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## **“THREE DECADES OF INDIA’S JOURNEY TOWARDS LOCAL SELF GOVERNANCE”**

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### **Abstract**

This research paper critically examines the three-decade journey of local self-governance in India since the enactment of the 73<sup>rd</sup> and 74<sup>th</sup> constitutional Amendments in 1992. These landmark amendments provided a constitutional status to Panchayati Raj Institutions (PRIs) and urban Local Bodies (ULBs), aiming to deepen democracy through decentralization and empower local communities to participate in governance and development. The study explores the legal and institutional frameworks that shaped the evolution of local governance in India, highlighting the challenges in implementing the envisioned devolution of power, function, and finances (the 3Fs).

The paper delves into the – developmental role of local self-Government (LOG) institutions in critical sectors such as agriculture, healthcare, education and disaster management. It also analyses the extent of fiscal autonomy granted to LSGs, evaluating the role of state Finance Commissions and the persistent challenges in resource mobilization and financial planning at the grassroots level. Through a comparative lens, the paper juxtaposes India's decentralization model with global experiences, drawing lessons from countries like Brazil and south Africa. Furthermore, the study brings to light several innovations and good governance practices initiated by local bodies across different Indian States, especially in leveraging digital tools and participatory mechanisms, despite significant progress, the research identifies persistent gaps in capacity building, legal enforcement, and political will, which hinder effective functioning of LSGs.

### **Introduction**

Over the past three decades, local self-governance in India has undergone a significant transformation, primarily catalysed by the enactment of the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments in 1992. These landmark reforms provided constitutional status to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), thereby laying a strong legal foundation for decentralized governance. This transformation was not merely administrative; it represented a paradigmatic shift towards participatory democracy and inclusive development. The institutionalization of local bodies sought to empower citizens at the grassroots level, enabling them to play a direct role in planning, implementation, and monitoring of local development initiatives. Local self-governance has since emerged as a vital component of India's democratic

fabric, offering a mechanism for enhancing administrative responsiveness, improving service delivery, and promoting equitable development across diverse regions.

The significance of this decentralized model extends beyond national boundaries, as the Indian experience has served as a case study for several developing countries striving to establish people-centric governance frameworks. In this light, the present research paper aims to critically analyse the legal and constitutional underpinnings of local self-governance in India, examine the extent to which these institutions have achieved their intended developmental objectives, and evaluate their evolution within a broader global context. The scope of the paper includes an in-depth study of institutional mechanisms, fiscal decentralization, state-local power dynamics, and the role of local bodies in addressing contemporary challenges such as disaster management, public health, climate change, and rural-urban integration.

To guide this inquiry, the paper raises pertinent research questions:

How have the constitutional and legal frameworks shaped the trajectory of local self-governance in India? What institutional and operational challenges continue to hinder the realization of true decentralization?

In what ways can India's local governance model be compared to international paradigms of decentralized administration?

The study adopts a doctrinal methodology supplemented by analytical insights from government reports, statutory provisions, judicial pronouncements, and academic literature. Through this comprehensive approach, the paper seeks to contribute to the discourse on democratic decentralization and its role in fostering sustainable and inclusive governance both in India and globally.

### **Historical Evolution of Local Self-Governance in India**

**Pre-73rd/74th Amendment Local Governance: Panchayats and Municipalities.** The concept of local self-governance in India traces its roots to ancient times, particularly to the era of village republics, where *gram sabhas* (village assemblies)<sup>[1]</sup> functioned as decision-making bodies for local affairs. These bodies played a critical role in managing resources, resolving disputes, and overseeing social and economic activities within villages. The famous jurist Henry Maine noted that India's village communities were "little republics" with considerable autonomy.

During British rule, however, the traditional systems of local governance suffered major setbacks. The colonial administration introduced centralized governance structures which significantly curtailed the autonomy of village communities. Nevertheless, the British did initiate some reforms toward local governance in urban and rural settings, largely for administrative convenience

Municipal governance was formally introduced through the Lord Ripon's Resolution of 1882<sup>[2]</sup>, often considered the Magna Carta of local self-government in India. This resolution recommended increased public participation in municipal administration through elected representatives.

In rural India, district boards and local boards were created, but they largely remained under bureaucratic control, lacking genuine decentralization.

