



## "Balancing Growth: Policy Shifts Needed as India's Smaller Towns Face Urbanization Surge"

**Anindita Mukherjee,**  
Senior Urban Economist

### "India Must Harness Tech Innovations to Revitalise Struggling Urban Economies"

**Intro:** Did you know that India's urban areas are set to house 600 million people by 2036, with profound implications for its economy and social fabric? This week on **Socio-economic Voices** we have **senior urban economist Anindita Mukherjee** speaking to senior journalist **Mahima Sharma**. Anindita, with her expertise in urban economics, unveils the critical shifts and challenges shaping India's urban future. An exclusive only at **Indiastat**.

**MS:** India is urbanizing at a fast pace, with its towns and cities projected to house 600 million people, or 40 percent of the population, by 2036. As an Urban Economist, what is your perspective on the impact of urban areas, which currently contribute nearly 70 percent to India's GDP, on the nation's economy?

**Anindita:** Urban Areas in India continue to remain a magnet for innovations, reforms and economic and social prosperity. Over the years, people migrated to mega cities, and its satellite cities were designed to disperse the pressure on the megalopolises in search of better employment, education and quality of life.

Till 2001, migration to these areas contributed as a significant constituent where the movement of people defined the urbanization trajectory in India. However, since 2011, This much familiar trajectory is changing. While the number of million plus cities increased during the decade 2001-2011, much of the urbanization took place outside the large megapolises.

India is now embracing a new trajectory for urbanisation where much of its urbanisation is driven by in-situ transformation of rural areas into towns and cities. Non-million plus in India accounted for 4% of the total urban growth while census towns accounted for about 49% of the same in comparison to about 0.35% of the growth recorded in million plus cities as per Census 2011.

This will require a paradigm shift in the public policy approaches towards managing urban areas. While the larger cities are more equipped with capacities and financial and human resources, the burden of unmanaged urbanisation is high. On the other hand, the upcoming medium and smaller towns will require special attention for planning, economic and financial reforms that may be necessary to manage the urbanisation. Much of these cities lack urban planning frameworks, sectoral policies and legislations that are necessary to equip them for guiding development within their cities.

The **State of the Cities: India Report (SOCR)** highlights that India's urban system has expanded dramatically, adding 90.9 million people to the urban population since 2001.

For the first time, the absolute addition in urban population in India surpassed the absolute increase in rural population. This growth isn't just numerical; it signifies profound changes in urban population patterns and GDP composition. The rise of census towns reflects this shift, as rural settlements are acquiring urban features albeit awaiting reclassification as urban. This trend raises questions about suburbanization, peri-urban development, and sprawl, impacting rural-urban migration dynamics and the overall understanding of the Indian urbanization pattern. Informality in urban employment remains prevalent, with a large informal workforce and a gender-skewed composition. Infrastructure gaps persist, hindering economic growth and urban livability, reflecting a need for substantial improvements aligned with global benchmarks like the Sustainable Development Goals.<sup>1</sup>

Further during the next two decades India is going to account for a large share of population growth within its urban areas and managing this growth in a planned manner would define whether the ensuing economic gains are equitably distributed among its inhabitants. Unmanaged urbanisation at this scale can potentially entail significant challenges by exacerbating urban inequities and deteriorating quality of life.

**MS: Given the data showing a rise in informal settlements and slums in urban centers, what policies do you believe are most effective in addressing the housing needs of these marginalized populations while promoting sustainable urban development?**

**Anindita:** Urban poverty has remained a key issue that practitioners, academia and policy makers are grappling with. As urban informality remained a key constituent of urban poverty, much of the new migrants and informal workers resort to settle in inadequately serviced informal settlements, often without land rights, practicing precarious livelihoods that further exacerbate their vulnerabilities.

