Reimagining the Metropolis: Trends, Challenges, and the Future of Urban Governance and Development in India

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Abstract

This paper synthesizes the global trend of rapid urbanization necessitates effective urban governance systems that transcend traditional, restrictive top-down approaches. In India, the 74th Constitutional Amendment Act (CAA) of 1992 promised a paradigm shift toward decentralized, democratic urban local bodies (ULBs). However, the reality, particularly within smaller cities managed by specialized agencies like Urban Development Authorities (UDAs), often reveals persistent challenges related to functional overlaps, financial constraints, and limited public participation. Despite this statutory framework, the implementation has been plagued by an incomplete transfer of the "3 Fs": Funds, Functions, and Functionaries. This research article analyzes the evolution of urban governance in India, synthesizing historical context with contemporary policy reforms such as the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 2.0 and the recommendations of the 15th Finance Commission. It argues that while national missions mandate digital transformation and water security, the foundational governance reforms, particularly the full devolution of funds, functions, and functionaries to ULBs, remain critical to achieving sustainable urban development goals.

__Key Words:__ 74th CAA, ULBs, UDAs, Sustainable urban development.

1.0. Introduction

Urbanisation is a defining characteristic of 21st-century India, as cities increasingly serve as central hubs of national economic activity and growth. India is among the world's most swiftly urbanising countries, a phenomenon that is significantly transforming its economic and

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social structure. In 2011, over one-third of the population resided in urban areas; however, by 2023, the urban population exceeded 522 million and is anticipated to include nearly 50% of all Indians by 2050. This demographic transition is anticipated to increase urban populations by 416 million by 2050, surpassing any other nation worldwide, highlighting the significant strain on current urban infrastructure and governance frameworks.

As urban areas grow, traditional top-down governance methods have demonstrated limitations and ineffectiveness in addressing intricate metropolitan issues such as infrastructural deficiencies, environmental deterioration, and social inequity. This requires a fundamental transformation towards innovative, immersive urban government systems that are inclusive, efficient, and promote the active engagement of all stakeholders, a crucial objective for maintaining economic growth, since cities account for nearly 60% of the national GDP. The following parts examine the historical context, the progression of urban missions, and the current obstacles confronting India's pursuit of sustainable urban development.

1.1. Urban Governance and Development

Urban governance is officially defined as government by publicly elected bodies that hold administrative and executive duties for the residents of a specific district or location. Crucially, it includes the capacity to enact bye-laws for the residents' benefit. The essential characteristics that define urban governance are its statutory status and its power to raise funds through taxation within its jurisdiction. Furthermore, it involves local community participation in decision-making and administration, the freedom to act independently of central control, and a general purpose nature, meaning it covers a wide range of civic functions rather than a single, specialized one. Thinkers like Lewis Mumford, Arnold Toynbee, and Max Weber assert that the city itself is the foundation for modern civilization's growth.

The measure of a successful urban governance system is its adherence to the principles of good governance, which are directly related to the residents' well-being. These principles encompass several key characteristics: citizens' participation, transparency, and accountability in all operations. They also include a commitment to equity and social inclusion, ensuring ethical behavior, and prioritizing service delivery efficiency. Good urban governance must also demonstrate respect for democratic values, uphold the rule of law, and strive for environmental sustainability. This holistic approach ensures that no man, woman, or child should be denied

access to the basic necessities of city life, making the quality of governance central to human flourishing.

1.2. Urban Development at the Global Level

Throughout history, urbanization has seen significant milestones, beginning with Rome which was the first city to reach a population of one million people around 5 BC. This historical mark was not reached again until much later by London in 1800. Looking ahead, demographers project a substantial shift, predicting that by 2050, three-quarters (75%) of the global population will be living in urban areas. The vast majority of this dramatic growth is expected to concentrate in the rapidly expanding cities of Asia and Africa, with China and India anticipated to undergo the most significant level of urbanization. Focusing on future population figures, predictions for 2030 highlight the continued prominence of certain nations. China is projected to maintain the largest population globally at 1,485 million, with an anticipated urbanization rate of 59.5%. Closely following is India, expected to have a population of 1,409 million, though with a lower projected urbanization rate of 40.9% for that year. In comparison, the USA is predicted to reach a population of 358 million by 2030, but with a substantially higher proportion of its people living in urban settings, estimated at 84.5%.

