



Towards Effective Democratic Decentralisation

This editorial is based on “[Decentralisation: Failures at the State level](#)” which was published in The Hindu on 09/03/2025. The article brings into picture the severe financial constraints faced by Panchayats due to weak devolution, excessive dependence on central schemes, and poor fund utilization.

For Prelims: [Panchayats](#), [Democratic decentralization](#), [73rd and 74th Constitutional Amendments](#), [Urban Local Bodies](#), [Directive Principle of State Policy](#), [K. Santhanam Committee](#), [Ashok Mehta Committee](#), [11th Schedule](#), [15th Finance Commission](#), [Municipal bonds](#)

For Mains: History of Democratic Decentralisation in India, Key Issues Hindering Effective Democratic Decentralisation in India.

Despite constitutional provisions, [Panchayats](#) face severe financial constraints due to **weak devolution**, excessive dependence on controlled central schemes, and **inefficient fund utilization**. Institutional weaknesses, including poor tax collection capacity, lack of borrowing power, and inadequate financial transparency, further cripple **Panchayat effectiveness**. The path forward requires reimagining our governance model beyond the **rural-urban binary to create systems that genuinely deliver services and move towards effective [democratic decentralization](#)**.

What is the History of Democratic Decentralisation in India?

- **About:** Democratic decentralisation in India has evolved over centuries, transitioning from colonial-era local administration to constitutionally mandated self-governance structures.
 - The [73rd and 74th Constitutional Amendments \(1992\)](#) marked a watershed moment, providing legal recognition to Panchayati Raj Institutions (PRIs) and [Urban Local Bodies \(ULBs\)](#).
- **Early Developments in Local Governance (Pre-Independence Era):** Even during British colonial rule, local self-governance was recognised as an administrative necessity, though in a highly **centralised and limited** manner.
 - **Key Milestones in Pre-Independence Decentralisation**
 - **1882 - Resolution on Local Self-Government:** Initiated by **Lord Ripon**, this resolution laid the foundation for municipal governance in India, advocating for more autonomy to local bodies.
 - **1907 - Royal Commission on Decentralisation:** Recommended **strengthening rural governance through village panchayats**, but implementation remained weak.
 - **Constitutional Debates on Decentralisation (1948):** While **Gandhi advocated Gram Swaraj (self-rule) as the foundation of democracy**, Ambedkar raised concerns over panchayats being controlled by dominant castes.

- The final Constitution only included local governance as a **Directive Principle of State Policy (Article 40)** rather than a mandatory provision.
- **Post-Independence Developments in Democratic Decentralisation**
 - **Phase 1: Initial Reforms and the Three-Tier Panchayati Raj Model (1950s-1970s)**
 - **1957 - Balwant Rai Mehta Committee:** Recommended a **three-tier Panchayati Raj system** with elected bodies at village, block, and district levels. This led to the establishment of PRIs across various states in 1959.
 - **1963 - K. Santhanam Committee:** Suggested that PRIs should have **limited taxation powers** and recommended setting up **State Panchayati Raj Finance Corporations** to enhance financial autonomy.
 - **1978 - Ashok Mehta Committee:** Highlighted issues such as **bureaucratic resistance, political interference, and elite capture** of PRIs. Recommended making **districts the primary administrative unit of governance**.
 - While some states like **Karnataka, Andhra Pradesh, and West Bengal** adopted reforms based on these recommendations, decentralisation remained **incomplete, with state governments retaining excessive control over local bodies**.
 - **Phase 2: Strengthening Local Governance (1980s-1990s)**
 - **1985 - G.V.K. Rao Committee:** Recommended **greater autonomy to PRIs** and **empowering Block Development Offices (BDOs)** for rural development planning.
 - **1986 - L.M. Singhvi Committee:** Advocated **constitutional recognition** for PRIs and **Gram Sabha as the foundation of grassroots democracy**.
 - **1992 - The 73rd and 74th Constitutional Amendments:** Established **constitutional status** for rural and urban local governance.
 - These amendments marked a **turning point** by introducing **mandatory elections, reservations, fiscal devolution, and planning responsibilities for local bodies**.

What are the Key Issues Hindering Effective Democratic Decentralisation in India?

