



## A Blueprint for a More Agile Indian State

This editorial is based on [“Improving the capability of the Indian state”](#) which was published in The Hindu on 02/12/2023. This article discusses the paradox of the Indian state being too big and yet too small, and the challenges of enhancing its capability to deliver public goods and services.

**For Prelims:** [Securities and Exchange Board of India \(SEBI\)](#), [Reserve Bank of India \(RBI\)](#), [Comptroller and Auditor General of India](#), [Central Vigilance Commission](#), [Central Bureau of Investigation](#), [National Highways Authority of India](#), [Lateral Entry](#), [Mission Karmayogi](#)

**For Mains:** Weberian State, Position of Indian State compared to other States, Challenges before the Indian State, Way Forward

The Indian state is a paradox of too big and yet too small. Try setting up a business or building a house in an urban area, and one will quickly realize how the thicket of the licenses, permits, clearances, and permissions can make life impossible. Even as an ordinary citizen, one can never be sure to be on the right side of the law and the circuitous regulations.

### What is the Position of the Indian State Compared to Other States?

- The Weberian state in India is too small. In the [G-20 group](#), the country has the **smallest number of civil servants** per capita.
- The **public sector share in total employment in India (at 5.77%) is half** the corresponding figures for Indonesia and China, and just about a third of that in the United Kingdom.
- With approximately 1,600 per million, the number of central government personnel in India pales in comparison to 7,500 in the United States.
- Similarly, the per capita number of doctors, teachers, town planners, police, judges, firefighters, inspectors for food and drugs, and regulators is the **lowest even among countries at a similar stage of development.**

### What is a Weberian State?

- A Weberian State is a concept developed by **German sociologist Max Weber**. He says: A modern state is **a system of administration and law which is modified by state** and law and which guides the collective actions of the executive staff; the executive is regulated by statute likewise, and claims authority over members of the association (those who necessarily belong to the association by birth) but within a broader scope over all actively taking place in the territory over which it exercises domination.

## What are the Challenges before the Indian State?

- **Outsourcing Services due to Inadequate State Capability:** The Indian state is relatively small on the metrics, such as the **tax-GDP ratio** and **public expenditure-GDP ratio**. Be it public goods provisions, welfare payments, or the justice system, it is a story of scarcity rather than surplus.
  - Due to an inadequate state capability, **governments at the Centre and States end up outsourcing services** that are better provided by the public sector, such as **primary health**.
- **Perverse Incentives and Skill Gap:** One of the main problems is the **perverse incentives** created by public institutions and the **skill gap among officials**. These factors have **eroded the ability of the political executive and civil services** to make and implement sound policies.
- **Extreme Concentration of Powers:** There is an extreme concentration of policy making and implementation powers in India.
  - Moreover, **restrictions on the frontline personnel to decide on implementation-related issues foster a culture of mistrust** and lack of accountability for poor implementation.
- **Technocratic Gap:** The top policymakers exhibit a lack of technocratic skills to govern an increasingly complex economy. In the absence of adequate capability to deal with economic, financial, contract and other technical matters, the Centre and the States hire consultancy firms.
  - According to media reports, the **central government paid over ₹500 crore** in the last five years to outsource crucial tasks to the big five consultancy firms, i.e., PricewaterhouseCoopers, Deloitte, Ernst & Young, KPMG and McKinsey.
- **Lack of Strength of Staff with Market Watchdogs:** There is a **lack of strength of professional staff** with market watchdogs - the **Securities and Exchange Board of India (SEBI)**, and the **Reserve Bank of India (RBI)**.
  - **SEBI has just about 800 professionals**, whereas its counterpart in the U.S., the U.S. Securities and Exchange Commission, has more than 4,500 experts to govern the corporates.
  - Similarly, the **professional staff strength of the RBI, less than 7,000**, is tiny when compared to the US Federal Reserve which is assisted by 22,000 odd professionals.
- **Weak Oversight and Audit Practices:** Another problem is the narrowly scoped audits by the **Comptroller and Auditor General of India**. It encourages the finance and administrative divisions in government to focus on compliance with rules rather than policy objectives.
  - The tendency of the other oversight agencies, i.e., the **Central Vigilance Commission**, the **Central Bureau of Investigation** and courts to **use hindsight information without appreciating the context has made the bureaucrats averse to exercising discretion** in policy matters.
  - Officials prefer to cancel big contracts even when granting extensions would be better.
    - The net outcome is **delayed procurement of goods and services** and unnecessary contractual disputes.
- **Problematic Appointment of Retired Officers:** The appointment of retired officers to regulatory bodies and tribunals is also a problem. The beneficiaries of such appointments enjoy hefty salaries without compromising the pensionary benefits from past services.
  - This **makes civil servants susceptible to political manipulation** and influences their in-service decisions.
- **Reduced Efficacy of the Public Sector:** The political economy of the public sector also undermines its efficacy. The **performance-linked pay and incentive schemes such as bonuses, which work well in the private sector, are not very effective** in the public sector.
  - In India, the **salary in the public sector is much higher (not proportionate to the nature of the job)**, specially due to the substantial salary hikes by the 6th Pay and the 7<sup>th</sup> Pay Commissions.
  - Except at the top, **for most of the skill spectrum, public sector salaries are much higher than private wages. It breeds corruption in appointments** as it makes government jobs very lucrative for all, socially driven or not.

