

Authored by: Ram Narayanan

LinkedIn: <https://www.linkedin.com/in/ramn72/>

Twitter: @ramnarayanan

March 2, 2019

"Smart Cities" initiative - Will it drive the economic growth of India?

smartcities, #economicdevelopment, #cityclusters, #shenzhen, #nagpur



As a part of my various geographical movements in my growing up years and career, 3 cities where I lived, have influenced my thoughts about economic development by developing cities and upgrading their infrastructure viz. Nagpur and Surat in India and Shenzhen in China.

I did my schooling in Nagpur in the 80`s. Nagpur at that time was considered an easy-going Tier-2/3 city and was mainly known for its oranges and the scorching summer. From the late 90`s and in the 2000`s thanks to the initiatives taken to upgrade the infrastructure and basic amenities, Nagpur today is one of the bustling cities in India with companies like Boeing setting up their base in the city. Surat in mid-90`s, was hit a plague, and considered one of the filthiest cities in India. Again, thanks to the clean up initiatives and infrastructure build up, Surat is one of the cleanest and most livable cities in India which has augmented its highly competitive textile and diamond industries. Shenzhen in China was a fishing village in the 60`s and upgraded to a city infrastructure to parallel Hong Kong. Today Shenzhen is one of the global hubs for technological innovation in the world and houses some of China`s premier telecom companies like Huawei and ZTE.

Authored by: Ram Narayanan

LinkedIn: <https://www.linkedin.com/in/ramn72/>

Twitter: @ramnarayanan

Well-developed city clusters drive growth through agglomeration effects...

All the major nations have several cities through which the growth has been driven. China has several cities, apart from Beijing and Shanghai, the economies of which are as big as many nations. Hangzhou, the capital of Zhejiang province, is a major bustling city which hosted the G-20 summit in 2016 while Shenzhen`s story is well known. The USA too has several cities which are global hubs and in fact all the major cities in the USA are good enough to host the Olympics! Economists refer to these benefits of city hubs as the effects of "agglomeration" which talks about the economic and social benefits of being in a cluster e.g. savings from common facilities like suppliers, common service providers, etc. City hubs also prove to sources of innovation due to the agglomeration effect like in the case of Bengaluru in India and Manchester for textile business in the 19th century. It has been seen that [cities](#) form and grow to exploit economies of agglomeration.

However, there are also negative effects of the agglomeration as once beyond a size the city hubs face issues like overpopulation, congestion, inadequate infrastructure, etc. A typical example is Mumbai which for the past so many years has seen traffic snarls, overpopulation leading to congestion and breakdown of infrastructure in monsoons.

Benefits of city clusters are numerous...

Hence the solution for a country like India is to have many city/ urban clusters across the country.

The major benefits would be:

- Exploitation of the potential of the country from across and from the hinterland,
- Less congestion in the cities
- Mobility of people and facilities across these clusters and consequentially the country will have many engines of growth which will propel the country`s development in a balanced way.

Amongst global top 10 nations, India`s statistics are different...

Interestingly, amongst the top 10 countries in the world by GDP, India has the lowest proportion of urban population, as per World Bank figures. India`s figures at 33% compares abysmally low to China at 57% which has a similar population as that of India. All other major countries have an urban population of more than 75% with Japan topping the list at 91%. Another interesting fact is that the top 10 cities in India account for only 12% of the GDP while the similar statistic

Authored by: Ram NarayananLinkedIn: <https://www.linkedin.com/in/ramn72/>

Twitter: @ramnarayanan

for China and USA stands at 24% and 34% respectively. This clearly shows the focus on building numerous city and urban clusters has powered the economic development of China and USA hence has reaped the benefits of "agglomeration". Another interesting piece of statistic is that the top 10 cities in USA and China account for 7.1% and 8.4% of the population while in India the similar figure is 5.5%! This is even though all top Indian cities are seemingly overcrowded as in Mumbai, Bengaluru, etc.!

Is there an opportunity in India? India`s masses live majorly in the tier-2, tier -3 and below towns and villages. Imagine the boost that the Indian economy can get by having different city hubs across the country which can harness the potential of the Indian hinterland. A city like Nagpur can harness the potential of nearby areas in the Vidarbha which else will have to reach out places like Pune or Mumbai.

The "Smart City" initiative is an important initiative for India...

The Indian government`s "Smart City" initiative which was launched in 2016 aims to do the same. This initiative under a central flagship scheme allocated about US\$ 14bn in the 2016 budget under which cities must compete to get the funding. In different rounds of voting about 100 cities have been identified under this scheme and SPV`s will be formed, with strict guidelines, headed by a CEO. The basis objective is to have a better access to basic facilities and core infrastructure to the citizens.

The success of the "Smart City" initiative is an important step in India`s equal and overall development. Imagine in the next 10 years we have about 10 cities which can vie to organize important events like the Olympics, Asian Games, global conferences, etc.!! Imagine people opting to work in places like Raipur, Lucknow, etc. as compared to Mumbai and Delhi now.

"Smart City" initiative if it succeeds will take India`s economic growth to a different level!!

References:

1. Smartcities.gov.in
2. www.india.gov.in
3. Economic growth and developing world cities: The benefits of urban clustering- Harvard Kennedy School
4. Wikipedia
5. Chinese cities of opportunities – PWC report, 2018
6. Walkthroughindia