- **Fiscal Dependence and Weak Revenue Autonomy: Panchayats and Urban Local Bodies (ULBs)** lack financial independence, relying on unpredictable state and central transfers, limiting their ability to plan and execute projects effectively.
 - The absence of **robust own-source revenue generation**, poor tax collection mechanisms, and state control over key revenue streams further weaken their fiscal capacity.
 - Even **State Finance Commissions (SFCs)**, mandated to recommend devolution every five years, are either delayed or their recommendations remain unimplemented.
 - The **2024 "Status of Devolution to Panchayats in States Index"** highlights that own-source revenue contributes only **5-10% of Panchayat expenditure**.
 - The RBI report highlights that while urban areas generate **60% of India's GDP**, municipal corporations receive **only 0.6% of GDP in revenue**.
- **Political and Bureaucratic Centralisation:** Despite constitutional recognition, real authority remains concentrated in state governments, with **local bodies often reduced to implementing agencies** for centrally and state-sponsored schemes.
 - The transfer of **29 subjects under the 11th Schedule** remains **inconsistent**, as State governments hesitate to cede control, restricting Panchayats' decision-making authority.
 - This creates a structural contradiction where local governments are held accountable for service delivery but lack the power to execute decisions effectively.
 - **District Planning Committees (DPCs)** exist but are not effectively implemented.
- **Excessive Reliance on Centrally Sponsored Schemes:** Local governments lack discretionary spending power as funds are largely tied to **centrally designed schemes, reducing flexibility in addressing local needs**.
 - The mismatch between local priorities and centrally dictated projects leads to inefficiencies and **underutilization of resources**.

- For instance, PMAY-G was launched in 2016 aiming for housing for all in rural India, but only **41% of funds remain unutilized due to delays**, slow construction, and land availability issues.
- **Weak Accountability and Transparency Mechanism:** Local bodies suffer from **poor financial accountability, lack of independent audits**, and limited public participation in governance.
 - Corruption and the reluctance to **impose taxes for electoral gains weaken Panchayat finances** and opaque decision-making undermine democratic decentralization.
 - The recent RBI report highlights a performance gap in Panchayat finances, with tax revenue at just **1.1% and non-tax revenue at 3.3% of the total**.
- **Structural Weaknesses in State Finance Commissions:** State governments often delay constituting SFCs, and even when formed, their **recommendations are either ignored or not implemented in letter and spirit**.
 - Unlike the Central Finance Commission, most states **fail to adhere to the constitutional obligation of constituting State Finance Commissions** at regular intervals.
 - The failure to institutionalize a robust SFC framework has **weakened the financial independence of local governments**.
 - The **15th Finance Commission (2021-26)** highlighted that only **9 states** have constituted their 6th SFC, even though it was due in 2019-20 for all states.
- **Limited Representation of Marginalized Groups in Decision-Making:** While reservations exist for women, SCs, and STs in local bodies, **their representation remains largely symbolic**, with real decision-making power often controlled by dominant social groups.
 - **Women sarpanches and councilors** frequently face proxy representation (**Pradhan Pati**), where male family members influence governance.
 - The lack of training, financial independence, and institutional support weakens their role in actual governance.
 - A **2023 government panel** proposed strict penalties for husband proxies in Panchayats, but the practice remains widespread.
- **Poor Human Resource Capacity in Local Governments:** Local bodies suffer from an **acute shortage of trained personnel**, with critical administrative functions still controlled by state-appointed officers.
 - The **absence of dedicated technical staff for planning, financial management, and service delivery** weakens their ability to function effectively.
 - Elected representatives often lack the necessary training and expertise to manage governance functions efficiently.
 - A 2020 report stated that **District Planning Committees are non-functional** in nine states, and failed to prepare integrated plans in 15 states.
 - It also found that in many of the cities staff vacancies against sanctioned strength is about **30%**.
- **Lack of Digital and Technological Integration in Local Governance:** Most local bodies have inadequate **digital infrastructure, limiting transparency, efficiency, and citizen engagement**.
 - While some states have adopted **e-Governance initiatives**, the uneven implementation of digital tools leads to a gap in service delivery.
 - Over **40% of gram panchayats** do not report digital attendance. A 2021 data shown in **Lok Sabha** reveals that over **25000 villages** in India are still unconnected to the internet.

What Measures can India Adopt to Revamp Democratic Decentralisation?

- **Ensuring Fiscal Autonomy through Strengthening State Finance Commissions (SFCs):** A predictable and transparent fiscal devolution mechanism is essential for effective local governance.
 - States must undertake **comprehensive activity mapping** for all **Eleventh and Twelfth Schedule subjects** and align financial devolution accordingly.
 - Local governments must be given **greater tax autonomy**, including better property tax assessment and professional tax collection mechanisms.
 - The **Second ARC** recommends broadening and deepening the revenue base of

local governments to ensure financial sustainability.

