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UNLOCKING URBANISATION POTENTIAL OF INDIA

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We have failed to utilise full potential of urbanisation in [India](#). The size of urban population is significantly underestimated; all classified areas are not governed by city governments; there is lack of suitable planning and follow up; [economic potential](#) of cities is highly underutilised; large part of cities has developed without legislative control; and institutional structures/capacities to administer sprawled urban growth are fairly inadequate.

Yet, three important factors warrant our special attention on urbanisation. The [NDA Government](#) has merged the two ministries to constitute Ministry of Housing and Urban Affairs, and the mid-term Economic Survey released in early August has raised doubts on census figures and cross-examined the Census of India's classification for urbanisation. Third, the pioneering urban missions of the Government of India have crossed their mid way.

There is significant variation in the size of urban population and population actually covered by city governments. Although 31.2 per cent population live in urban areas as per Census 2011, only 26 per cent is governed by urban local bodies (municipal corporations/municipalities/town panchayats). The census and administrative coverage of urban areas vary from State to State, highest being Kerala with 47 per cent population classified as urban as against 15 per cent Governed by urban local governments. On the whole, almost half (3891) urban centres are still governed by panchayat-raj institutions.

Urban classification by Census of India is based on (i) population (5,000), (ii) density (>400 persons per sqkm) and deployment of male workforce (at least 75 per cent) in the non-farm sector. Other methods of classification as applied elsewhere show a much larger share of Indian population living in urban areas than that shown as per the Census of India classification. India had more than double the urbanisation rate of 2011 Census with 63 per cent in 2015 on the basis of three-point classification of the Global Human Settlements Layer (GHSL) of European Commission covering (a) four contiguous cells with at least 1,500 persons per square kilometre, (b) minimum of 50,000 persons per cluster, and (c) density of built-up area greater than 50 per cent. Similarly, on the basis of 5,000-people population benchmark, 47 per cent Indian population were urban in 2011 as the benchmark adopted by Ghana and Qatar, etc; and 65 per cent population were urban as per the criterion of 2,500+ population as adopted by Venezuela and Mexico. Thus, the size of urban population appears to be significantly higher than the census estimates.

The level of urbanisation and the economic development in India have a positive relationship showing significant disparities at inter-State level. The States with higher level of urbanisation in most cases also show higher level of State per capita income. The States in central and eastern India have a relatively lower level of urbanisation and per capita income. These disparities are also confirmed by night-time light captured by US (Defence Metrological) satellite data taken as a proxy of income, consumption and urbanisation.

The night-time light data also indicates sprawling urban growth based on unplanned and illegal land subdivision across the city regions. This leads to negative spillover of economies of scale and agglomeration economies affecting urban productivity and high costs on urbanising the urban areas. There are serious gaps in the infrastructure such as water sanitation, regulatory functions, including valuable non-market goods (social, environment friendly and pro-poor services). Successive studies suggest gigantic requirements of funds for urban infrastructure ranging from Rs 39.2 trillion (2009-10 prices) to Rs 53.1 trillion (2008-9 prices). At the same time, cities also need another Rs 19.9 trillion on account of operation and maintenance deficits. On the other hand, the current flow of investment funds to urban sector is stated to be 0.6 per cent of the GDP. Expert

group (HPEC) of the Government of India expected the investments to go to a level of 2 per cent to meet the colossal requirements of funds.

Policy response towards urbanisation potential, therefore, has to cover (i) revisit the classification method to cover all eligible settlements to function as urban area having urban planning and governance for their jurisdiction, (ii) take up infrastructure development along with capacity building of urban local bodies. (A quantum jump in the municipal finance cannot be materialised unless municipal capacities to mobilise own sources are strengthened with a robust financial management, asset mobilisation and tax administration along with project preparation and borrowing abilities to seek investible funds), (iii) include green-house gases emission particulate matter 2.5 in the city planning in the light of their footprint in the municipal functions (It requires special efforts to organise waste management covering reduce, reuse and recycle principles), (iv) spatial dispersal of economic activities towards low urbanised States in the central and eastern India (infrastructure, skill education and finance for manufacturing), (v) development of compact cities particularly in the new town developments to have optimum economy in the cost on agglomeration, citizen and economy (Provide knowledge based technology driven development), (vi) link urbanisation with the inter-State potential on productivity, investment and employment creation including intensive efforts to attract FDI (Foreign Direct Investment).

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