

The urbanisation of India: Business implications

Over the next decade India will experience urbanisation levels of close to 50 per cent across several states, leading the way for unique opportunities in all sectors of business, say **Raju Bhinge**, chief executive and **Susnato Sen**, practice head - Infrastructure of TSMG

India is always viewed as being a predominantly rural country. But how true is this today? And what can we expect in the next decade?

In 1947, the urban population in newly independent India was just 17 per cent of the total (see Table 1). Hence it was a truism to say that India lived in its villages. With over 80 per cent of the electorate in rural areas, the primary policy concerns were agrocentric, such as irrigation, agricultural prices and subsidies, land reforms and basic health and education.

The 2001 census shows a changed picture:

- ▶ Urban population in India has risen to 28 per cent of the total
- ▶ The states show a wide variation - from 10 per cent to over 90 per cent (see Table 2) living in cities
- ▶ City states and some Union Territories are predominantly urban: Delhi, Pondicherry, Chandigarh
- ▶ Amongst the large states, only Tamil Nadu and Maharashtra already have urban ratios in excess of 40 per cent

What is of great significance in this picture is the trend towards urbanisation in the large states (see Table 3).

By 2021

- ▶ Tamil Nadu and Maharashtra are expected to cross the 50 per cent urbanisation ratio
- ▶ Punjab and Gujarat are likely to cross 43 per cent

- ▶ Karnataka is likely to cross 41 per cent
- ▶ Haryana is likely to cross 39 per cent

This evolving urban landscape will result in a sea change in the policy issues that get attention and resources in these states. A growing urban population, with its bigger income and greater share of media attention, will focus on urban infrastructure — roads, power, mass transport, sewage, water supply, town planning, municipal services and governance, etc. State chief ministers will have to balance the interests of urban and rural electorates.

What repercussions will these shifts have? How will the more urbanised states be different from the rest of India?

The thrust will be on building urban infrastructure — new townships, industrial estates, Special Economic Zones (SEZs). This is illustrated in Table 4 which shows the latest trends in projects approved under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and SEZs by the state. The more urbanised states (Tamil Nadu, Maharashtra, Gujarat and Punjab / Haryana) are at the forefront, as is to be expected.

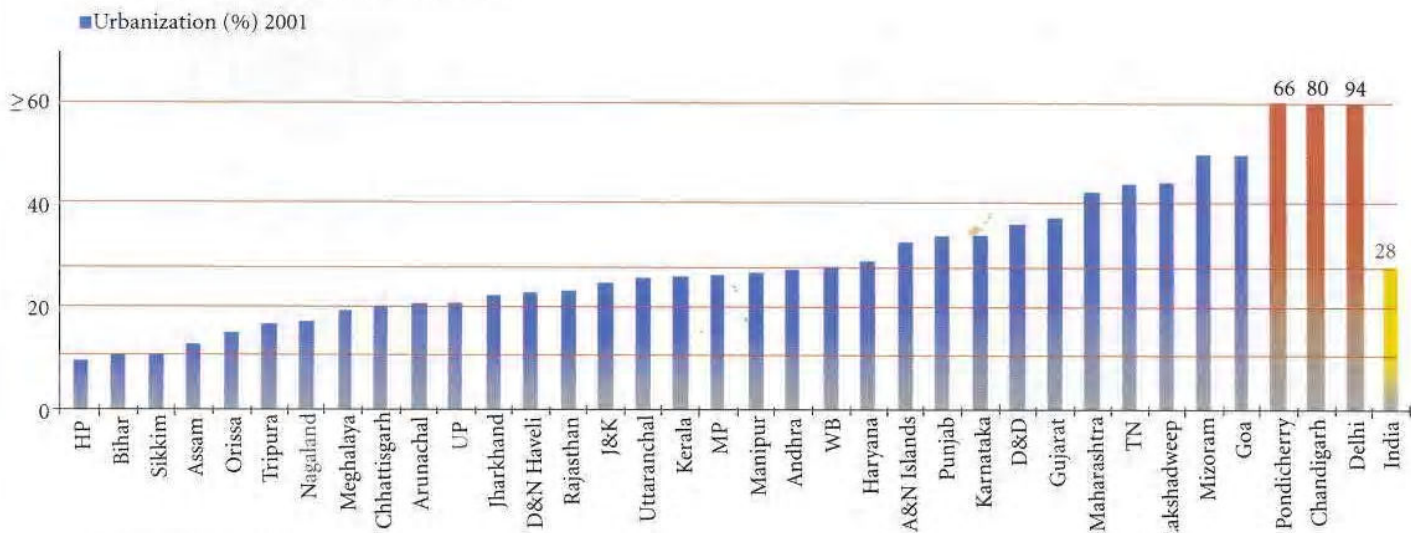
These states will actively pursue more industrialisation and investment through targeted incentives and liberal policies. The latest industrial policy of Maharashtra, the Vibrant Gujarat campaign and the recent moves of Tamil Nadu (electronic hardware) and Punjab illustrate this point.

Table 1: Urbanisation in India

Year	1951	1961	1971	1981	1991	2001
Urban Population (% of total)	17	18	20	23	26	28

Source: Census 2001

Table 2: State wise urbanisation % 2001



Source: Census 2001

Table 3: State wise urbanisation trend