1.3. Urban Development in India

India's urbanization rate experienced a notable increase, rising from 10.8 percent in 1901 to approximately 31.16 percent in 2011, a period that also saw the total number of towns surge from 1,830 to 7,935. According to the Census of India 2011, an area is defined as urban if it possesses a statutory urban body (like a municipality) or meets the demographic criteria of having a minimum population of 5,000, at least 75 percent of the working male population engaged in non-agriculture, and a population density of at least 400 people per square kilometer. The change in the composition of towns reflects significant growth in larger settlements, with Class I towns (population of 100,000 or more) dramatically increasing from 24 in 1901 to 418 in 2011, while the number of the smallest settlements, Class VI towns (less than 5,000 population), decreased from 479 to 293 over the same period. Between 2001 and 2011, the overall increase in the number of towns in India was 53.7%, with Chandigarh recording the highest percent increase at 5000.0%, and Karnataka showing an increase of 28.5%.

1.4. Evolution of Local Government in India

The history of local governance in India is divided into six distinct periods:

Table 1: Evolution of Local Government in India

Phases	Time period	Highlights
Period I	Before 1687	Ancient time (highly organized local governing systems in Vedic works and Indus Valley Civilization).
Period II	1687 to 1881	A municipal corporation was established in Madras in 1687. Local government was established primarily for imperial purposes.
Period III	1882 to 1918	The resolution of Lord Ripon, establishing the foundations of modern local government (largely elected bodies, indirect state control).
Period IV	1919 to 1934	Local government under provincial governments; the Administration of India Act of 1919 ushered in a new period of interest.
Period V	1935 to 1949	Reconstruction period; the enactment of the Government of India Act-1935 accelerated the path of democratisation.
Period VI	1950 to till	Post-Independence, Constitutional Establishment of Local Government.

Source: Urban Development and Planning Report, Govt. of India.

1.5. The Constitutional Framework and Governance Deficit

The constitutional basis for decentralised urban governance in India was established by the 74th Amendment Act of 1992. This significant legislation conferred constitutional recognition upon Urban Local Bodies (ULBs) specifically, the Nagar Panchayat (for transitional regions), the Municipal Council (for smaller urban locales), and the Municipal Corporation (for larger urban centers) designating them as entities of self-governance. The 74th Amendment was designed to bring about democratic decentralization by requiring States to:

- Establish Ward Committees in municipalities with a population of 3 lakh or more.
- Constitute District Planning Committees (DPCs) and Metropolitan Planning Committees (MPCs) to consolidate rural and urban development plans and prepare a cohesive draft development plan for the entire district or metropolitan area.
- Assign responsibilities to ULBs, including the regulation of land use, urban planning, poverty alleviation, and public health.
- Constitute a State Finance Commission every five years to suggest measures for augmenting the financial resources of the ULBs.

1.6. The 'Three Fs' Implementation Gap

Despite the constitutional mandate, the implementation of the 74th Amendment remains weak due to inadequate devolution from State Governments to ULBs. This shortfall is commonly described by the deficit in the transfer of the Three Fs:

1. **Functions:** Many functions listed in the Twelfth Schedule (e.g., urban planning) have not been fully transferred to the ULBs, often being usurped by Special Purpose Agencies (SPAs).
2. **Finances:** Municipalities suffer from a severe scarcity of funds, with revenues and expenditures stagnating at around 1% of India's GDP, which is significantly lower than other major developing nations. ULBs fail to realize the full potential of property tax due to weak enforcement, outdated assessments, and a lack of digitization.
3. **Functionaries:** There is a critical shortage of technical and management capacity, with India having a reported deficit of urban planners (only one planner for every 100,000 people), which hinders the ability of municipal bodies to execute and plan effectively.

1.7. Urban Fiscal Reforms: The Rise of Municipal Bonds

One of the most persistent weaknesses in India's urban governance is the fiscal dependence of Urban Local Bodies (ULBs) on central and state grants, often referred to as the failure to devolve the "Three Fs" (Funds, Functions, Functionaries). To address this, there has been a significant push to empower municipal self-reliance through capital markets.

- **Market Revival and Scale:** While the first municipal bond was issued in 1997, the market remained dormant until its revival post-2015, catalyzed by missions like AMRUT and the Smart Cities Mission. As of recent data, over ₹3,300 crore has been cumulatively raised by various ULBs through bond issuances.
- **Major Policy Reform (2025):** In a landmark move, the Finance Ministry permitted municipal bonds to be used as **collateral for repo and reverse repo transactions**. This crucial reform enhances the liquidity and tradability of these bonds, broadening the investor base to include banks, insurance companies, and mutual funds, thereby integrating municipal debt into India's mainstream financial system.