Post-independence, the Indian Constitution did not originally accord constitutional status to Panchayats and Municipalities. They were treated as matters under the State List (Entry 5, List II, Seventh Schedule of the Constitution)[3], and thus their structure and functioning varied widely across states.

### **Balwantrai Mehta and Ashok Mehta Committees**

#### Balwantrai Mehta Committee (1957)

In response to the failure of community development programs, the Government of India set up the Balwantrai Mehta Committee in 1957[4] to examine the functioning of the Community Development Programme (1952) and the National Extension Service (1953). The Committee emphasized the need for democratic decentralization[5] and recommended a three-tier Panchayati Raj system:

1. Village Panchayat (Gram Panchayat)
2. Panchayat Samiti at the block level
3. Zila Parishad at the district level

#### Key Recommendations:

Transfer of planning and implementation of rural development programs to Panchayati Raj institutions. Regular elections and adequate powers to Panchayats. Emphasis on functional devolution and local participation. As a result, Rajasthan became the first state to implement Panchayati Raj in 1959, followed by Andhra Pradesh and others. However, the system's success was uneven due to lack of political will, inadequate financial autonomy, and bureaucratic resistance.

#### Ashok Mehta Committee (1977)

In the post-emergency era, the Ashok Mehta Committee[6] was constituted by the Janata Government in 1977 to analyze the weaknesses of the existing Panchayati Raj system. Its key recommendations included:

A two-tier system: Mandal Panchayat (covering 15,000–20,000 population) and Zila Parishad. Political parties' participation in Panchayat elections. Panchayati Raj institutions as units of planning and development. Establishment of a State Finance Commission[7]. Reservation of seats for Scheduled Castes, Scheduled Tribes, and women. This Committee was instrumental in reshaping discourse around decentralization, though its recommendations were not fully implemented due to the fall of the Janata Government.

#### Need for Constitutional Recognition

Despite various committees and state-led initiatives, Panchayati Raj and urban local bodies remained structurally weak and lacked uniformity. The local bodies were dependent on state discretion for powers, functions, and resources. Irregular in elections, often under bureaucratic dominance. Politically marginalized, with tokenistic representation and negligible influence in planning or policy-making. As a result, grassroots democracy remained stunted. Recognizing the need to provide local bodies with a stronger legal foundation[8], the 73rd and 74th Constitutional Amendments[9] were introduced in 1992 and came into effect in 1993.

These amendments:

Gave constitutional status to Panchayats and Municipalities. Mandated regular elections every five years. Introduced 11th and 12th Schedules listing 29 and 18 subjects respectively for local governance. Established the State Finance Commissions and State Election Commissions to ensure autonomy and accountability<sup>[10]</sup> The constitutional amendments were driven by a vision to institutionalize participatory democracy, ensure inclusive development, and promote responsive governance at the grassroots

**Legal and Constitutional Framework****73<sup>rd</sup> Amendment Act (Panchayati Raj Institution)**

The 73<sup>rd</sup> Constitutional Amendment Act, 1992, brought about a landmark transformation in the Indian federal structure by constitutionally recognizing the Panchayati Raj Institutions (PRIs) as the third tier of government. Enacted on 24 April 1993, it added Part IX (Articles 243 to 243-O)<sup>[11]</sup> to the Constitution and introduced the Eleventh Schedule, thereby formalizing the decentralization of governance at the rural level.

The objective was to democratize governance by empowering rural populations through elected bodies. This amendment was a response to the failure of earlier schemes of decentralization which were not constitutionally backed and were dependent on state government discretion. As per B.S. Bhalla (2010), “the 73<sup>rd</sup> Amendment symbolized a political will to devolve power and democratize administration at the grassroots”<sup>[12]</sup>

**Structure of Panchayati Raj Institutions (PRIs)**

The 73<sup>rd</sup> Constitutional Amendment Act, 1992<sup>[13]</sup>, provided a constitutional framework for the establishment and operation of Panchayati Raj Institutions as units of self-government at the grassroots level. The structural features are:

- **Gram Sabha:** A foundational body at the village level comprising all persons whose names are registered in the electoral rolls of the village within a Panchayat jurisdiction. It acts as a deliberative body to ensure democratic participation (Article 243(b)).
- **Three-Tier System:** The Act mandates the creation of a three-tier system of Panchayats—at the **village**, **intermediate**, and **district** levels—in all States and Union Territories, except those with populations below 20 lakhs<sup>[14]</sup> (e.g., Goa, Sikkim, northeastern states, and some UTs), where the intermediate tier is optional.
- **Direct Elections:** Members of the Panchayats at all levels must be directly elected from territorial constituencies. These constituencies must ensure uniform representation as far as practicable, based on population.
- **Chairpersons:** While village Panchayat chairpersons may be chosen differently as per state legislation, those at the intermediate and district levels must be elected from among directly elected members.