## What Should be the Way Ahead?

- **Separate Policymaking and Implementation:** Experiences of countries such as Australia,

Malaysia and the United Kingdom show that **separating policymaking and implementation responsibilities expedites execution and encourages innovations**, making the programmes better suited to local contexts.

- The **National Highways Authority of India**, which is tasked with executing national highway projects, while policy decisions are made at the ministry level. This arrangement has **drastically reduced delays and cost overruns**.
- **Delegate Financial and Administrative Powers:** The **vicious cycle** wherein poor delegation and a deficient state capability feed each other **can be broken by delegating financial and administrative powers to the frontline functionaries** or street-level bureaucrats, with clearly defined processes for using them.
- **Normalize the Lateral Entry Culture:** An institutionalised and regular **lateral entry** at the mid and senior levels can help fill the civil services' size and technocratic gap.
  - **Qualified officers in non-IAS services** (such as the Indian Revenue, Economic and Statistical Services) **should get a fair shot at high-level positions** if they have the talent and the expertise required.
  - Also, Civil servants at different levels **can be provided subject-specific training** under **Mission Karmayogi** (National Programme for Civil Services Capacity Building).
- **Sensitizing the Regulatory Agencies:** Appealing against arbitration and court awards have become the default mode by officials, making the **government the biggest litigator**.
  - To fix this, the **oversight agencies must be sensitised to appreciate the context of policy decisions**. They should **factor in the costs associated with the actual decisions** as well as their alternatives.
- **Increase the retirement Age:** The appointment of retired officers to regulatory bodies often makes civil servants susceptible to political manipulation.
  - The problem can be fixed by **increasing the retirement age to say 65** for all government jobs, and making an absolute upper limit for all appointments.
- **Reform Public Sector Employment:** The public sector **must attract intrinsically motivated individuals** to contribute to the social good.
  - Because of job security and better working conditions, the **risk and skill-adjusted pay in the public sector should be lower** than what it is in the private sector.
    - One possible solution could be the **moderate pay raises by the future Pay Commission** and a reduction in the upper age limit for government jobs.
- **Create Jobs in the Private Sector:** High economic growth that throws up many **lucrative jobs in the private sector will make government jobs less appealing** for those who are money minded. It can reduce corruption and increase the chances of socially-driven individuals joining the government.

## Conclusion

India's governance paradox requires comprehensive reforms like separating policymaking from execution, empowering frontline workers, and adjusting retirement age. These changes aim to enhance administrative efficiency and attract those committed to social good. By revitalizing its state machinery, India can emerge as a global model of effective governance.

### **Drishti Mains Question:**

Discuss the challenges faced by the Indian state in its current bureaucratic framework. What reforms are needed to address those challenges?

## **UPSC Civil Services Examination, Previous Year's Question (PYQs)**

**Q.** "Institutional quality is a crucial driver of economic performance". In this context suggest reforms in the Civil Service for strengthening democracy. **(2020)**

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