- **Incentivizing Performance:** The Ministry of Housing and Urban Affairs (MoHUA) offers incentives, providing grants of up to ₹26 crore for ULBs that successfully issue bonds.
- **Green Municipal Bonds (GMBs):** Cities like Indore, Ghaziabad, and Pimpri-Chinchwad have successfully issued GMBs to fund sustainable and eco-friendly infrastructure projects (e.g., waste management, solar energy), demonstrating a commitment to ESG (Environmental, Social, and Governance) standards.
- **Continuing Challenges:** Despite these advances, the sector still struggles with low credit ratings for many ULBs, the need for standardized double-entry accounting systems, and the imperative to digitize and improve the collection efficiency of core revenue sources like property tax (often through GIS mapping).

1.8. Central Government Committees and Initiatives

Three key Indian governmental committees in the mid-20th century focused on empowering local governments: the Local Finance Committee of Inquiry (1945-51) proposed the creation of a distinct autonomous district tax zone for local bodies; the Taxation Enquiry Commission (1953-54) subsequently reinforced this financial autonomy by recommending the segregation of certain taxes for the exclusive use of local government; and finally, the Committee on the Training of Municipal Employees (1963) addressed human capital, stressing the importance of training and advocating for the establishment of dedicated training institutes.

1.9. Institutional and Planning Capacity Reforms

The NITI Aayog's 2021 Report on Reforms in Urban Planning Capacity in India identified significant deficiencies in institutional frameworks and human resources, recommending substantial modifications to facilitate future urban development.

Table 2:

NITI Aayog's 2021 Report on Reforms in Urban Planning Capacity in India

Key Issue Identified	NITI Aayog Recommendation

Lack of Master Plans (65% of urban settlements lack one)	Launch the '500 Healthy Cities Programme,' a 5-year central sector scheme to promote health-centric, integrated spatial planning.
Shortage of Planners (Only 1 planner per 75,000 urban population)	Expedite filling of vacant posts and sanction over 8,268 new lateral entry posts for town planners for 3-5 years.
Weak Governance/Capacity (Lack of 'Three Fs' devolution)	Constitute a High-Powered Committee to re-engineer urban governance structure and create a statutory body: the 'National Council of Town and Country Planners' to set professional standards.
Restrictive Regulations (Outdated building byelaws)	Implement a sub-scheme for the 'Preparation/Revision of Development Control Regulations' to modernize building codes and urban design parameters.

Source: *Reforms in Urban Planning Capacity in India-2021, NITI Aayog.*

These recommendations emphasise the necessity for a national agreement on urban planning and a distinct delineation of responsibilities between state-level development authorities and democratically elected urban local bodies (ULBs).

1.10 Major Initiatives by the Government of India: Contemporary Missions and Smart Solutions

The Central Government of India has a longstanding history of launching initiatives aimed at urban development and tackling the various difficulties encountered by cities and their inhabitants. Initial endeavours, spanning from 1969 to 1974, were predominantly on enhancing living conditions through the Environmental Improvement of Urban Slums (EIUS) initiative. This emphasis broadened in the following decades to encompass larger urban regions, culminating in the Integrated Development of Small and Medium Towns (IDSMT) from 1980 to 1985. During the 1985-1990 period, the focus transitioned to poverty alleviation and fundamental services for the underprivileged with the implementation of the Nehru Rozgar Yojana (NRY) and Urban Basic Services for the Poor (UBSP).

The administration persisted in consolidating and refining its urban initiatives in the subsequent years. A significant milestone transpired between 1997 and 2002 with the initiation of the Swarna Jayanti Shahari Rozgar Yojana (SJSRY), which consolidated several preceding schemes, notably integrating the NRY, UBSP, and the Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP). Subsequently, a holistic strategy for urban revitalisation was implemented between 2002 and 2007 with the establishment of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in 2005. JNNURM represented a pivotal advancement by emphasising comprehensive urban infrastructure development and governance changes in large cities.

The latest phase, from 2007 to 2022, signified a transition towards advanced, cohesive, and heritage-oriented urban planning. This period witnessed the launch of numerous ambitious and well-known initiatives. The initiatives encompass the Smart Cities Mission, which seeks to enhance urban sustainability and citizen engagement via technology; the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) Project, concentrating on the enhancement of fundamental urban infrastructure such as water supply and sewage systems; and the Heritage City Development and Augmentation Yojana (HRIDAY), committed to the preservation and revitalisation of the distinctive heritage of designated cities. These recent missions illustrate a commitment to comprehensive, multifaceted urban development.

In the current phase of urbanization, the government has launched technology-centric and infrastructure-focused missions, marking a shift toward integrated and future-ready cities.