- **Tenure and Elections:** Panchayats have a fixed term of **five years**. If dissolved earlier, fresh elections must be held within **six months**, provided the remaining term is not less than six months.
- **Minimum Age:** A person must be at least **21 years** old to contest Panchayat elections.
- **Continuity and Transition:** Existing Panchayats may continue until the expiry of their tenure or until new legislation is enacted within one year of the amendment coming into force.
- **Judicial Non-Interference:** Courts are barred from intervening in matters related to delimitation of constituencies, seat allotments, and elections. However, election disputes may be adjudicated by state-specific election tribunals

### **Powers and Functions of Panchayati Raj Institutions**

While the Amendment sets out several mandatory features, it also delegates the responsibility to the State Legislatures to define the scope of powers and functions of Panchayats. However, some key functional mandates include:

- **Reservation of Seats:**

**Scheduled Castes (SCs) and Scheduled Tribes (STs):** Proportionate reservation based on their population within the Panchayat jurisdiction. **Women:** One-third of all seats (including those reserved for SCs/STs) and chairperson posts at each level are reserved for women, ensuring gender inclusivity and representation<sup>[15]</sup>.

- **Finance Commission:** Each state must establish a **State Finance Commission** every five years to evaluate the financial status of Panchayats and recommend principles for distribution of financial resources, including taxes, duties, and grants-in-aid from the Consolidated Fund of the State. The recommendations are to be presented before the state legislature.
- **Audit of Accounts:** The accounts of all Panchayats are to be audited regularly to ensure financial accountability.
- **State Election Commission:** A constitutionally empowered **State Election Commission** is to be established to oversee, direct, and control the preparation of electoral rolls and conduct of elections for Panchayats. The State Election Commissioner enjoys security of tenure and can only be removed in the same manner as a High Court judge.
- **Legislative Empowerment:** States are authorized to legislate on a wide array of issues concerning Panchayats, such as defining their powers, responsibilities, taxation authority, governance procedures, and planning functions.
- **Exemptions and Modifications:** The provisions of Part IX of the Constitution (which incorporates the Panchayati Raj framework) are not applicable to certain tribal and scheduled areas, unless specified. The **President** (for Union Territories) and the **Governor** (for Scheduled Areas) may make suitable modifications or exemptions.

## **74<sup>th</sup> Amendment (Urban Local Bodies)**

The constitution 74th Amendment Act 1992, relating to Municipalities (Urban local Government) was passed by the parliament in 1992. It received the assent of the president of India on 20th April 1993. The Act seeks to provide a common framework for the structure and mandate of urban local bodies to enable them to function as effective democratic units of local Self Government.

Government of India notified 1st June 1993 as the date from which the 74th Amendment Act came into force. The Act provided for a period of one year from the date of its commencement, within which the then existing municipal laws (which were in force at that time In states/union territories) were required to be changed/amended/modified in order to bring them in conformity with the provisions of the constitution (74th Amendment) Act—1992.

### **Structure and Classification of Urban Local Bodies**

The 74th Constitutional Amendment Act, 1992, introduced **Part IXA** (Articles **243P to 243ZG**) into the Constitution of India, recognizing **Urban Local Bodies (ULBs)** as the **third tier of government** in urban areas. The amendment aims to **strengthen democratic decentralization**, provide **autonomy to urban governance institutions**, and ensure **participatory urban development**. Article **243Q** specifically mandates the **classification of municipalities** into three distinct categories based on **population, urban characteristics, and governance needs**.

#### **Article 243Q**

Article 243Q (1) mandates that every State shall constitute three types of municipalities in urban areas<sup>[16]</sup>: "There shall be constituted in every State,

- (a) a Nagar Panchayat (by whatever name called) for a transitional area, that is to say, an area in transition from a rural area to an urban area; (b) a Municipal Council for a smaller urban area; and
- (c) a Municipal Corporation for a larger urban area, in accordance with the provisions of this Part."

