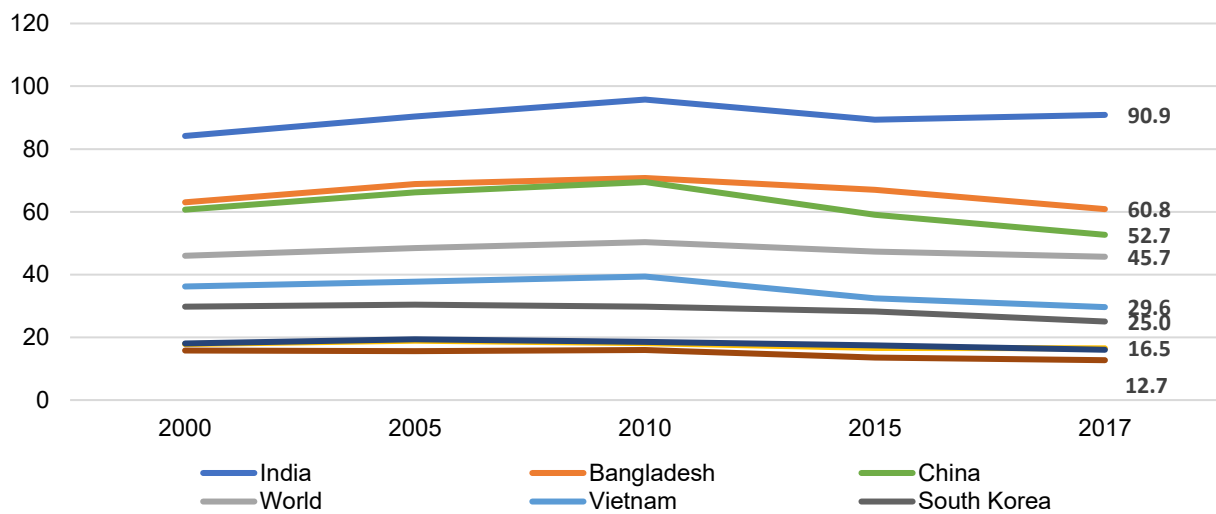


Furthermore, the state of urban development in India is also not very encouraging, as the country fares poorly on several parameters. The charts below depict four indicators of urban development in India: the percentage of the urban population living in slums, mean annual exposure to PM 2.5 air pollution, the percentage of the urban population using at least basic drinking water services, and the percentage of the urban population using at least basic sanitation services.

