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# Building Equitable Indian Cities: Addressing the Structural Drivers of Urban Inequality

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## *Abstract*

*India's rapid urbanisation has intensified structural inequalities that limit equitable access to opportunities, livelihoods, housing, and public services despite cities driving economic growth. This article examines urban inequality through the interconnected dimensions of pre-distribution, in-distribution, and post-distribution, highlighting how disparities emerge across education, labour markets, governance, and social protection systems. It argues that fragmented urban governance and weak institutional capacity perpetuate exclusion while integrated policy interventions such as PM-SVANidhi, Odisha's Jaga Mission, and the Kerala Urban Policy Commission demonstrate pathways towards more inclusive development. The article concludes that strengthening local governance, coordinated policymaking, and distributive urban investments is essential for building resilient, equitable, and liveable Indian cities.*

***Keywords:*** *Urban Inequality, Inclusive Urban Development, Urban Governance, Social Protection, India Urbanisation*

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India is projected to become nearly 50% urban by 2050, making cities central to the country's economic and social future. Urban areas already contribute nearly 70% of India's GDP and will increasingly shape employment, innovation, investment, and climate resilience. Yet the workers and communities sustaining urban growth often remain excluded from its benefits. Over recent decades, urban inequality has deepened through exclusionary patterns of development that limit

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access to housing, secure livelihoods, public services, and economic mobility for large sections of low-income urban residents.

Urban inequality in India is visible not only in unequal access to education, housing, and secure livelihoods, but also in exclusion from land rights, finance, planning systems, and formal state recognition. At the same time, initiatives such as Odisha's Jaga Mission and PM-SVANidhi suggest a gradual shift away from top-down welfare approaches toward more participatory and inclusion-oriented models of urban governance. These interventions reflect a growing recognition that earlier approaches to urban development often failed to address the structural roots of exclusion.

## 1 Urban Governance Challenges

Those who sustain cities through their labour often experience limited upward mobility, while those with greater economic security and access to opportunities benefit disproportionately from urban growth. This reflects a structural paradox at the heart of India's urbanisation process: cities generate wealth and opportunity, yet large sections of the urban workforce remain excluded from economic security An independent and social mobility. Urban inequality is shaped by unequal systems of opportunity, labour markets, fiscal structures, and governance decisions. Addressing these challenges is particularly difficult because urban governance remains fragmented across Urban Local Bodies (ULBs), parastatals, development authorities, and multiple state-level departments. Although citizens look to city governments to address inequality, many ULBs continue to face limited fiscal autonomy, weak institutional capacity, and inadequate devolution of powers. The RBI Report on Municipal Finances (2022–23) highlights the persistent financial constraints faced by Indian municipalities in delivering equitable infrastructure and services.

## 2 The Coordination Deficit in Urban Governance

Urban governance shapes the conditions that influence human development throughout the lifecycle—from nutrition, childcare, health, education, housing, mobility, livelihoods, public health, and dignified ageing. Addressing inequality

therefore requires coordinated action across governments, ULBs, parastatals, and line departments rather than relying on infrastructure-led interventions alone.
Recent efforts such as the Kerala Urban Policy Commission (2025–2050) illustrate how states are beginning to recognise the need for integrated urban governance frameworks. The Commission highlights how fragmented institutions, weak coordination, limited fiscal autonomy, and inadequate professional capacity continue to constrain equitable urban development. It also proposes a shift toward collective local self-governance, metropolitan planning, local economic development, and more evidence-driven urban governance systems.

## 3 Manifestations of Urban Inequality

Urban inequality is visible not only through income gaps, but also in unequal access to mobility, clean air, public spaces, digital connectivity, and climate resilience. In many cities, gated communities coexist alongside informal settlements lacking basic amenities, reflecting deep spatial segregation and unequal living conditions. Recent analysis shows how higher-income residents increasingly rely on privatised infrastructure and services, while public systems deteriorate for large sections of the population.
Urban inequality is not produced at a single stage; rather, it accumulates across the lifecycle of opportunity, employment, and public policy. To understand these structural inequalities, it is useful to examine three interconnected drivers: pre-distribution, in-distribution, and post-distribution. Addressing these challenges demands long-term, research-driven, and institutionally coordinated urban transformation focused on inclusive growth, equitable access, and urban dignity.