There are three critical aspects to informal settlers and their ability to access housing and basic services: **Land, planning and financing. Supplying of Affordable housing has gained prominence both globally and domestically, acknowledged as a fundamental necessity.**<sup>1</sup> Governments at all levels are actively exploring strategies to ensure this service reaches every citizen, especially the urban poor in light of their global commitments. Addressing the housing needs of marginalized urban populations demands a comprehensive approach that integrates land access, holistic urban planning with access to basic services, and institutional finance<sup>2</sup>. This would necessitate:



Source: Homes - Beneficiary-Led Individual House Construction - An Analysis From Odisha, Kerala, And Tamil Nadu

- **Housing programmes/policies account for a range of tenurial options, including rental housing** - In major cities and Class I urban centers, high land prices make homeownership unaffordable for the urban poor. Many prefer rental housing due to expensive land and housing costs, combined with frequent mobility needs for new

entrants to the cities. This excessive focus on homeownership excludes a large portion of the population from accessing safe and hygienic affordable housing. Therefore, offering a range of tenure options, including rental housing, is crucial to effectively address this issue and may increase affordability.

- **Prioritise holistic city planning** - Over a long time, India's slums and squatter settlements have been invisibilised in city planning despite critical infrastructural gaps and overcrowding. Without essential infrastructure, not only residents' living standards deteriorate, affecting their socioeconomic well-being but also adversely affect quality of life on neighboring locations hindering urban integration. Holistic city development can integrate slums through in-situ upgrading initiatives that ensure access to basic services. Talks of tenure responsive land use planning is also gaining momentum.
- **Promote financial inclusion** - Despite state efforts to improve institutional credit access among the urban poor, many slum dwellers continue to rely heavily on informal financing due to perceived risks of exorbitant interest rates, repossession of property by the financial institution, upheaval procedural opacity difficult to comprehend perpetuating cycles of debt and heighten poverty. Although microfinance options emerged as a great solution to cater to this segment, very high interest rates make them more problematic unless used for livelihood generation. Exploring low-interest housing loans options, coming up with institutional loans products with low ticket sizes complemented through credit guarantee can empower low-income families to improve their housing by leveraging low-cost institutional finance.

**MS: What role do you see technology playing in revitalizing struggling urban economies? And how can it be harnessed to benefit marginalized communities?**

**Anindita:** Technology has emerged as a great equalizer over the past decade. Technological aggregators like **Uber, Ola, and Zomato, to name a few, gave rise to India's coveted gig economy, creating jobs for millions.**<sup>2</sup> These interventions have greatly benefitted the marginalised communities who often face locational disadvantages in accessing the market. Harnessing technology has benefitted much of the construction sector. Companies such as the erstwhile Urban Clap, etc, have brought the market to carpenters, electricians, and beauticians, among others. Such examples are also available when it comes to finding affordable housing. Many low-income HHs with relatively stable incomes are now able to seek housing in the market backed up by institutional financing.

This very advantage, however, has been known to have formalised much of the workforce without access to social securities and health benefits, among others. While economic benefits are accruing to the marginalised communities with increasing job opportunities, in the rising climate change context, a large gig economy workforce minus the social security potentially offsets the technological gains.

**MS: What role do smart cities play in the development of urban India?**

**Anindita:** The smart cities represented a vision for a transformative initiative to enhance urban development through promulgating innovative technologies and sustainable practices.

**Under the smart cities mission,** many IT-driven initiatives have been undertaken to mitigate urban development challenges. Cities like Pune built on intelligent transportation systems to introduce a real-time traffic management system that uses sensors and cameras to monitor traffic flow and adjust signals accordingly.

**Bhubaneswar on the other hand introduced smart parking solutions** using mobile apps to help drivers locate available parking spaces, reducing traffic congestion caused by vehicles searching for parking. **Smart grids and water management** systems are another critical aspect. For instance, in Surat, smart water meters have been installed to monitor water usage in real-time, detect leaks, and optimize distribution, thereby ensuring efficient use of

water resources. Waste management technologies, such as automated garbage collection systems and waste segregation initiatives in Indore, help minimize landfill waste and promote recycling, contributing to environmental sustainability.

A few cities have also seen adoption of renewable energy for street lighting and public buildings. Moreover, the integration of electric vehicle infrastructure, such as charging stations in cities like Bengaluru and Delhi, supports the transition to cleaner transportation options, thereby reducing air pollution and improving urban air quality.

However, the mission suffered from a plethora of challenges. It failed to define a definitive road map and a strategy to scale. The core business district development strategy focused on already developed areas, and the government framework failed to institutionalize and mainstream the emergent good practices. While the examples above highlight a bouquet of initiatives, much of the benefits failed to harness equitable benefits for all residing in the smart cities.