4.2 % of the Urban population lives in slums

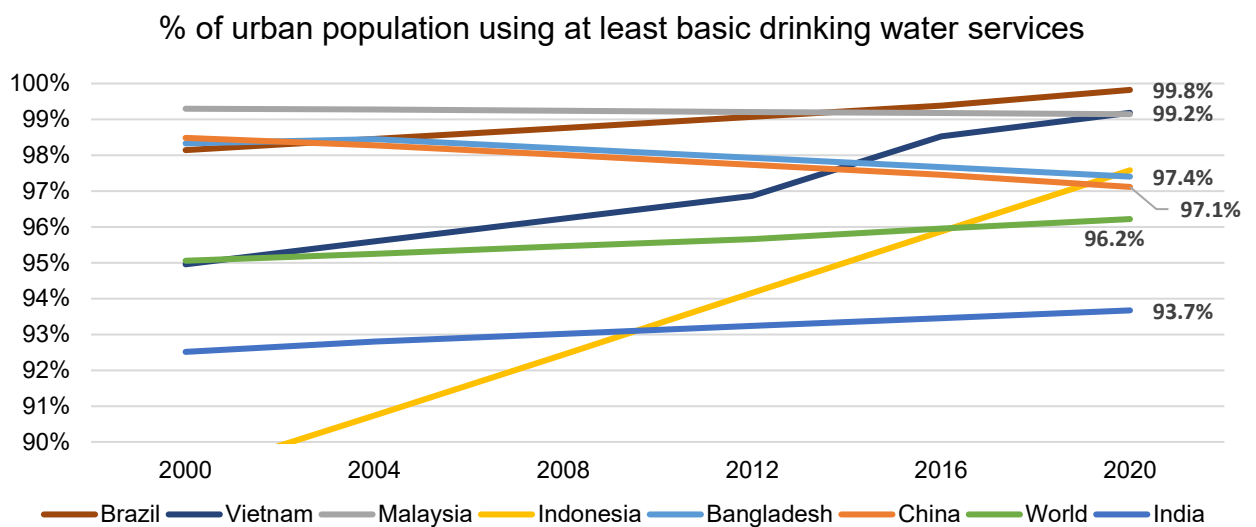


4.3 Mean annual exposure to PM 2.5 air pollution (micrograms per cubic meter)



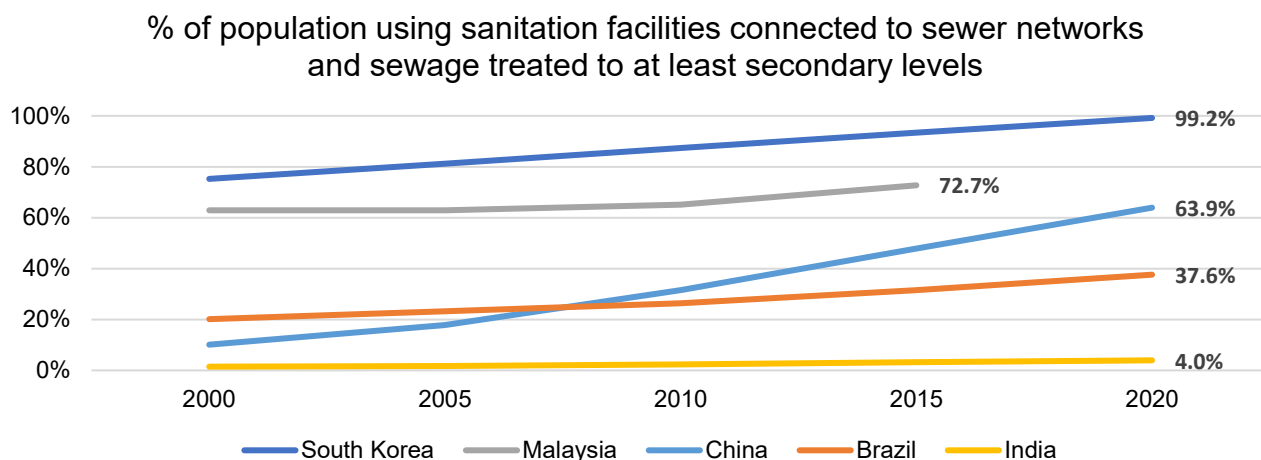
Source: World Bank 2021

4.4 % of urban population using at least basic drinking water services



Source: World Bank 2021

4.5 % of population using sanitation facilities connected to sewer networks and sewage treated to at least secondary levels



Source: UNICEF 2021

The charts above reveal that the state of urban development in India is dismal, with high rates of slum dwellers, air pollution, and inadequate access to basic amenities like drinking water and sanitation. Nearly half of the urban population in India lives in slums, and air pollution levels are significantly higher than the global average. Additionally, 6.3% of the urban population still lacks access to basic drinking water, whereas for Bangladesh, this score is just 2.6%. While India has made significant progress in achieving its goal of becoming open-defecation-free, the sanitation facilities connected to sewer networks and sewage treatment still remain a major challenge.

However, it is important to note that despite the above-highlighted challenges, India's urbanisation rate is expected to continue rising, with the urban population projected to surge to 675 million by 2035, making it the second-largest urban population after China's (UN, 2022). Therefore, India must prioritise urban development and planning to accommodate the influx of migrants and improve their quality of life. To achieve this, a comprehensive and integrated approach to city planning is crucial. India must focus on creating well-planned cities that leverage the benefits of urbanisation while mitigating its adverse effects. With a 2.13% urban population growth rate, India must act urgently to address the poor state of urban development and ensure that the situation improves rather than worsens.