1.10.1. The Smart Cities Mission (SCM)

Launched in 2015, the SCM is an urban renewal and retrofitting program aimed at transforming 100 cities to provide core infrastructure, a clean environment, and a high quality of life through the application of "smart solutions".

- **Approach:** SCM follows an area-based strategy, involving retrofitting, redevelopment, and greenfield development, along with pan-city initiatives.
- **Technology Integration:** A key achievement is the operationalization of Integrated Command and Control Centres (ICCCs) in all 100 Smart Cities. These centers leverage data, Artificial Intelligence (AI), Internet of Things (IoT), and analytics to manage city

operations, including transport, water supply, and solid waste management, and were instrumental in functioning as COVID war rooms during the pandemic.

1.10.2. Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

AMRUT, also launched in 2015, focuses on a project-based approach to ensure fundamental services in 500 cities.

- **Focus:** Its primary objective is to ensure every household has access to a tap with assured water supply and a sewerage connection, addressing the basic infrastructure deficit.
- **Synergy:** AMRUT works in convergence with the SCM and other schemes like Swachh Bharat Mission-Urban (SBM-U) to create a cohesive urban development ecosystem.

1.10.3. Sustainability and Waste Management: Swachh Bharat Mission-Urban 2.0

The Swachh Bharat Mission - Urban (SBM-U) has commenced its second phase, SBM-U 2.0 (2021-2026), following the successful attainment of nearly 100% sanitation access and an Open Defecation Free (ODF) urban India. The current phase is characterised by an augmented vision to establish "Garbage-Free Cities," underpinned by a substantially increased cash allocation of ₹1,41,600 crores. This phase emphasises Scientific Waste Processing, seeking to sustain the remarkable rise from 18% in 2014 to roughly 76% currently. The primary objectives are complete source segregation of waste, the comprehensive operationalisation of Material Recovery Facilities (MRFs) in each city, and the scientific capping and treatment of all legacy dumpsites to restore urban land. SBM-U 2.0 introduces two essential focal points to guarantee enduring sustainability and social equity. The initial aspect is Used Water Management, which mandates the secure containment, transportation, and treatment of all wastewater encompassing both sewage and septage to avert water body pollution, as verified by the Water+ accreditation. The second essential purpose is SafaiMitra Suraksha, which emphasises the welfare and safety of sanitation and informal waste workers. This entails enhancing Personal Protective Equipment (PPE), delivering safety training, and including these

workers into pertinent welfare programs, emphasising the mission's dedication to safeguarding the lives and dignity of frontline sanitation personnel.

1.10.4. AMRUT 2.0 (2021): This initiative broadens the scope of the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) from 500 cities to encompass all statutory towns. It prioritises universal water coverage, the reduction of non-revenue water, decentralised wastewater management, and water security via obligatory City Water Balance Plans (CWBPs). This signifies a substantial transition towards digital governance and climate resilience.

1.10.5. The 15th Finance Commission (FC-XV): suggested significant grants amounting to ₹1.21 lakh crore for Urban Local Bodies (ULBs) for the period 2021–2026, with a considerable chunk contingent upon performance metrics. Essentially, fundamental subsidies for smaller municipalities are contingent upon meeting preliminary conditions, such as the publication of audited financial statements and the enhancement of property tax collection. This reform initiative connects national financing directly to municipal budgetary performance and transparency.

1.10.6. Integrated Planning and Sustainability

A vital recent trend is the recognition of the need to move beyond restrictive zoning to integrated spatial planning, which holistically incorporates economic, social, infrastructural, and environmental aspects. Urban planning now emphasizes:

- **Climate Adaptation:** Incorporating low-carbon mobility, disaster preparedness, and green infrastructure (e.g., nature-based solutions and urban forestry) to combat the urban heat island effect and improve air quality.
- **Leveraging Data:** Implementing technologies like digital twin and data-driven decision-making for efficient service delivery.

1.11. Conclusion

India is at a pivotal point where the magnitude of its urbanisation offers significant prospects for economic advancement with intricate issues concerning governance and capacity. Although central government initiatives such as the Smart Cities Mission and AMRUT have effectively utilised technology to enhance infrastructure and service delivery, the fundamental problem of inadequate urban administration remains. The future development of Indian cities depends on the successful implementation of the 74th Amendment's principles: empowering Urban Local Bodies through the complete devolution of Functions, Finances, and Functionaries. Enhancing municipal revenue generation, significantly investing in infrastructure, and augmenting the capabilities of urban planners and administrators are critical measures. Through the implementation of sustainable methods and a participatory, bottom-up planning methodology, India can convert its cities into inclusive, resilient, and dynamic hubs of advancement.

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