### 3.1 Pre-distribution: Inequality Before Entering the Labour Market

Pre-distribution refers to unequal access to opportunities before individuals enter the labour market. Differences in education quality, health, skills, social networks, and neighbourhood conditions shape future life chances long before employment begins. These inequalities are often reproduced across generations, limiting both social mobility and economic productivity.
India has made major progress in expanding educational access over recent decades. According to NITI Aayog's School Education System in India report (2026), the country now has over 14.7 lakh schools and nearly 24.7 crore students enrolled

in the education system. However, access alone does not guarantee equality of opportunity. Significant disparities persist in retention, learning outcomes, and educational quality, particularly at the secondary level, where dropout rates rise sharply due to economic pressures, household responsibilities, and early entry into the labour market. National assessments also show widening learning gaps in mathematics, science, and language skills. Nearly half of government secondary schools still lack functional science laboratories, limiting STEM learning and access to future high-value employment opportunities.

These inequalities directly shape lifetime earnings and social mobility. Studies suggest that income inequality is strongly associated with factors individuals cannot control, such as parental education, family background, or place of birth. Children from educated and economically secure families are more likely to move upward through the education system, while disadvantaged children often remain trapped in low-opportunity environments. As Revenga and Dooley argue, unequal opportunities in education contribute to "sticky inequality," where disadvantages persist across generations and reduce income mobility. In rapidly urbanising India, such inequalities constrain not only individual futures but also the quality of the country's future urban workforce.

Early childhood development and urban childcare systems are increasingly recognised as critical "pre-distribution" investments that shape future human capital and women's labour force participation. Mission Poshan 2.0 and the expansion of Saksham *Anganwadis* represent important public investments in nutrition, early childhood care, and cognitive development through over 14 lakh Anganwadi Centres serving nearly 9 crore beneficiaries nationwide. However, recent estimates suggest that urban India already requires nearly 320,000 full-day creches for low-income households, while existing public provision meets only a fraction of demand. As cities expand, strengthening affordable childcare, early learning, and nutrition systems will become essential not only for reducing intergenerational inequality, but also for strengthening India's future urban workforce.

### 3.2 In-distribution Inequality: Labour Markets and Wages

In-distribution refers to inequalities generated within labour markets and economic systems themselves. This includes wage disparities, insecure employment, unequal returns to capital, informality, and uneven access to productive economic opportunities.

India's urban inequality is increasingly shaped by the structure of its labour markets. A large share of urban employment remains informal, characterised by low wages, insecure work, and limited social protection. Recent analysis of India's "unincorporated" economy shows that millions of small urban enterprises operate with inadequate infrastructure, low productivity, and limited access to formal finance and stable markets. While cities generate growth and wealth, many workers sustaining urban economies - including street vendors, delivery workers, waste pickers, construction labourers, and service workers - remain excluded from the gains of urban growth. Recent research highlights that although urban areas increasingly drive national income growth, the benefits remain unevenly distributed. The labour market increasingly functions as a "sorting mechanism," where workers with better education, skills, and social networks are more likely to access secure and better-paying jobs, while large sections of informal workers remain trapped in low-paid and insecure work. Income growth among top urban earners has significantly outpaced that of the lower-income groups, contributing to widening inequality within cities themselves.

One recent intervention addressing structural urban inequality is the Prime Minister Street Vendor's AtmaNirbhar Nidhi (PM-SVANidhi) scheme, launched by the Ministry of Housing and Urban Affairs during the COVID-19 pandemic. The crisis exposed the extreme precarity of millions of street vendors who sustain India's urban informal economy yet remained largely excluded from formal credit, social protection, and municipal systems. PM-SVANidhi sought to address this exclusion through collateral-free working capital loans alongside digital and financial inclusion measures. The scheme also strengthened engagement between street vendors and ULBs, moving beyond largely tokenistic forms of recognition. As of October 2025, the scheme had disbursed nearly 97 lakh loans worth over INR 14,000 crore, with around 47 lakh vendors using UPI-enabled digital transactions in their daily livelihoods. Extended until 2030, the programme demonstrates how urban policy can move beyond short-term welfare toward building economic resilience and inclusion for informal workers.

