



Decentralization And Citizen Participation In Rural Governance

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Abstract

Decentralization in India, institutionalized through the 73rd Constitutional Amendment Act, 1992, represents a milestone in democratizing governance and empowering local institutions. It mandates the devolution of powers, functions, and resources to Panchayati Raj Institutions (PRIs) across three tiers—village, intermediate, and district—under Articles 243 to 243 O. This paper examines the present status of decentralization and citizen participation by analysing data from the *Indian Institute of Public Administration (IIPA) "Status of Devolution to Panchayats in States" (2025)* and related studies such as the *Devolution Report (CRMI India, 2024)* and *NIAS–HSS (2024) Policy Brief*.

Using a qualitative, document-based approach, the paper evaluates six key dimensions of the Devolution Index: Framework, Functions, Finances, Functionaries, Capacity Enhancement, and Accountability. These reflect both *de jure* (legal) and *de facto* (practical) aspects of decentralization. The findings show that states such as Karnataka, Kerala, and Tamil Nadu perform strongly in composite scores, while Maharashtra and Uttar Pradesh trail moderately. Kerala leads in finances and accountability, whereas Tamil Nadu excels in capacity enhancement. However, the persistence of parallel administrative bodies, weak district planning mechanisms, and bureaucratic delays continues to limit the autonomy of PRIs and the effectiveness of Gram Sabhas.

The paper argues that fiscal devolution and institutional capacity are the strongest predictors of citizen participation. It further discusses emerging innovations such as the SVAMITVA Scheme and e-Gram Swaraj Portal, which combine technology and governance to enhance transparency, property taxation, and revenue generation. The study concludes that the next phase of decentralization must merge technological transparency, fiscal empowerment, and civic participation to realize the constitutional promise of participatory self-governance.

Keywords

Decentralization, Panchayati Raj, Citizen Participation, Rural Governance, Devolution Index, Fiscal Federalism, Accountability

Introduction

Decentralization lies at the heart of India's experiment with democratic deepening. The 73rd Constitutional Amendment Act (1992) institutionalized the Panchayati Raj System, granting constitutional status to local bodies and ensuring regular elections, financial autonomy, and functional devolution. The amendment inserted Part IX (Articles 243 to 243 O) and the Eleventh Schedule, which lists 29 subjects that may be devolved to PRIs.

Yet, more than three decades later, the implementation of decentralization remains uneven. While some states have advanced significantly in empowering local governments, others continue to centralize planning and finances. The challenge lies not in designing laws but in ensuring *effective devolution*—that is, transferring real power to local institutions to enhance citizen participation and accountability.

The present study seeks to analyse how far Indian states have progressed toward achieving meaningful decentralization and how such progress affects citizen engagement. It uses the *IIPA 2025 Devolution Index* as the central dataset for comparison. The analysis focuses on the quality of devolution, the balance among the six governance dimensions, and their relationship to citizen participation outcomes.

Literature Review

Several studies have assessed the extent and quality of decentralization in India. The *Indian Institute of Public Administration (IIPA)* has periodically published “Status of Devolution to Panchayats in States,” ranking states based on quantitative and qualitative measures of devolution. The 2025 edition uses a refined Devolution Index (DI) with six dimensions—Framework, Functions, Finances, Functionaries, Capacity

Enhancement, and Accountability—weighted by importance, with the highest weight (30%) assigned to the Finances dimension.

Complementary research by *NIAS–HSS (Hanns Seidel Foundation)* emphasizes the “Three Fs”—Functions, Functionaries, and Finances—as the backbone of democratic decentralization. It finds that while devolution of functions has occurred on paper, fiscal autonomy and human-resource control remain weak, leading to a mismatch between responsibility and capacity.

CBPS (2021) and *World Bank (2023)* studies corroborate this imbalance, identifying financial dependency and bureaucratic oversight as persistent obstacles to participatory planning and efficient service delivery. *Bhat (2025)* adds that decentralization without citizen agency becomes symbolic rather than substantive—formal structures exist, but real decision-making remains centralized.

These works collectively suggest that effective decentralization depends on two conditions: (a) fiscal and administrative empowerment of PRIs, and (b) institutionalized citizen participation through Gram Sabhas, social audits, and transparent local planning.

Conceptual Framework

The analytical foundation of this paper rests on three interlinked theories:

- ✓ The principle of subsidiarity, which holds that decisions should be taken as close as possible to citizens;
- ✓ The theory of fiscal federalism (Musgrave, 1959; Oates, 1972), emphasizing financial alignment between responsibility and resources; and
- ✓ The concept of democratic deepening, which views local participation as the foundation of accountability.