- **Empowering Panchayats and Municipalities with Administrative Autonomy:** Local governments must have the **power to recruit personnel and regulate service conditions** to ensure efficiency and accountability.
 - The **practice of state governments approving local budgets** should be abolished, ensuring that locally elected bodies have full control over their financial planning.
 - Panchayats and ULBs should have **independent secretariats** with trained personnel dedicated to local governance.
- **Reforming Urban Governance through Mayor-in-Council System:** The current system of municipal governance, where executive powers are shared between **mayors and commissioners**, leads to inefficiencies and accountability gaps.
 - A **directly elected Mayor with a fixed tenure** and executive authority will improve governance and public accountability.
 - The **Mayor-in-Council system**, as **recommended by the 2nd ARC**, will help streamline decision-making and improve municipal efficiency.
 - Municipal bodies should also **leverage land banks for revenue generation** to reduce financial dependency on state governments.
 - The 2nd ARC recommends that municipalities must have full autonomy over their functions **and a transparent taxation mechanism**.
- **Strengthening Rural Governance with True Devolution of Powers:** A **mandatory activity mapping exercise** should ensure clear delineation of responsibilities at each level of governance.
 - Gram Panchayats should be of **appropriate size** to function effectively and deliver public services efficiently.
 - Tribal areas should see **full implementation of the Panchayats (Extension to Scheduled Areas) Act, 1996 (PESA)** to empower traditional governance structures.
- **Enhancing Local Revenue Generation through Transparent Taxation and Borrowing:** Local governments should be granted **greater borrowing powers** with regulatory safeguards to ensure fiscal discipline.
 - **Transparent property tax assessment** and **professional tax collection** should be streamlined to improve local revenue generation.
 - **Municipal bonds** and pooled financing mechanisms should be encouraged to **diversify revenue sources (e.g, Indore Model)** and fund urban infrastructure.
 - The 2nd ARC recommends that municipalities should have full financial autonomy and their borrowing capacity should be enhanced.
- **Bridging the Urban-Rural Governance Divide with Flexible Classification:** The **rigid urban-rural classification** leaves many peri-urban areas without proper governance structures.
 - A dynamic classification system, where **peri-urban areas transition smoothly from Panchayats to Municipalities**, should be developed.
 - Governance should be **service-centric rather than classification-centric**.
 - Special governance models, such as **Metropolitan Planning Committees (MPCs) and District Planning Committees (DPCs)**, should be strengthened to address cross-jurisdictional issues.
 - The **Ashok Mehta Committee** recommended a two-tier governance structure with stronger financial and functional autonomy for local bodies.
- **Institutionalizing Local Government Capacity-Building and Training:** Local representatives often lack the necessary training and expertise to handle governance functions.
 - Establishing **Local Governance Training Institutes (LGTIs)** in every state can provide continuous capacity-building for elected representatives and officials.
 - **E-Governance and digital tools** should be integrated into local administration to improve efficiency and transparency building upon the **G.V.K. Rao Committee** recommended that local governments must be **empowered with adequate administrative and technical expertise**.
- **Implementing Citizens' Charters and Participatory Governance Mechanism:** Citizens must be actively engaged in local governance through **mandatory public consultations, ward sabhas, and Gram Sabhas** for key policy decisions.
 - **Social audits and participatory budgeting** should be made compulsory to improve accountability in fund allocation and service delivery.
 - **Citizen Charters in all ULBs**, as recommended by the 2nd ARC, should be legally binding

to ensure service delivery timelines.

- The **Balwant Rai Mehta Committee** also emphasized community participation in decision-making for effective local governance.

Conclusion:

To ensure true democratic decentralization, India must focus on **Fiscal Strength, Functional Autonomy, and Fair Representation**. Strengthening local revenue generation, granting genuine administrative powers, and ensuring inclusive governance will empower Panchayats and municipalities. A forward-looking approach must integrate digital governance, financial independence, and citizen participation.

Drishti Mains Question:

Critically assess the effectiveness of the 73rd and 74th Constitutional Amendments in achieving true democratic decentralization in India.

UPSC Civil Services Examination, Previous Year Questions (PYQ)

Prelims

Q1. Local self-government can be best explained as an exercise in (2017)

- (a) Federalism
- (b) Democratic decentralisation
- (c) Administrative delegation
- (d) Direct democracy

Ans: (b)

Q2. The fundamental object of the Panchayati Raj system is to ensure which among the following? (2015)

1. People's participation in development
2. Political accountability
3. Democratic decentralisation
4. Financial mobilisation

Select the correct answer using the code given below

- (a) 1, 2 and 3 only
- (b) 2 and 4 only
- (c) 1 and 3 only
- (d) 1, 2, 3 and 4

Ans: (c)

Mains

Q1. Assess the importance of the Panchayat system in India as a part of local government. Apart from government grants, what sources can the Panchayats look out for financing developmental projects? (2018)

Q2. To what extent, in your opinion, has the decentralisation of power in India changed the governance landscape at the grassroots? (2022)

PDF Reference URL: <https://www.drishtias.com/printpdf/towards-effective-democratic-decentralisation-1>

