



UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

India's Urban Crisis — Why Smart Cities Need Stronger Civic Governance First

 **BUSINESS STANDARD**

20 March 2026

SUBJECTS COVERED**ECONOMY****POLITY****GS PAPERS****GS2****GS3****CURATED & WRITTEN BY****Bharat Choudhary**

UPSC Educator & Content Creator •

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

Free UPSC & State PCS Resources

ujjyari.com

India's Urban Crisis — Why Smart Cities Need Stronger Civic Governance First

 Business Standard

20 March 2026

GS2

GS3

BS

Business Standard

MAINS RELEVANCE:

GS Paper 2

GS Paper 3



INTERVIEW ANGLE

"India's municipal revenue is only 1% of GDP — one of the lowest globally. Urban local bodies are chronically underfunded and lack administrative autonomy. How can India build liveable, smart cities without first fixing the broken civic governance and municipal finance system?"

WHY IN NEWS

As India's urban population crosses **500 million** and urban areas are projected to generate **70% of GDP** by 2030, Business Standard's editorial argues that India's urbanisation crisis is not primarily an infrastructure deficit — it is a **civic governance and trust failure** requiring structural reform of urban local bodies before "smart city" investments can deliver lasting impact.

INDIA'S URBAN REALITY — THE NUMBERS

Indicator	Data
Urban population (2026)	~520 million (~36% of total)
Projected urban share by 2047	~55–60%
Urban contribution to GDP	~60% currently; ~70% projected by 2030
Urban slum population	~65 million (~17% of urban population, Census 2011)
Municipal revenue as % of GDP	~1% (India) vs. Brazil ~7%, South Africa ~6%, OECD avg ~5%
Property tax collection (% of GDP)	0.15–0.20% — one of the world's lowest
Metro network (May 2025)	1,013 km across 23 cities (up from 248 km in 2014)
Cities with million+ population	54 (Census 2011); projected 70+ by 2030

The governance paradox: India is investing heavily in urban infrastructure (metro rail, smart city sensors, BRT corridors, AMRUT water supply) — yet cities consistently fail to deliver basic services reliably. The gap is not money alone — it is structural governance weakness at the Urban Local Body (ULB) level.

THE 74TH CONSTITUTIONAL AMENDMENT — PROMISE VS. REALITY

The **74th Constitutional Amendment Act, 1992** was India's attempt to empower urban local government:

Schedule 12 (added by 74th Amendment): Lists **18 functions** to be devolved to municipal bodies — town planning, regulation of land use, roads, bridges, water supply, public health, slum improvement, fire services, etc.

Mandatory provisions: State governments must constitute municipalities, hold elections, and set up State Finance Commissions (SFCs) and District Planning Committees

Ward Committees: For cities above 3 lakh population — to enable participatory local governance

Why it hasn't worked:

Voluntary devolution: The 18 functions listed in Schedule 12 are aspirational, not mandatory — states choose what to devolve. Most states have devolved fewer than 10 of the 18 functions

Parallel bodies: State governments created parallel agencies (Development Authorities, Special Purpose Vehicles for smart cities) that undercut municipal authority — e.g., Delhi Development Authority (DDA) controls land use in Delhi, not the Municipal Corporation

Elected vs. appointed tension: IAS-cadre commissioners (appointed by state governments) are more powerful than elected mayors in most cities — the opposite of the Westminster/US model where elected mayors have executive authority

THE MUNICIPAL FINANCE CRISIS

The editorial identifies **urban finance as the root bottleneck**:

WHY INDIAN CITIES ARE CHRONICALLY POOR:

Property tax under-collection: Property tax — the natural own-revenue source for cities — is collected at **0.15–0.20% of GDP** in India vs. **0.5–1.5%** in comparable emerging markets. Reasons:

- Outdated property records (last general revision: decade-old in most cities)

- Political reluctance to revise rates

- Weak enforcement, high exemption lists (agricultural land, religious institutions, government property)

Poor billing and collection systems

Grant dependence: Most ULBs depend on state and central government grants (CFC — Central Finance Commission devolution, state grants, scheme-specific transfers) for 70–80% of revenue. This makes them administratively accountable upward (to state governments) rather than downward (to citizens).

Lack of municipal bond market: The US funds urban infrastructure heavily through municipal bonds. India has a legal framework for municipal bonds (SEBI notified norms; Pune, Hyderabad have issued bonds) — but the market remains tiny. Most cities lack the credit ratings to access bond markets.

15th Finance Commission recommendation: Devolved ₹4.36 lakh crore to urban local bodies for 2021-26 — but conditioned on property tax reform and timely audited accounts. Many states failed to meet conditions.