The *IIPA 2025 Devolution Index* operationalizes these theories into six measurable dimensions:

Dimension	Key Constitutional Basis	Meaning and Indicators
Framework (D1)	Articles 243B–243O	Evaluates adherence to constitutional mandates such as regular elections, State Election Commissions, and State Finance Commissions.
Functions (D2)	Article 243G	Assesses the extent to which 29 subjects in the Eleventh Schedule are devolved and whether PRIs implement social justice and economic development programs.
Finances (D3)	Articles 243H & 243I	Measures fiscal transfers and Panchayat's own revenue sources; carries maximum weight (30%).
Functionaries (D4)	Article 243C	Evaluates adequacy of staff, infrastructure, and ICT connectivity at Panchayat offices.
Capacity Enhancement (D5)	Implied under Articles 243A–J	Reviews existence of training institutions and regular capacity-building activities.
Accountability (D6)	Articles 243A & 243J	Examines accounting, audit, transparency, Gram Sabha functioning, and social audits.

Together, these dimensions capture the entire continuum of decentralization—from *legal framework* to *citizen accountability*. A high composite score indicates not just legislative compliance but functional and fiscal autonomy for PRIs.

Methodology

This research follows a qualitative, descriptive, and document-based approach, using exclusively secondary data. Primary data such as field surveys or interviews were not collected. Instead, the analysis relies on official reports, academic studies, and policy documents.

Data Sources

- ✓ Status of Devolution to Panchayats in States (IIPA, 2025),
- ✓ Devolution Report 2024 (CRMI India),
- ✓ NIAS–HSS Policy Brief 2024)
- ✓ Kurukshetra

Analytical Procedure

1. Each state's scores were compiled from the IIPA (2025) dataset.
2. Six dimensions were normalized and combined into a composite index.
3. Finances received the maximum weight (30%), reflecting its decisive role in autonomy.
4. The index integrates *de jure* (legal) and *de facto* (actual implementation) assessments. For example, Article 243H permits Panchayats to levy taxes (*de jure*), but the DI measures whether taxes are actually collected (*de facto*).
5. Scores are awarded only when states comply with mandatory constitutional requirements such as regular elections and formation of SFCs and SECs.

Field validation through state workshops ensures the reliability of data. States with high scores across fiscal and accountability dimensions demonstrate stronger potential for participatory governance.

Data Presentation

The *IIPA 2025 Devolution Index* provides a comparative picture of decentralization performance among Indian states. It aggregates the six weighted dimensions—Framework, Functions, Finances, Functionaries, Capacity Enhancement, and Accountability—into a composite score.

State	Composite Devolution Index (%)	Rank (2025)	Major Strengths	Key Weaknesses
Karnataka	72.23	1	Strong legal framework, accountability, regular SEC and SFC functioning	Moderate staff adequacy
Kerala	70.59	2	Robust finances, transparent audits, empowered Gram Sabhas	Limited training coverage
Tamil Nadu	68.38	3	Capacity enhancement, efficient functionaries	Weak fiscal transfers
Maharashtra	61.44	4	Institutionalized planning, staff infrastructure	Fiscal delays, parallel bodies
Uttar Pradesh	60.07	5	Functional Gram Panchayats, regular elections	Weak capacity-building, accountability gaps

These results reveal that southern states dominate the devolution landscape, reflecting their consistent adherence to the constitutional framework and fiscal reforms. The relatively lower performance of northern states highlights disparities in both financial and administrative autonomy.

Comparative Analysis: Kerala vs Tamil Nadu

Among top-ranking states, Kerala and Tamil Nadu exhibit distinctive strengths that underline diverse pathways to decentralization.

Kerala leads in *framework, accountability, and finances*. It has institutionalized participatory planning through *People's Plan Campaigns* and maintains transparent fiscal systems supported by e-governance tools. Its Panchayats demonstrate strong de jure and de facto compliance with Articles 243 B–O.

Tamil Nadu, while close in overall score, stands out for *capacity enhancement* and *human-resource efficiency*. State-level training institutions such as the *State Institute of Rural Development (SIRD)*, *Maraimalai Nagar* conduct regular orientation programs, reflecting commitment to staff competency and local leadership development.

Although both states perform strongly, the Devolution Index provides analytical differentiation: Kerala's fiscal robustness and accountability mechanisms sustain its leadership, while Tamil Nadu's emphasis on human capital explains its competitive ranking. The contrast demonstrates that decentralization can evolve through either fiscal empowerment or administrative capability, provided there is political will and citizen engagement.

Discussion and Policy Implications

Despite constitutional maturity, the Panchayati Raj system faces enduring structural and functional constraints that impede genuine participation.

Structural Constraints The existence of parallel bodies such as watershed societies, self-help group federations, and district development agencies—often duplicates or overrides Panchayat functions. This structural overlap dilutes functional autonomy and confuses accountability chains.

Bureaucratic Dominance and Delay Excessive administrative vetting of Gram Sabha resolutions, procurement, and project approvals breeds procedural delays and rent-seeking behaviour. District-level bureaucrats frequently prioritize departmental schemes over locally decided projects, undermining participatory planning.