The classification is primarily based on the demographic profile, economic activity, and the degree of urbanization of the region. The Governor is empowered to specify, by public notification, which areas shall be designated under each category based on objective criteria and recommendations.

#### **1. Municipal Corporations (Nagar Nigams)**

Municipal Corporations are established for larger urban areas, generally with a high population density, large geographical extent, and significant economic, administrative, and infrastructural complexity. These corporations are the most powerful tier among ULBs and are entrusted with extensive functions such as public transportation, urban planning, environmental protection, solid waste management, water supply, public health, and education.

Key features:

- Governed by a Council of elected representatives and an Executive Wing headed by a Municipal Commissioner (usually an IAS officer).

- Presided over by a mayor, either directly elected or chosen by the elected council members.
- Backed by substantial financial and administrative resources.
- Operate under specific state municipal corporation laws (e.g., The Delhi Municipal Corporation Act, 1957)[17].

Examples:

- Brihanmumbai Municipal Corporation (BMC) – the richest municipal corporation in India.
- Municipal Corporation of Delhi (MCD)
- Chennai Corporation

These corporations play a pivotal role in governance and service delivery in megacities.

### 1. Municipal Councils (Nagar Palika)

Municipal Councils are formed for **smaller urban areas**, typically towns with a **moderate population size** and a **developing urban character**. These councils perform a wide range of civic functions, though **on a smaller scale** compared to Municipal Corporations[18].

**Key features:**

- Comprise **elected representatives**, including a chairperson or President.
- Administer **essential services** such as sanitation, water supply, local roads, markets, and town planning.
- Operate under respective **state municipal acts**, e.g., The Rajasthan Municipalities Act, 2009.

**Examples:**

- **Panaji Municipal Council**, Goa
- **Dharamshala Municipal Council**, Himachal Pradesh

While they have **less financial autonomy**, Municipal Councils are often the **first point of interaction** between citizens and urban governance structures[19].

### 1. Nagar Panchayats

Nagar Panchayats are established for transitional areas, i.e., regions in the process of urbanization, which do not yet fulfil the criteria of a municipality but require governance mechanisms distinct from rural panchayats[20].

**Key features:**

- Serve as intermediary institutions to manage the transformation of rural areas into urban settlements.
- Handle basic civic functions such as street lighting, waste collection, birth and death registration, and minor infrastructure development.

- Typically face administrative challenges due to limited capacity, funds, and human resources.

Examples:

- Chopda Nagar Panchayat, Maharashtra
- Talcher Nagar Panchayat, Odisha

These bodies are essential for planned urban expansion and integration of peri-urban regions[21].

#### Legislative Empowerment of ULBs

Although the Constitution provides a **classification framework**, the **real empowerment of Urban Local Bodies** is contingent on **State Legislatures**. As per **Article 243R and Article 243W**, states are responsible for[22]:

- Defining the **composition, reservation of seats, and terms of office** of municipal bodies.
- Endowing municipalities with **functional responsibilities** listed in **Schedule XII**.
- Delegating **financial powers, taxation authority, and control over urban planning and land use**.

This ensures that while the classification under Article 243Q is constitutionally mandated, **operationalization is a state subject**, leading to **variation across states** in implementation, structure, and effectiveness[23].

#### Twelfth Schedule (Article 243 W)[24]:

1. Urban planning including town planning.
2. Regulation of land use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health sanitation, conservancy and solid waste management.
7. Fire services.
8. Urban forestry protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds, cremations, cremation grounds and electric crematoriums.

15. Cattle pounds, prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughter houses and tanneries.

These functions are enabling, not mandatory—states may decide which functions to devolve, leading to significant inter-state variation in the functional autonomy of ULBs[25].

### **Role of State Election Commissions (SECs)**

Under Article 243ZA, the State Election Commission (SEC) is entrusted with the superintendence, direction, and control of the preparation and conduct of elections to the municipalities. The SEC is an independent constitutional authority, akin to the Election Commission of India[26].

The State Election Commissioner is appointed by the Governor and enjoys protections against arbitrary removal, ensuring institutional independence. However, several states have witnessed executive interference in SEC functioning, which has led to judicial intervention.