### 3.3 Post-Distribution Inequality: Welfare and Social Protection

Post-distribution inequality refers to how governments attempt to reduce inequality through taxes, subsidies, welfare programmes, and public services such as education, healthcare, housing, and social protection. In theory, fiscal policy can reduce both poverty and inequality by redistributing resources and protecting vulnerable populations. However, evidence from developing countries shows that weakly designed tax and transfer systems can still leave poorer households worse off if social protection remains inadequate.

In India, this challenge is particularly significant because nearly 90% of the workforce is informal, with millions of workers lacking secure employment, pensions, health insurance, or income protection. Although informal workers contribute substantially to the economy, social protection coverage remains fragmented and limited. Studies show that many welfare schemes continue to suffer from inadequate financing, weak implementation, exclusion errors, and limited portability for migrant workers. As a result, large sections of urban workers remain highly vulnerable to economic shocks, illness, unemployment, and rising living costs.

Urban public services also reflect wider inequalities in access and quality. Higher-income groups increasingly rely on private healthcare, education, transport, and gated housing, while lower-income households depend heavily on overstretched public systems and informal settlements. This produces unequal urban living conditions where economic growth coexists with deep disparities in security, opportunity, and quality of life. Strengthening inclusive social protection, alongside investments in quality public services, remains critical for reducing long-term urban inequality.

Odisha's Jaga Mission (Liveable Habitat Mission) provides an important example of addressing structural urban inequality through integrated urban policy. Rather than treating slum residents as temporary "encroachers," the programme combined land tenure security, infrastructure upgrading, livelihood generation, and participatory governance. Through a decentralised model involving ULBs, community associations, CSOs, and state agencies, residents received non-transferable but mortgageable land rights alongside investments in water supply, sanitation, roads, street lighting, and housing upgrades. Local residents including women were directly employed in upgrading works without private contractors, generating livelihoods while strengthening local accountability and participation in urban planning. The initiative also adopted convergence-based financing across departments and earmarked municipal resources for slum upgrading. With over 125,000 land rights granted and eight cities declared slum-free, the programme demonstrates how integrated urban policy can simultaneously address spatial inequality, livelihood insecurity, service deficits, and exclusion from urban governance.

As urbanisation deepens and climate risks, migration pressures, and technological change accelerate, the resilience gap is widening. Heat stress, flooding, air pollution, and water insecurity increasingly demonstrate how climate vulnerability is becoming a major driver of urban inequality. Low-income residents, who are disproportionately exposed to economic and climate shocks, often lack the resources and institutional support needed to recover. In contrast, higher-income groups possess greater financial security, social connections, mobility, and adaptive capacity.

## 4 Towards More Equitable Urbanisation

Addressing urban inequality in India requires moving beyond fragmented and sectoral approaches to urban development. Inequality is not produced by a single policy failure; rather, it emerges through the interaction of education systems, labour markets, housing, infrastructure, welfare systems, and urban governance structures.

Emerging initiatives such as Odisha's Jaga Mission, PM-SVANidhi and the Kerala Urban Policy Commission demonstrate that more inclusive forms of urbanisation are possible when governance, infrastructure, livelihoods, and social protection are addressed together rather than in isolation. At the same time, strengthening ULBs through greater fiscal autonomy, institutional capacity, and planning authority remains essential for equitable urban transformation. The recently announced Urban Challenge Fund also presents an opportunity to support urban projects that not only stimulate economic growth but also reduce structural inequalities through improved mobility, climate resilience, and better access to essential services. However, this requires urban investments to be assessed not only for economic returns, but also for their distributive and social impacts, with an embedded focus on Leave No One Behind.

As India urbanises rapidly, the central challenge is no longer whether cities will grow, but whether urban growth will expand opportunity, resilience, and dignity across all sections of society. The future of India's urbanisation will ultimately be judged not by the scale of its infrastructure, but by whether cities become more just, inclusive, and liveable for those whose labour sustains them.

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