Weak District Planning Committees (DPCs) Under Article 243 ZD, DPCs should consolidate Panchayat and municipal plans; however, many remain inactive or overloaded. Their lack of technical support prevents integration of village-level priorities into district budgets.

Accountability and Transparency Gaps Although Articles 243 A and 243 J mandate Gram Sabhas and auditing, citizen awareness and attendance remain low. Social audits are irregular, and follow-up on audit findings is inconsistent. The NIAS–HSS (2024) report attributes this weakness to poor civic literacy and insufficient

Policy Directions To convert *de jure* devolution into *de facto* empowerment, the following actions are essential:

- ✓ **Integrate parallel development bodies** within the Panchayat framework to streamline local decision-making.
- ✓ **Delegate fiscal discretion** for minor works to Gram Panchayats and simplify approval processes. **Reform DPC functioning** by ensuring elected Panchayat representatives' leadership and establishing technical planning cells.
- ✓ **Institutionalize digital transparency portals** (e-Gram Swaraj, Local Governance Directory) for budget disclosure and citizen feedback.
- ✓ **Expand capacity-building programmes** for both citizens and officials to sustain participatory planning and audit literacy.

Implementing these reforms would move India's local governance from compliance-based decentralization toward genuine **citizen-centric self-government**, fulfilling the vision of Part IX of the Constitution.

Recent Reforms and Innovations

Over the past few years, several national initiatives have attempted to reinforce decentralization by combining technological innovation, fiscal transparency, and property-based empowerment.

SVAMITVA Scheme

The SVAMITVA (Survey of Villages and Mapping with Improvised Technology in Village Areas) Scheme, launched by the Ministry of Panchayati Raj, uses drone and GIS technology to map rural inhabited lands and issue property cards to individual households. These "*Record of Rights*" documents formalize land ownership, enabling rural citizens to access institutional credit.

From a decentralization perspective, SVAMITVA is transformative because it:

- ✓ Creates a digital land record database usable by Panchayats for property tax assessment.

- ✓ Increases Own Source Revenue (OSR) by allowing local bodies to collect taxes based on verified property boundaries.
- ✓ Enhances fiscal autonomy, a core element of Article 243H.
- ✓ Reduces disputes and fosters transparency in land management.

As noted in *Kurukshetra* (April 2025,), “SVAMITVA not only empowers property owners but strengthens Panchayati Raj Institutions by equipping them with reliable spatial data to perform fiscal functions effectively.”

E-Gram Swaraj Portal

The E-Gram Swaraj portal provides real-time visibility into Panchayat-level planning, budgeting, and project execution. Integrated with the *Public Financial Management System (PFMS)*, it promotes financial accountability and allows citizens to monitor local spending online.

Through this platform, PRIs can publish Gram Sabha resolutions, fund flows, and completed works—directly linking transparency to participatory governance. The initiative addresses long-standing weaknesses in Articles 243A and 243J concerning audit and public disclosure.

Integration with Capacity Building Training programs under the *Rashtriya Gram Swaraj Abhiyan (RGSA)* and digital literacy initiatives have reinforced Dimension 5 (Capacity Enhancement) of the Devolution Index. States such as Tamil Nadu and Odisha now conduct periodic e-training for Panchayat staff, enabling decentralized management of local schemes.

Conclusion and Future Directions

The evidence from the IIPA (2025) Devolution Index and supporting reports reveals that India has achieved substantial progress in institutionalizing local governance through constitutional devolution. Yet, the challenge lies in translating legal empowerment into operational autonomy.

The performance contrast among states—Kerala’s fiscal strength, Tamil Nadu’s administrative depth, and Karnataka’s institutional maturity—illustrates that decentralization thrives when fiscal, functional, and human-resource dimensions evolve in harmony. Persistent obstacles, such as parallel administrative bodies, bureaucratic inertia, and inadequate fiscal transfers, continue to restrict Panchayats from becoming self-reliant institutions of governance.

The future of decentralization in India lies in integrating technology, transparency, and trust. Initiatives like SVAMITVA and E-Gram Swaraj show how digital platforms can enhance local accountability, fiscal

planning, and property-based taxation. When paired with active Gram Sabhas and independent auditing, these tools can transform rural governance from procedural compliance to citizen-driven development.

To ensure sustained progress, the following steps are crucial:

- ✓ Institutionalize periodic Devolution Index reviews to maintain competitive benchmarking among states.
- ✓ Strengthen the State Finance Commissions (SFCs) and ensure their recommendations translate into timely grants.
- ✓ Mainstream civic education to increase Gram Sabha participation and accountability.
- ✓ Link Panchayat-level plans to district and state budgets through empowered DPCs.
- ✓ Promote inter-state learning networks for sharing best practices.

If effectively implemented, these measures can fulfil the constitutional vision of “economic development and social justice” under Article 243G, transforming Panchayati Raj Institutions into engines of inclusive rural transformation.

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