Judicial Precedent:

In *Kishan Singh Tomar v. Municipal Corporation of Ahmedabad*, (2006) 8 SCC 352, the Supreme Court held that the election to municipalities must be held before the expiry of their term, and delays cannot be condoned under administrative pretexts[27].

### **Role of State Finance Commissions (SFCs)**

The State Finance Commission (SFC) is mandated under Article 243Y[28] to review the financial position of the municipalities and recommend the distribution of financial resources between the state and local bodies. Each SFC must be constituted every five years by the Governor and is expected to recommend:

The principles for distribution of taxes and grants-in-aid. Measures to improve financial performance of municipalities. Steps for augmenting resources of municipalities from the Consolidated Fund of the State.

Despite this constitutional mandate, implementation has been weak. Many states fail to constitute timely SFCs or act upon their recommendations, thereby hampering the fiscal autonomy of ULBs[29].

### **Critical Legal Analysis: Autonomy vs. Control by State Governments**

Constitutional Promise of Decentralization

The 74th Amendment was intended to foster democratic decentralization, empower local institutions, and promote inclusive governance. It sought to institutionalize municipalities and grant them functional, financial, and administrative autonomy. However, the constitutional language is largely enabling rather than mandatory. For example:

Article 243W uses the phrase: “may, by law, endow the municipalities...” Schedule XII is not binding; states can pick and choose functions.

**State Control: A Structural Inhibition**

ULBs continue to function under state municipal laws, which often leave significant room for state interference, such as:

- Dissolution of municipal bodies before their term.
- Delays in holding elections
- Appointment of administrators instead of elected representatives
- Limited devolution of functions and funds



Inadequate follow-up on SFC recommendations

### **Judicial Recognition of Municipal Autonomy**

Courts have affirmed the importance of municipal governance:

In *Municipal Corporation of Greater Mumbai v. Kohinoor CTNL Infrastructure*, (2014) 4 SCC 538, the Supreme Court emphasized the importance of decentralization and local accountability in urban planning.

In *Rajendra Singh Rana v. Swami Prasad Maurya*, (2007) 4 SCC 270, the Court emphasized the spirit of federalism and cautioned against centralizing tendencies.

### **Way Forward**

For meaningful decentralization, states must:

- Empower ULBs through functional devolution
- Ensure fiscal transfers are timely and adequate
- Enhance administrative capacity at local levels
- Strengthen autonomy of SECs and SFCs

### **Decentralization and Democratic Deepening in India**

Decentralization refers to the transfer of authority and responsibility from central and state governments to local government institutions. In India, this principle has been given constitutional recognition through the **73rd and 74th Constitutional Amendments**, which sought to empower **Panchayati Raj Institutions (PRIs)** and **Urban Local Bodies (ULBs)** respectively. These amendments laid the foundation for democratic deepening at the grassroots level by ensuring participatory governance, transparency, and accountability. The effectiveness of decentralization, however, depends critically on the **devolution of the 3Fs – Functions, Funds, and Functionaries** – to the local bodies<sup>[30]</sup>.

### **Devolution of Powers: The 3Fs – Functions, Funds, and Functionaries**

The idea of democratic decentralization is operationalized through the effective devolution of **Functions, Funds, and Functionaries** (commonly referred to as the 3Fs)<sup>[31]</sup>:

- **Functions:** The Eleventh and Twelfth Schedules of the Constitution list **29 subjects for Panchayats** and **18 subjects for Municipalities**. These include areas such as health, education, agriculture, sanitation, and urban planning. However, many states have not fully devolved these functions to local governments. Functional devolution requires clear-cut roles and responsibilities to avoid overlapping authority between state departments and local bodies.
- **Funds:** Devolution without financial autonomy is ineffective. Despite the constitutional mandate, local bodies often remain financially dependent on state governments. Although **State Finance Commissions (SFCs)** are constitutionally required to recommend fiscal transfers, their reports are not always implemented

effectively. Local bodies often lack adequate own-source revenues and depend on tied grants from the state or central government, limiting their autonomy and responsiveness.

**Functionaries:** Local governments need trained personnel to implement schemes and manage administrative functions. However, in many states, the control over functionaries still lies with state-level departments. The absence of dedicated, accountable functionaries at the Panchayat and municipal levels undermines the delivery of services and weakens grassroots governance.