**MS: Which developing urban economies should India take inspiration from? What lessons can be learned from successful urban revitalization projects in these countries, and how can these be scaled to benefit more disadvantaged areas?**

**Anindita:** Several countries have implemented innovative housing programs to address the needs of their urban poor, each with unique approaches and significant impacts. India can draw inspiration from these parallel developing urban economies that have successfully revitalized their cities and improved residents' quality of life.

**For instance, the rental voucher scheme** offers financial assistance to low-income families, particularly those displaced by urban redevelopment or living in high-risk areas. Beneficiaries receive monthly subsidies to help with rent payments, reducing financial burdens and enhancing access to safer housing. The scheme's flexibility allows families to choose accommodations that suit their needs, promoting mobility and improving opportunities. Public-private partnerships ensure a reliable provision of affordable rental units, supported by streamlined processes for efficient disbursement. Integration with other social programs and ongoing evaluation enhances its effectiveness in providing comprehensive support for long-term stability and self-sufficiency.

**In the Philippines, the Community Mortgage Program (CMP)** administered by the Social Housing Finance Corporation helps low-income families secure tenure and affordable housing. The CMP allows informal settlers and low-income communities to collectively purchase the land they occupy or suitable sites through subsidized loans. This participatory approach involves beneficiaries in planning and decision-making, fostering ownership and community solidarity. Community associations receive long-term, low-interest loans to manage repayment and housing project development, thereby improving living conditions and promoting social stability.

**Indonesia's National Slum Upgrading Program (NSUP), backed by the World Bank,** aims to enhance infrastructure, sanitation, and access to basic services for urban poor residing in slums. The program engages local communities in planning and implementing upgrades tailored to their needs, focusing on essentials like clean water, improved drainage, waste management, and secure land tenure. These initiatives aim to integrate marginalized areas, fostering sustainable urban environments.

**Thailand's Baan Mankong program, managed by the Community Organizations Development Institute (CODI),** empowers communities by involving them directly in housing projects' planning, financing, and implementation. CODI offers low-interest loans and grants, enabling communities to collectively improve their living conditions. This community-centered approach fosters a sense of ownership and responsibility among residents, ensuring project sustainability and enhancing social cohesion.

**MS: Why is the government's affordable rental scheme for the urban poor facing several challenges leading to its slow progress? (Economic times report based question)**

**Anindita:** Affordable Rental Housing Complexes (ARHC), the relatively newly launched 5th vertical of PMAY in the wake of COVID 19 pandemic, provides incentives to institutional landlords to offer rental housing to urban poor and migrants. Under ARHC, it was proposed that vacant public affordable housing stocks be repurposed into rental housing in partnership with private concessioners. **Out of the 83,534 flats identified across the country that were to be converted into rental accommodations, less than seven per cent have been converted into low-rent housing for the urban poor<sup>3</sup>**, according to data available on the Ministry of Housing and Urban Affairs portal. One of the key considerations for renting is location. Given that most of the identified housing stock is far from city centres and has poor construction quality, private participation in converting these sticks into ARHCs might have been deterred.

**Institutional rental housing providers are prevalent in student and higher-income housing segments.** Nestaway is one of the prominent players in India's institutional rental housing market, founded in 2015. It focuses on providing managed rental homes for individuals and families across major Indian cities like Bengaluru, Mumbai, and Delhi NCR. The platform simplifies the rental process by offering fully and semi-furnished homes with end-to-end property management services that include maintenance, tenant verification, and rent collection. On the other hand, operating in cities like Delhi, Bengaluru, and Pune, Stanza Living offers fully-furnished co-living spaces for students and young professionals, focusing on amenities and community engagement.

However, institutional landlords are absent in supplying much of the housing to poor urban households. Subsistence landlords are the primary suppliers of housing to the urban poor. **The exclusion of subsistence landlords emerges as a key limiting factor for ARHC. Examples of Backyard rentals in South Africa illustrate how subsistence landlords convert unused backyard space into affordable housing in informal settlements.** They plan, finance, and construct units meeting local regulations. By managing and marketing these units to low-income tenants, landlords create sustainable income and address housing shortages, benefiting landlords and communities.

