The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy

National Urbanisation Policy (NUP)

National Urbanisation Policy (NUP) Latest News

India's 2027 Census, being conducted after a 16-year gap, will continue to classify settlements as urban based on statutory notification.

The three census-town criteria are population of at least 5,000, density of at least 400 persons per sq km, and at least 75% of male workers engaged in non-agricultural activities.

While this preserves comparability with previous Census years, it fails to capture India's evolving urban realities.

Economic activity, infrastructure and population growth increasingly extend beyond municipal boundaries, creating a need for a comprehensive National Urbanisation Policy (NUP).

Understanding India's Urbanisation

Uneven and expanding urban landscape:

In 2011, India had 377 million urban residents across approximately 8,000 cities and towns. Since then, States have notified another 1,000 statutory towns.

The UN estimates that 44% of Indians live in urban areas, with the urban population projected to exceed 720 million by 2050.

Around 94% of urban settlements are small towns, while nearly 60% of the urban population lives in Class I cities.

Class I cities encompass vastly different urban realities, from megacities such as Mumbai and Delhi to smaller cities such as Mangaluru and Amravati.

Peri-urban areas are growing at approximately 4.15% annually, compared to 2.9% within established administrative boundaries.

Emerging policy recognition:

The Economic Survey 2026 highlighted that India is more urban in functional terms than conventional definitions suggest, citing satellite-based estimates that placed the country at 63% urban in 2015.

Recent fiscal initiatives also reflect this shift, for example,

- *Union Budget 2026: Allocated ₹5,000 crore each to City Economic Regions (CERs), focusing on wider economic geographies rather than isolated cities.*
- *16th Finance Commission: Increased the share of local grants earmarked for ULBs to 45% and introduced a ₹10,000-crore urbanisation premium to incentivise States.*

However, these initiatives lack a coherent framework for recognising transitioning settlements, coordinating regional planning and aligning fiscal incentives.

The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy

Limitations of the Rural-Urban Binary

Governance gaps:

Article 243Q(2) leaves the notification of an area as urban to State discretion, without standard criteria or mandatory disclosure of the reasoning behind decisions.

Consequently, urbanisation is treated as a binary rather than a continuum, creating governance gaps.

Article 243W makes the devolution of municipal functions permissive rather than mandatory. Therefore, urban notification does not automatically transfer all 18 functions listed in the Twelfth Schedule.

Peri-urban governance deficit:

The Bhiwandi region near Mumbai, comprising 60 villages and nine census towns, illustrates this challenge.

Despite 91.8% of employment being non-agricultural, much of the region remains under rural governance.

Panchayats are responsible for land use, waste management, water and air quality without adequate technical capacity or an appropriate urban mandate.

Weak spatial planning:

Approximately 52% of statutory towns and 76% of census towns lack master plans.

Nine States have not updated their planning legislation since the 74th Constitutional Amendment, 1992.

The model planning law used by many States dates to 1985 and fails to address the rural-urban continuum, climate adaptation and contemporary land acquisition requirements.

Thus, unplanned urban expansion undermines infrastructure development, environmental sustainability and service delivery.

Why India Needs a NUP

It would establish shared principles to align existing institutions without imposing a one-size-fits-all blueprint or creating a parallel delivery system.

Grounded in the principle of subsidiarity, it would enable the Centre to coordinate across government tiers, channel resources and strengthen local capacities while allowing States and local governments to respond to local conditions.

WRI India's report (Equitable, Productive, Low-carbon and Resilient System of Cities in India), proposes seven systemic transformations.

Seven Systemic Transformations

Standardise urban classification:

Settlement status should be reviewed at fixed intervals against uniform criteria rather than only during the Census.

Satellite imagery and geospatial data can track built-up expansion and economic activity, enabling timely recognition of urbanising settlements.

The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy

Modernise spatial and regional planning:

Spatial planning must precede infrastructure, housing, climate adaptation and financial reforms.

Metropolitan Planning Committees (Article 243ZE) and District Planning Committees (Article 243ZD) provide existing constitutional foundations for coordination.

However, regional planning must extend beyond million-plus cities, where much of India's urban growth is occurring.

Peri-urban zoning should become mandatory in rapidly urbanising regions.

Reform urban finance:

India's municipal revenue is approximately 1% of GDP, compared with 7.4% in Brazil and 6% in South Africa. Property tax contributes only 0.15% of GDP.

Key reforms include -

- *Strengthening own-source revenue, particularly property taxation.*
- *Providing predictable, formula-based fiscal transfers.*
- *Improving project preparation and implementation capacity.*
- *Expanding access to blended finance and innovative financing instruments.*

These measures can reduce dependence on fragmented, scheme-specific funding.

Establish a coordination architecture:

A National Urbanisation Council could integrate existing institutions, including the Inter-State Council, the Central Council of Local Government and NITI Aayog.

It would provide a platform for coordinated decision-making across States, regions and government tiers.

Align sectoral reforms with functional geographies:

Administrative boundaries rarely correspond to the actual geography of urban challenges.

For instance, 65% of Delhi's PM2.5 originates outside the city. Municipal-level air pollution strategies therefore remain inadequate.

Reforms should be organised around functional units such as airsheds, river basins and city regions, with institutions empowered to operate at these scales.

Align urban politics with reform incentives:

Untied grants should reach municipalities directly through transparent, published formulas.

Financial incentives should encourage reforms while maintaining accountability for performance and service delivery.

Promote knowledge exchange and innovation:

Cities require institutional support, technical expertise and opportunities to share successful practices.

Knowledge networks and local innovation can help municipalities adopt context-specific solutions and meet performance benchmarks.

The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy The Tutors Academy

Conclusion

India's urban future cannot be governed through an outdated rural–urban binary.

A NUP can create a coherent framework for equitable, productive, low-carbon and resilient urbanisation, ensuring that governance, finance and planning evolve alongside the changing geography of economic activity and population growth.