This incomplete devolution of the 3Fs creates a “**paper tiger**” democracy, where powers are constitutionally mandated but not practically implemented. True empowerment of local governments necessitates the full and sincere implementation of the 3Fs in both letter and spirit.

#### Variations Across States in Implementing Devolution

One of the defining features of India’s federal structure is that decentralization has evolved differently across states. The Constitution provides a framework, but its implementation is left largely to the discretion of state governments. As a result, there are significant inter-state variations in the degree and quality of devolution.

According to the Ministry of Panchayati Raj’s Devolution Index Reports, states like Kerala, Karnataka, Maharashtra, and West Bengal have been frontrunners in empowering local bodies<sup>[32]</sup>. For instance, Kerala’s People’s Plan Campaign stands as a model for participatory planning and functional devolution. Karnataka has made significant progress in placing sectoral staff under the control of Panchayats.

On the other hand, many northern and central Indian states have been slow to implement devolution. Bureaucratic resistance, lack of political will, and entrenched departmental interests often prevent the transfer of functions and personnel to local governments. The result is a highly asymmetric decentralization landscape, which hampers inclusive development and uniform democratic deepening.

#### People's Participation and Accountability

Democratic decentralization is not merely about transferring administrative powers; it is also about empowering citizens to actively participate in governance and hold public officials accountable. In this regard, people’s participation is both a means and an end of democratic deepening.

Mechanisms such as social audits, participatory planning, citizen charters, and grievance redressal forums enable direct public involvement in decision-making processes. The Right to Information Act, 2005<sup>[33]</sup> has further strengthened the ability of citizens to seek accountability from local officials.

However, participation often remains tokenistic due to lack of awareness, capacity, and empowerment among the citizenry, particularly women, Scheduled Castes, and Scheduled

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Tribes. Studies have shown that in many regions, Gram Sabhas are either not held regularly or their recommendations are not given due importance[34].

To ensure accountability, it is essential to:

- Build capacity and awareness among citizens;
- Strengthen transparency mechanisms;
- Institutionalize grievance redress;

Promote inclusive participation, especially of marginalized groups.

### Role of Gram Sabhas and Ward Committees

The Gram Sabha (in rural areas) and the Ward Committees (in urban areas) are constitutional instruments designed to institutionalize people's participation and enhance democratic accountability at the local level.

Gram Sabha: Defined under Article 243(b) of the Constitution, the Gram Sabha consists of all registered voters in a village. It is the foundational democratic body under the Panchayati Raj system. The Gram Sabha has the authority to approve plans, programs, and budgets of the Panchayat and to hold its functionaries accountable. In states like Kerala and Chhattisgarh, the Gram Sabha has been empowered to a great extent and plays a critical role in local decisionmaking.

Ward Committees: Under Article 243S, Ward Committees are envisaged in municipalities with a population of over 3 lakhs. They are meant to bring urban governance closer to the people. However, unlike Gram Sabhas, Ward Committees are poorly institutionalized in many states. There is a lack of clarity regarding their composition, powers, and responsibilities. The success of Ward Committees largely depends on the will of the urban local body and state authorities to empower them[35].

Despite constitutional backing, both Gram Sabhas and Ward Committees suffer from lack of regular meetings, low participation, and inadequate follow-up on their recommendations. For these institutions to function effectively, they must be given not only legal authority but also functional space and administrative support.

### Fiscal Autonomy and Resource Mobilization in India

#### Role of the State Finance Commissions (SFCs)

The 73rd and 74th Constitutional Amendments introduced a significant shift in India's fiscal federalism by mandating the establishment of State Finance Commissions (SFCs) under Article 243-I[36]. These commissions are tasked with reviewing the financial position of Panchayats and Municipalities and recommending the principles governing the distribution of financial resources between the state and local governments.

As per Article 243-I of the Constitution of India:

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"The Governor of a State shall, within one year from the commencement of the Constitution (Seventy-third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor.<sup>[37]</sup>The SFCs play a pivotal role in ensuring fiscal decentralization by recommending the devolution of funds to local bodies, thereby strengthening grassroots democracy and enhancing the efficiency of public service delivery<sup>[38]</sup>.

#### Challenges in Fiscal Decentralization

Despite the constitutional mandate, several challenges impede effective fiscal decentralization in India:



**Incomplete Devolution of Powers:** Many states have not fully devolved financial powers to local bodies, leading to a mismatch between responsibilities and resources.