5. Key reasons for Unplanned Urbanization in India

The problems within the Indian urban landscape are multifaceted, complex, and interconnected, with various factors operating simultaneously. The following are some of the reasons for unplanned urbanisation:

5.1 Under financing of Cities:

Urban local governments in India face significant challenges in terms of fiscal autonomy and their capacity to deliver civic infrastructure and services. According to the Reserve Bank of India (2022), Indian ULBs have one of the lowest levels of fiscal autonomy globally, implying limited control over their own revenues and expenditures. This lack of

control is reflected in the stagnation of municipal revenues and expenditures at merely 1 percent of the GDP for over a decade (RBI, 2022). This indicates a lack of significant growth in municipal resources to meet the demands of urbanisation and economic growth. Furthermore, India's capital expenditure on urban infrastructure averaged a mere 0.63 percent of the GDP between 2011 and 2018. In terms of funding, the own revenue of ULBs contributes only a small portion, averaging around 30.04 percent from the fiscal year 2011 to the fiscal year 2018. However, this percentage further declined to 15.85 percent in 2019-20, according to the World Bank's report. Consequently, ULBs heavily rely on government grants as their primary source of revenue, while private sector financing plays a minor role in funding urban infrastructure projects in India. Private sources account for merely 5 percent of the total infrastructure financing for cities, and municipal bonds have a marginal contribution to debt financing.

5.2 No timely constitution of SFCs:

The devolution of funds from State Governments to local governments is facilitated by State Finance Commissions (SFCs), which are institutional structures. However, the constitution of SFCs at regular intervals is not being consistently followed in most states. Furthermore, even when SFCs are established, their recommendations often go unimplemented. There is also a significant delay in submitting Action Taken Reports (ATRs) on the SFCs' recommendations. These issues have prevented SFCs from achieving their intended impact. The challenges surrounding SFCs can be attributed to various factors, including the scope of their work, inadequate follow-up on their recommendations, limitations in data availability and quality, and potential deficiencies in the qualifications of their members. Despite recommendations from both the Central Finance Commission (CFC) and previous SFCs, the establishment of SFCs at regular intervals has not been effectively carried out. As of 2021, only 14 states had constituted their 5th SFC, and merely 4 states had formed their 6th SFC.

5.3 Poor Legislative management:

Census towns, despite being classified as urban areas, often lack urban local bodies (ULBs) and continue to be governed as villages. This is primarily due to the absence of a proper legal framework and infrastructure during the transition from rural to urban areas. The establishment of ULBs involves devolving power and resources to local bodies, which can disrupt existing power dynamics and political control. Some state governments may intentionally avoid creating ULBs in census towns to maintain centralised control or prevent conflicts with existing urban areas. Implementing urban regulations and taxation in these villages may be unpopular among residents, leading to reluctance from ruling parties. Even when ULBs are established, they often have limited decision-making authority as state governments determine which functions are devolved to them. This arrangement diminishes the power of ULBs, allowing state governments to retain control over various regions.

5.4 Lack of skilled human resources and technical capacity in ULBs:

In terms of administrative and capacity difficulties, Indian urban areas face several obstacles. A key issue is a shortage of trained human resources and technical competence, which leads to target underachievement. ULBs face severe capacity constraints in terms of human capital with specific skillsets suited for efficient delivery of a range of municipal

services and robust urban governance. This capacity constraint is more pronounced in small and medium-sized ULBs. There are only 3,945 sanctioned posts for town planners throughout all states' planning agencies, with 42% of them empty (NITI Aayog, 2021b). Moreover, the existing manpower is not adequately trained in managing key areas like architecture, engineering, finance, accounting, etc. There are 70 colleges offering the M. Plan of Architecture and Planning in India only. The country will need 3,00,000 urban planners by 2023. Every year, 1,800 urban planning graduates pass out from 49 institutes, including the School of Planning and Architecture, Bhopal, New Delhi, and Vijayawada. The number of seats needs to be scaled up considerably to fill this demand-supply gap and new urban planning institutes need to be set up. Shortage of human resources has become a major challenge in the State apparatus in charge of urban planning and design. It is important for Indian urban areas need to emphasise on improving technical competence to adapt to the requirements of the rising urban population.

