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**INDIA'S URBAN INCOME: GROWTH,  
GAPS & ROAD TO INCLUSIVE  
PROSPERITY**

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## INDIA'S URBAN INCOME: GROWTH, GAPS & ROAD TO INCLUSIVE PROSPERITY

### Context

- India's urban incomes have grown faster than rural incomes across all segments and emerged as a key driver of national growth as it absorbed labour, and nurtured a rising middle class. However, this growth is unevenly distributed.

### About India's Urban Economy

- It has become the principal engine of economic growth, contributing over **60% of GDP** despite housing about **35% of the population**.
- Rapid urbanisation, structural transformation, and expansion of services and manufacturing sectors have strengthened cities as centres of productivity, innovation, and consumption.

### Key Features of India's Urban Economy

- Rapid Income Growth:** Urban incomes have grown faster than rural incomes (2017–18 to 2023–24).
  - Expansion of **formal jobs, services sector, and middle class consumption**.
  - Cities act as hubs for **finance, IT, manufacturing, and trade**.
- Urbanisation Trends:** Urban population projected to reach **about 600 million by 2030** (NITI Aayog).
  - Growth driven by **migration and natural population increase**.
- Contribution to Employment:** Urban areas generate **non-farm employment opportunities**.
  - However, informal employment still constitutes a large share.

### Issues & Concerns in Rising India's Urban Economy

- Urban–Rural Income Divide:** Rural income stagnation, especially at the lower end. The Periodic Labour Force Survey (PLFS) and Economic Survey highlight that **urban-led growth has not adequately transmitted to rural areas**.
  - According to the Institute for Competitiveness' 2025 report on **Income Inequality and Labour Markets in India**:
    - Top 10%:** ₹44,000 (urban) vs ₹21,500 (rural); **Top 1% Income:** ₹90,000 (urban), ~80% higher than rural
    - Bottom:** ₹6,000 (urban) vs ₹3,000 (rural)
- Intra-Urban Inequality:** Bottom 50% urban incomes growing (around 7% CAGR), but **top 1% income concentration increasing**.
  - Cities are generating wealth, but **income concentration at the top is increasing**, raising concerns of intra-urban inequality.
  - Urban growth is **uneven and skewed**, raising concerns of **inclusive development**.
- Infrastructure and Service Delivery Challenges:** According to the **Ministry of Housing and Urban Affairs (MoHUA)**, focus often on **capital-intensive projects** like Smart Cities Mission, and Metro rail projects; and neglect of water supply, sewerage systems, solid waste management, and public transport accessibility.
  - Gaps in public provisioning lead to **informal solutions**, which are less efficient, and less equitable.
- Urban Labour Market Issues:**
  - Unemployment:** Urban unemployment is around **6.8% (PLFS 2026)**, which is higher than rural areas.
  - Informality:** Large share of workforce in **informal sector**; and lack of job security and social protection
  - Gender Disparities:** Female LFPR (**27.7%**); Male LFPR (**76.2%**); and Urban female unemployment (**9%**).
    - Urban labour markets are **high productivity but exclusionary**, especially for women, marked by **gender barriers and structural constraints**.

- **Regional Disparities:** States like **Bihar, Himachal Pradesh, Goa, Meghalaya** show widening rural-urban gaps.
  - ♦ Urban growth is **uneven across states**, reflecting differences in industrialization, governance, and infrastructure.

### Road to Inclusive Prosperity in India's Urban Economy

- Inclusive prosperity refers to **broad-based income growth** across all socio-economic groups, **equitable access** to opportunities, jobs, and services, and reduction in **regional, gender, and class disparities**.
- **Pillars of Inclusive Urban Prosperity:**
  - ♦ **Strengthening Urban Infrastructure:** Prioritize **basic service delivery** (water, sewage, mobility), expand **affordable housing** (PMAY-Urban), and improve **last-mile connectivity**.
  - ♦ **Employment-Centric Growth:** Promote **MSMEs and labour-intensive sectors**, strengthen **skill development (Skill India Mission)** and, facilitate transition from **informal to formal employment**.
  - ♦ **Bridging Rural–Urban Linkages:** Boost rural non-farm economy, develop **secondary cities and growth clusters**, and improve connectivity and digital infrastructure.
  - ♦ **Gender-Inclusive Urban Policies:** Safe public spaces and transport, affordable childcare and flexible work systems, and targeted skilling for women.
  - ♦ **Strengthening Urban Governance:** Fiscal decentralisation of municipalities, enhanced capacity of Urban Local Bodies (ULBs), and data-driven urban planning.

### Role of Government Initiatives & Efforts

- **Smart Cities Mission:** Enhances urban governance through technology, improving service delivery, efficiency, and citizen participation. Focus on sustainable and 'liveable' cities.
- **Atal Mission for Rejuvenation and Urban Transformation (AMRUT):** Targets core infrastructure i.e. **water supply, sewerage, green spaces, and urban mobility** to improve quality of life, especially for the urban poor.
- **PMAY-Urban (Housing for All):** Provides **affordable housing** and promotes slum redevelopment, addressing urban housing shortages and improving living standards.
- **DAY-NULM (National Urban Livelihoods Mission):** Focuses on **skill development, self-employment, and SHGs**, enabling livelihood opportunities for the urban poor.
- **Swachh Bharat Mission (Urban):** Improves **sanitation, waste management, and public health**, contributing to better living conditions and productivity.
- **Digital India Mission:** Promotes **e-governance and digital access**, improving transparency, service delivery, and inclusion.
- **PM Gati Shakti & Urban Transport Projects:** Enhances **connectivity and logistics efficiency**, supporting economic activity and job creation.

### Conclusion

- India's urban transformation is real and significant. However, its **true success lies not just in growth, but in the breadth of its reach**.
- Ensuring that prosperity extends across regions, across income groups, and across genders will define the next phase of India's development journey.

Source: BS

### Daily Mains Practice Question

- [Q] India's urban economy has witnessed significant income growth in recent years; however, this growth has been uneven and exclusionary in several respects. Comment. Suggest measures to ensure inclusive urban prosperity.