**Irregular Constitution of SFCs:** Several states have delayed the constitution of SFCs or have not implemented their recommendations effectively, undermining the fiscal autonomy of local governments[39].

**Dependence on Higher Tiers:** Local bodies often rely heavily on grants from state and central governments, limiting their ability to plan and execute local development initiatives independently[40].

A study highlights that "the key factor that ruined the fiscal autonomy to Panchayats in India is the incomplete and inequitable process of power devolution to Panchayats by different state governments in their respective states"[41]

### **Own-Source Revenue vs. Grants**

Local governments in India have two primary sources of revenue: own-source revenues (OSR) and intergovernmental transfers (grants). Own-Source Revenues: These include property tax, user charges, fees, and other local taxes. However, the capacity to generate OSR varies significantly across states and is often limited due to administrative inefficiencies and lack of autonomy.

Grants: These are funds transferred from the central and state governments. While they provide essential financial support, over-reliance on grants can undermine the fiscal independence of local bodies. An analysis indicates that "the generation of own revenue of the Urban Local Bodies to total grants was very low and comparison of own revenue to total expenditure also showed a large gap. This shows that Urban Local Bodies were heavily dependent on grants from the Central and the State Government"[42]

### **Comparative Fiscal Analysis Across States**

The fiscal capacity and performance of local bodies vary widely across Indian states. States like Kerala and Karnataka have made significant strides in empowering local governments through effective devolution of powers and resources. In contrast, states like Jharkhand and Odisha lag in this regard[43].

A comparative study notes that "State like Kerala, Karnataka, West Bengal, has devolved desired powers to Panchayats, at the same time, States like Jharkhand, Odisha lagging behind in the process"[44]

### **Need for Capacity Building and Financial Planning**

For local governments to effectively utilize devolved funds and generate their own revenues, capacity building is essential. This includes training personnel, improving financial management systems, and adopting modern planning and budgeting techniques.

The Planning Commission of India emphasizes that "strengthening urban local governments through capacity building and better financial management is identified as a key strategy for urban development"[45]

## Developmental Role of Local Self-Government Institutions (LSGs)

The 73rd and 74th Constitutional Amendments, which institutionalized Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively, mark a paradigm shift towards participatory democracy and decentralized governance in India. Enacted in 1992, these amendments accord constitutional status to LSGs and recognize them as the third tier of governance, thereby empowering them to play a pivotal role in local development, including sectors such as agriculture, health, disaster management, education, and welfare. The Eleventh and Twelfth Schedules of the Constitution list 29 and 18 subjects respectively that fall within the domain of PRIs and ULBs.

### Role of LSGs in Agriculture & Rural Development

Local Self-Governments are constitutionally mandated to promote agriculture and allied activities. Item 1 of the Eleventh Schedule lists "Agriculture, including agricultural extension" as a devolved function. LSGs facilitate the identification of local agricultural needs, dissemination of technology through Krishi Vigyan Kendras, and mobilization of community participation.

#### Watershed Management & Irrigation:

LSGs are actively involved in watershed development programs like the Integrated Watershed Management Programme (IWMP), now subsumed under the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY). They plan, implement, and monitor micro-watershed projects and minor irrigation schemes, promoting sustainable agriculture. This aligns with Items 3 and 4 of the Eleventh Schedule, which include "Minor irrigation, water management and watershed development".

#### Rural Employment:

Under Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA), Gram Panchayats are the principal authorities for planning and executing employment generation projects. They ensure wage employment while creating durable assets like check dams, rural roads, and ponds, hence enhancing rural infrastructure and resilience.

### Role in Health & Sanitation

The role of LSGs in health is enshrined in Items 23 and 24 of the Eleventh Schedule—"Health and sanitation, including hospitals, primary health centres and dispensaries". They ensure primary healthcare delivery, especially through coordination with the National Health Mission (NHM).

#### National Health Mission Implementation:

PRIs and ULBs are key stakeholders in the planning, monitoring, and implementation of NHM at the village and ward levels. Village Health Sanitation and Nutrition Committees (VHSNCs) under Gram Panchayats prepare local health plans, monitor Anganwadi Centres and Accredited Social Health Activists (ASHAs), and facilitate community-based maternal and child health interventions.