**MS: Data from the past year shows a sharp increase in urban rentals. With many urban households in India spending over 30% of their income on rent, what measures can reduce the rental cost burden on low and middle-income families?**

**Anindita:** The need for rental housing is expected to increase significantly in economic, services, and IT hubs as younger adults join the job market. However, the Indian rental market faces a unique challenge due to low urban rental yields, which have remained stagnant around 2.5 to 3% of the property value over the years, making it non-lucrative for homeowners to rent out their properties. This has led to a conundrum where vacant housing stocks are rising, but rental stock is available only at a premium.

**One key barrier to formal renting arrangements is the deposit required by homeowners to protect themselves from fraudulent renters and potential property damage.** This deposit often ranges from three months to one year's rent, deterring many low-income households from entering formal renting agreements. While the Model Tenancy Act issued by the Gol has recommends restriction of deposit amounts to a maximum of two month rent for residential properties, the high informality persistent in the market makes it opaque and hard to enforce. We also must not forget the legacy of erstwhile Rent Control Laws that has skewed the market towards informal practices where both the landlords and tenants are suffer.

**To address the disparities in the rental market, providing rental vouchers could help improve living conditions for urban poor tenants without increasing their financial burden.** Upgrading urban poor neighborhoods through

dedicated slum upgrading initiatives and promoting universal access to amenities will enable urban poor renters to access serviced houses. Nationwide rental voucher schemes could enhance housing access, particularly for migrants who face challenges in accessing housing due to mobility and residential status.

**MS: What innovative strategies can be implemented to ensure affordable housing remains accessible in rapidly gentrifying neighborhoods?**

**Anindita:** Ensuring affordable housing remains accessible in rapidly gentrifying neighborhoods necessitates a comprehensive strategy that tackles both immediate and long-term challenges and caters to all income segments. Urban planning instruments and tools are designed to equip cities to cater to continuously evolving affordable housing target groups.

**As India urbanizes, more youth join the workforce, and gentrification gets embedded with societal norms, the need for affordable housing will increase.** Given high mobility among younger generations, over-emphasis on ownership of housing has limited the evolution of India's rental market. Much of this market has remained constricted by archaic rent control laws over a long period, deep informalization and the uneven burden of negotiated settlements. Against this backdrop, some planning tools, if applied well within the local contexts, could solve the supply side, as indicated below.

**Various planning tools e.g. Land Value Capture, inclusionary zoning, earmarking land in transport corridors and creating a land bank can address the supply side in a gentrifying context.** These approaches have the potential to ensure a sustained supply of well-located affordable housing and rental housing, meeting the additional demand, fostering mixed-income communities, curtailing economic segregation, and distributing the advantages of urban growth more equitably among residents. This holistic approach not only addresses immediate housing needs but also lays a foundation for sustainable and resilient communities where all residents can thrive.

**However, there is a social side to this question. Gentrification is concomitant to socio-economic evolution in an urbanising context.** Often, home owners' preference to rent might face regional, religious, and socio-economic biases that marginalise many, especially young women, single parents, etc. Such discriminations are often reported in economically thriving neighbourhoods, too. Despite addressing the supply-side challenges, the government needs to build safeguards against any such discrimination that might unduly marginalise any socio-economic groups.

**MS: Considering the intricate relationship between urbanization and environmental degradation, what's your view of the green cover being removed to give rise to sky scrapers for living in cities? How can this be managed ahead without further loss, considering the drastic, intensifying climate affects we are seeing since last few years.**

**Anindita:** Higher demand for built spaces is a prerequisite in an urbanizing world. However, high-density urban areas face significant challenges due to periodic natural and health disasters exacerbated by climate change. Given we are experiencing one of the most difficult summers in the country, I will list some of the tools that are available and applied, albeit not at scale as yet, to minimise adverse effects of high-rise multistorey buildings on the prevailing heat level.

**To minimize adverse urban heat island effects, building regulations mandate organic green covers in high-rise multi-storey apartments.** However, ground clearance activities often remove age-old trees, which are not effectively replaced by ornamental plants. The World Resources Institute (WRI) advocates for sustainable street-scaping practices, and cities like Ahmedabad and Mumbai are incorporating greening initiatives. These efforts include using native plant species to provide shade and reduce urban heat island effects.