6. The Next Leap: Mapping India's Path Forward

India is currently grappling with the consequences of unplanned urbanisation and inadequate city management. Urgent action is required to tackle these challenges effectively. In order to address the current situation, the following strategies can be implemented:

6.1 Masterplan formation for proper planning of cities:

Masterplans play a vital role in achieving comprehensive and sustainable urban development. They provide a framework for coordinated growth, long-term vision, and regulation of land utilisation. However, a significant number of statutory towns in India are expanding without proper master plans, while those with existing master plans face challenges in implementation, including delays, legal disputes, and frequent ad-hoc amendments. Developing towns and cities correctly from the beginning is crucial, as reversing or modifying their design later on is difficult and expensive. It is important to prioritise proper planning and development to avoid costly adjustments in the future. It is imperative to create towns and communities that are not only liveable but also sustainable and resilient. This can be achieved by investing in thoughtful planning, design and ensuring that every city has a master plan.

6.2 Providing greater legislative freedom to ULBs:

It is essential to provide urban local bodies (ULBs) with greater legislative freedom. Despite the constitutional provisions for the devolution of power to local areas, India still lacks effective implementation. The 74th Constitutional Amendment of 1992 granted state governments the authority to transfer 18 municipal functions to ULBs, recognising their expertise in local service delivery. However, states should not hesitate to fully devolve these powers to local governments. It is problematic for ULBs to be accountable to the people without having the necessary power to deliver services.

6.3 Ensuring better financial standing of ULBs:

Indian urban local bodies (ULBs) have limited fiscal autonomy compared to their counterparts worldwide. Inter-governmental transfers to ULBs in India account for only 0.5% of GDP, significantly lower than the 2-5% range observed in other developing nations. To address this issue, it is crucial to increase the quantum of inter-governmental transfers as a percentage of GDP. State Finance Commissions should ensure a minimum guaranteed share of

government transfers from states to ULBs. Moreover, inter-governmental transfers can be used as incentives to encourage ULBs to improve their own revenue generation, particularly in property tax and non-tax revenue collection. To enhance property tax collection, states should implement technology-driven approaches such as utilising IT, space, and GIS technologies for assessment and collection. Linking property tax to utility bills can also improve coverage. Also, rationalisation and regular revision of property tax rates are essential. ULBs should also explore user charges as a means to boost their own revenue. Regular constitution of State Finance Commissions and timely implementation of their recommendations are crucial. ULBs should also focus on improving municipal borrowing, accessing capital markets, and engaging with the private sector to complement public resources for significant investment needs.

6.4 Enhancement of the human capital employed in ULBs:

India's Urban Local Bodies (ULBs) face a scarcity of skilled human resources, impeding effective service delivery. To tackle this, larger ULBs should establish their own cadre of officers to attract and retain talented individuals with the necessary skills. States should also create a dedicated cadre of officers having specialisation in fields such as Engineering, Legal, Accounts, Finance, Fire Services, etc for small and medium-sized ULBs to ensure access to qualified professionals and cost-effective services. The recruitment process for ULB officers should be streamlined for faster hiring. ULBs should be empowered to hire professionals from outside the government through lateral entry, fostering expertise in areas like town planning and municipal finance. Regular training and capacity-building programs should be provided to current ULB officers to update their skills. Furthermore, India should establish more quality educational institutions to address the shortage of skilled human resources and meet future urban development needs.

6.5 Developing a blue-green infrastructure:

Currently, in India, infrastructure is commonly associated with 'grey' elements, such as engineered brick-and-mortar structures. However, India has the opportunity to prioritise blue-green infrastructure, which entails policies aimed at enhancing urban resilience, mitigating climate change impacts, and improving overall quality of life. This should be a shared goal at the central, state, and sub-regional levels. Instead of considering low levels of urbanisation as a setback, India can utilise it as an opportunity to develop well-planned and sustainable cities, incorporating global best practices and traditional wisdom. Cities should embrace transit-oriented development and smart growth principles, reducing dependence on personal vehicles and promoting walking, cycling, and the use of public transportation. Implementing a National Transit-Oriented Development (TOD) policy can provide guidelines and catalyse state and city-level policies for promoting transit-oriented development. Immediate action is necessary to revitalise existing towns and cities and create new, environmentally-friendly urban areas.