KEY URBAN SCHEMES — WHAT THE GOVERNMENT IS DOING

Scheme	Focus	Status
Smart Cities Mission (2015)	Technology-driven urban transformation; 100 cities selected	Extended; mixed results — many projects delayed
AMRUT 2.0 (2021-26)	Water supply, sewerage, greenery in 500 cities	₹2.99 lakh crore investment
PM-eBus Sewa	10,000 electric buses across 169 cities	Procurement ongoing
PMAY-Urban 2.0	Affordable housing; 2.87 lakh units approved	96% registered to women/joint ownership
Jal Jeevan Mission (Urban)	Urban water supply and sewerage	Merged with AMRUT
PM Gati Shakti	Infrastructure planning integration	National Master Plan for inter-urban connectivity
Metro Rail Policy 2017	60:40 central-state funding; PPP push	1,013 km operational May 2025

THE EDITORIAL'S CORE ARGUMENT

Business Standard argues that India is **investing in the visible hardware of smart cities without fixing the invisible software of civic governance:**

1. TECHNOLOGY CANNOT FIX GOVERNANCE

Smart city sensors, integrated command centres, and AI-driven traffic management require maintenance, skilled staff, and institutional continuity to function. When the same city has a mayor replaced every 5 years with no financial autonomy and IAS officials rotated every 12–18 months, institutional memory collapses. Smart city infrastructure becomes orphaned technology.

2. CITIZEN-STATE COMPACT IS BROKEN

Urban citizens pay taxes (property tax, user charges) but receive unreliable services. This destroys the **fiscal social contract** — citizens lose incentive to pay, municipalities lose revenue, and service quality declines further. Breaking this cycle requires: (a) demonstrably better services for taxes paid, and (b) accountable elected leadership with real executive power.

3. ELECTED MAYORS NEED REAL POWER

The editorial calls for **mayoral empowerment** — directly elected mayors with multi-year terms (5 years), control over city budgets, authority to hire/fire city managers, and the ability to issue municipal bonds. Delhi, Mumbai, and Bengaluru urgently need this structural reform.

4. PROPERTY TAX IS THE KEY UNLOCK

A **GIS-based property survey** (already piloted in Pune, Bhopal, Surat) can double or triple property tax yields without raising rates — just by improving assessment accuracy and coverage. Surat Municipal Corporation is India's model: it collects 91% of assessed property tax and has maintained a surplus budget for decades.

UPSC RELEVANCE

74th Constitutional Amendment (1992), Schedule 12 (18 functions), AMRUT 2.0 (500 cities, ₹2.99 lakh crore), Smart Cities Mission (100 cities, 2015), PM-eBus Sewa (10,000 e-buses, 169 cities), PMAY-U 2.0 (2.87 lakh units), Metro network (1,013 km, 23 cities), Municipal revenue % of GDP (~1%), Property tax % of GDP (~0.15-0.20%), 15th Finance Commission urban devolution (₹4.36 lakh crore).

Mains GS2: *Urban local governance — 74th Amendment, devolution of powers, State Finance Commission, parallel agencies, mayoral powers, municipal finance reform.* **GS3:** *Infrastructure — smart cities, metro rail, AMRUT, urbanisation and economic growth, municipal bonds, property tax reform, PM Gati Shakti.*

★ FACTS CORNER — KNOWLEDGE PEDIA
INDIA'S URBANISATION:

- Urban population (2026): ~520 million (~36%)
- Slum population: ~65 million (17% urban, Census 2011)
- Urban contribution to GDP: ~60% now; 70% projected by 2030
- Cities with 1 million+ population: 54 (Census 2011); 70+ by 2030

MUNICIPAL FINANCE:

- Municipal revenue/GDP: ~1% (India) vs. Brazil 7%, South Africa 6%
- Property tax/GDP: 0.15–0.20% (one of world's lowest)
- ULB grant dependence: 70–80% from state/central transfers
- 15th Finance Commission urban devolution: ₹4.36 lakh crore (2021-26) — conditioned on property tax reform

74TH CONSTITUTIONAL AMENDMENT (1992):

- Schedule 12: 18 functions for ULBs (aspirational, not mandatory)
- Mandatory: Municipalities, elections, State Finance Commission, District Planning Committee
- Ward Committees: Cities above 3 lakh population
- Problem: States devolve fewer than 10 of 18 functions on average

KEY URBAN SCHEMES:

- Smart Cities Mission (2015): 100 cities; extended timeline; mixed results
- AMRUT 2.0 (2021-26): 500 cities; ₹2.99 lakh crore; water, sewerage, greenery
- PM-eBus Sewa: 10,000 electric buses; 169 cities
- PMAY-U 2.0: 2.87 lakh housing units approved; 96% women/joint ownership
- Metro Rail Policy 2017: 60:40 centre-state; 1,013 km across 23 cities (May 2025)

MODEL CITY — SURAT MUNICIPAL CORPORATION:

- Property tax collection efficiency: 91% of assessed demand
- Consistently maintains budget surplus
- GIS-based property survey model for India

OTHER RELEVANT FACTS:

- Municipal bonds India: SEBI notified framework; Pune, Hyderabad issued bonds; market remains tiny
- DDA (Delhi Development Authority): Controls land use in Delhi — not the elected MCD; example of parallel body problem
- IAS officers in cities: Commissioners rotate every 12–18 months; elected mayors often lack executive authority
- DMIC (Delhi-Mumbai Industrial Corridor): ₹1 lakh crore industrial + urban nodes along the freight corridor
- Smart City SPVs: Each of 100 smart cities runs a Special Purpose Vehicle — critics say this further fragments municipal authority

Sources: Business Standard, MoHUA, 15th Finance Commission Report

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

 [linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

Published on ujjari.com · Free UPSC & State PCS Current Affairs