**However, increasing greenery alone is insufficient to tackle climate change.** The construction industry significantly contributes to greenhouse gas emissions, underscoring the need for comprehensive greening strategies across the construction value chain. Several certifying agencies, including the Green Rating for Integrated Habitat Assessment (GRIHA) and the International Finance Corporation (IFC), support the private sector's adoption of green technologies to reduce GHG emissions.

- Implementing zoning laws that safeguard existing green spaces and mandate parks, gardens, and natural areas in new developments is crucial for maintaining urban biodiversity and residents' quality of life.
- Enforcing stringent green building standards and certifications like LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment Environmental Assessment Method) can promote sustainable urban development by mandating sustainable practices in construction and operation.
- Incentivizing developers through tax breaks or expedited building approval processes can encourage widespread adoption of eco-friendly building practices.

**MS: Given the data indicating a significant gender gap in property ownership and access to housing finance, what transformative policies do you advocate for promoting women's empowerment and gender equity in urban housing markets?**

**Anindita:** The devil lies in the details. This syndrome of low property ownership and access to institutional finance can be traced back to the low female workforce participation ratio. **India has one of the lowest female work for participation ratio which is currently estimated at 37% (Periodic Labour Force Survey 2022-23).** Owing to this low level of workforce participation and unfavourable property laws that discriminated against daughters' inheritance till very recently made it harder for women to own properties and access institutional financing. Women disproportionately carry the care burden within a household and remain involved in unpaid work, deepening the gaps in property ownership and institutional credit access.

**Pradhan Mantri Awas Yojana recognised this gap and mandated the allocation of houses only in the name of the women or in the joint name of the man and the woman in the household.** Further, many states introduced low rate of stamp duties when the property is registered in the woman's name. The Hindu Marriage Succession Act reform provides that any property possessed by a Hindu female is to be held by her absolute property and given full power to deal with it and dispose it of by will as she likes. All these efforts indicate a trend that can significantly support women's property ownership.

However, access to institutional credit remains concomitant to women's ability to collateralize their property and provide regular income proof. Despite these gaps, targeted policy action holds opportunities to bridge this gap. **Encouraging collateral-free housing loans from banks, targeting subsidies to women through interest subvention, and incentivising banks and financial institutions to increase lending to women might contribute significantly to bridging this gap.**

#### Reference Links

1. <https://www.urbanaffairsreview.com/uar-archive/state-of-the-cities-india-report>

2. [https://cprindia.org/wp-content/uploads/2022/01/Homes\\_Beneficiary-Led-Individual-House-Construction-%E2%80%93-An-Analysis-from-Odisha-Kerala-and-Tamil-Nadu.pdf](https://cprindia.org/wp-content/uploads/2022/01/Homes_Beneficiary-Led-Individual-House-Construction-%E2%80%93-An-Analysis-from-Odisha-Kerala-and-Tamil-Nadu.pdf)

3. <https://theprint.in/india/governance/less-than-7-houses-ready-in-4-yrs-why-govts-affordable-rental-scheme-for-urban-poor-is-falling-flat/2011527/>

### About Anindita Mukherjee

Anindita is currently an independent consultant working in the field of urban development and governance. She contributed as part of the Ministry of Housing and Urban Affairs to design two flagship housing schemes in India, Rajiv Awas Yojana and Pradhan Mantri Awas Yojana. As a senior economist, Anindita has remained very interested in issues of urban poverty alleviation, affordable housing, and urban land management, among others. She has been involved in delving deep into the socio-economic issues of land, planning and housing through her association at various capacities with the key multi-lateral and bi-lateral agencies and public policy think tanks.

### About the Interviewer

Mahima Sharma is an Independent Journalist based in Delhi NCR. She has been in the field of TV, Print & Online Journalism since 2005 and previously an additional three years in allied media. In her span of work she has been associated with CNN-News18, ANI - Asian News International (A collaboration with Reuters), Voice of India, Hindustan Times and various other top media brands of their times. In recent times, she has diversified her work as a Digital Media Marketing Consultant & Content Strategist as well. Starting March 2021, she is also a pan-India Entrepreneurship Education Mentor at Women Will - An Entrepreneurship Program by Google in Collaboration with SHEROES. Mahima can be reached at [media@indiastat.com](mailto:media@indiastat.com)

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