6.6 Focusing on tier 2 and tier 3 cities:

Focusing on tier 2 and tier 3 cities is crucial for India's overall development and growth. These cities offer untapped potential for economic growth and investment. By investing in them, India can achieve balanced regional development, reduce the burden on congested tier 1 cities, and create new economic opportunities. Developing smaller cities promotes a more balanced distribution of resources and improves the standard of living for residents. Additionally, focusing on tier 2 and tier 3 cities helps alleviate strain on infrastructure and

public services in major cities. It is a strategic approach to create new growth centers and foster inclusive development.

6.7 Provision of affordable housing to the urban poor:

The provision of affordable housing to the urban poor is crucial for Indian urban development. To address the issue of slum proliferation and provide shelter to the underprivileged, India should establish a coherent regulatory framework and update legislation to promote affordable housing and the rental model of housing. Utilising existing vacant housing stock for rental accommodation can help alleviate the housing shortage. The Affordable Rental Housing Complexes (ARHC) scheme, launched by the Government of India in 2020, is one example that provides suitable housing for low-income groups, migrant workers, and economically weaker sections. Additionally, it is necessary to eliminate outdated pro-tenant legislative mechanisms and rent control laws across all states to further promote the rental model of housing. The government should formulate more schemes like ARHCs or strengthen the existing scheme to ensure affordable rental housing is accessible to those unable to purchase their own homes or living in poor conditions.

6.8 Rationalisation of FAR/FSI:

Rationalising the Floor Area Ratio (FAR) or Floor Space Index (FSI) limitations is crucial for encouraging compact and vertical urban expansion. FAR/FSI restrictions should not be limited to the outskirts of cities; the city center should also allow for the construction of high-rise buildings. Rationalising and increasing FAR allows for planned and efficient land utilisation. It leads to an increase in built-up space on land, making it more affordable by decreasing the ratio of land cost to construction cost. Comparatively, cities like Singapore have a maximum FAR of 25, Tokyo 20, and New York 15, whereas Mumbai has 1.33, Pune 1.25, Ahmedabad 2, and Delhi 3.5. Therefore, it is imperative to increase FAR to ease land pressure and utilise it for town planning schemes that incorporate green spaces, lakes, and public plazas.

6.9 Removing razor-sharp distinction between urban and rural areas: It is recommended that the rigid categorisation of habitable land into rural, urban, and peri-urban should be reconsidered in India. This is because, as development and population growth occur, rural areas gradually transform into urban spaces, passing through a transitional phase with mixed characteristics of both urban and rural areas. The strict division between rural and urban neglects this intermediate stage of transforming from rural to urban, making policy formation and implementation challenging. Indian policymakers should ensure that the current categorisation does not overlook policy formulation for the planned development of peri-urban areas. The jurisdiction of ULBs should not only cover just the core of the city but also its peripheries. The planned development of the peri-urban areas is very important as peri-urban areas of the present become the main cities of tomorrow.

7. Conclusion

India is one of the fastest-growing economies in the world, and its growth is strongly tied to the development and expansion of its cities (Sharma et al., 2022). Urbanization plays a vital role in driving economic development, and it is imperative for India to have a well-defined roadmap to enhance urbanization levels and quality. This requires a comprehensive approach involving both the center and the states' governments. Key measures should include the formulation of master plans for city development and expansion, granting better legislative and

financial autonomy to Urban Local Bodies (ULBs), and the development of a sustainable blue-green infrastructure. Additionally, it is crucial to ensure the provision of affordable housing and to focus on the development of tier 2 and tier 3 cities, for improving the scale and quality of urbanisation in India. Recognising the instrumental role of cities, India must understand the gravity of the situation and work diligently to provide its citizens with the benefits of urbanisation. By doing so, India can strive to realise its ambitions of becoming a \$10-trillion economy by 2030. Emphasising urbanisation as a catalyst for economic growth and holistic development will propel India toward achieving its aspirations and creating a prosperous future for its people.

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