Multiplicities – can India step up its game?

• Why do people come to a city and what do they look for? What makes a city smart?
  – Jobs in a city pay better than in rural India – and there is a chance of upward social mobility
  – Once people come into cities, they look for two key needs: (1) housing and (2) transport
  – Quality delivery of public goods are key to attracting and retaining people – and making their life livable
    – power, roads, water, education, health and security

• 550 mn urban residents by 2025, up from 380 mn in 2011; India has been – and will possibly remain – a reluctant urbanizer
  – Bulk of the demographic dividend is in the Ganga Valley – either we see large cities come up there or be prepared for migration
  – Manufacturing has not been a big part of the India story over the last couple of decades – will it change now?
  – Services-dominated economy will see a few very large cities and a large bunch of very sub-scale cities – dearth of the ‘middle’
  – Do we need new cities at all?
  – India’s definition of urbanization keeps a large proportion of population officially rural

• Indian cities are puny in size: as incomes increase, people will want to live much better
  – Cities across the world have lost density over time; India starts from a very high base
  – India will have to create 5-10 Mumbais every year – not just one Chicago which is what many quote
  – This will require significantly better quality public transport and can spur a huge boom in real estate requirements
Change is here – is India ready to pay the price?

- How do we make our cities smarter?
  - Increase governance capacity
  - Better information flow between the governed and the governing
  - Better use of information technology to solve the six basic issues that I think form the core of making any city livable
    - power, water, roads, education, health and security
  - Dramatically expand out India's cities and with concomitant reforms and investments in public transport
  - Making a significantly better and sustainable financial model for cities

- Urban India will require US$2 tn – US$2.5 tn of investments over the next decade – can India find the money?
  - User charges – how do we make it politically feasible?
  - Property taxes – getting the buy-in of the elite. Reduce one-time stamp duties and convert to annuity income of property taxes
  - Land auctions – build infra, unlock value
Kotak Institutional Equities Research

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