## Role of Local Self-Government Institutions (LSGs) During COVID-19 Pandemic

During the unprecedented crisis of the COVID-19 pandemic, Local Self-Government Institutions (LSGs) in India emerged as crucial actors in the public health and administrative response, particularly at the grassroots level. Their constitutionally mandated role under Article 243G (for Panchayats) and 243W (for Municipalities), combined with powers enumerated under Schedules XI and XII of the Indian Constitution, allowed LSGs to tailor interventions to local needs<sup>[46]</sup>. Their proximity to communities, existing social infrastructure, and intimate understanding of local dynamics positioned them as first responders across rural and semiurban India <sup>[47]</sup>

A critical component of the LSGs' pandemic response was the tracking and management of migrant workers. With the announcement of a national lockdown in March 2020, millions of migrant workers returned to their home states. In response, many Panchayats, particularly in Kerala, Odisha, and Bihar, collaborated with district administrations to register returning migrants, enforce mandatory quarantine procedures, and provide basic care facilities. Community-level quarantine centers, often housed in school buildings and public halls, were operated by Panchayats with support from local volunteers and health workers<sup>[48]</sup> (Kerala State Planning Board, 2021).

In the area of healthcare delivery, LSGs took a leading role in implementing testing, contact tracing, and vaccination drives. Coordination between Primary Health Centres (PHCs), Accredited Social Health Activists (ASHAs), and Panchayat representatives ensured that public health messaging reached remote villages. Panchayats initiated door-to-door awareness campaigns, addressed vaccine hesitancy, and deployed mobile health units, particularly for elderly and immunocompromised individuals. The active role of LSGs in identifying vulnerable households—including persons with disabilities and those living in poverty—enabled a targeted health and welfare strategy<sup>[49]</sup>

Further, LSGs managed relief operations and social protection schemes. They ensured the timely distribution of food grains under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) and facilitated direct benefit transfers (DBT) to economically distressed families. Panchayats and municipalities also operated community kitchens, providing cooked meals to migrant workers, senior citizens, and daily-wage earners. Village-level task forces, often constituted under Panchayat leadership, were responsible for monitoring compliance with containment rules, reporting suspected COVID-19 cases, and enforcing local lockdowns<sup>[50]</sup>.

The state of Kerala demonstrated a model decentralized response through its robust Panchayati Raj framework. Drawing upon lessons from previous public health emergencies such as the Nipah virus outbreak in 2018, Kerala's LSGs set up Rapid Response Teams, maintained realtime community surveillance, and coordinated with the state's Kudumbashree network (a large women-led self-help group system) to manage logistics, produce face masks, and run kitchens. Kerala's success in managing the first wave of the pandemic was widely acknowledged, with accolades from the World Health Organization (WHO) and international observers for its community-centric and decentralized governance model<sup>[51]</sup>.

In conclusion, the COVID-19 crisis served as a litmus test for India's decentralized governance structure. The capacity of LSGs to mobilize local resources, coordinate with health agencies,

and ensure participatory governance affirmed their relevance in disaster and health crisis management. Their effective response also highlighted the importance of strengthening institutional autonomy, funding mechanisms, and capacity building at the local level to better equip them for future emergencies. **Role in Disaster Management**

Although disaster management is primarily a state subject, LSGs play an indispensable role in local preparedness, risk reduction, and resilience-building.

#### Local-Level Preparedness

Panchayats and Municipalities are the first responders to disasters such as floods, cyclones, and droughts. Under the Disaster Management Act, 2005, LSGs are part of District Disaster Management Authorities (DDMAs), assisting in preparation of Village Disaster Management Plans (VDMPs), coordinating relief logistics, and community mobilization.

#### Building Resilience

Through convergence with schemes like Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME), MGNREGA, PMKSY, and local housing schemes, LSGs build infrastructure that reduces vulnerability to climate-induced disasters.

#### Role in Education, Women & Child Welfare

Education and welfare services are key areas of development, with LSGs playing a vital operational role in local implementation and monitoring.

#### Mid-Day Meal Scheme

Implemented primarily through schools under the supervision of Gram Panchayats and School Management Committees (SMCs), this scheme ensures nutritional security and increased school attendance. Panchayats supervise quality, procurement, and grievance redressal.

#### Anganwadis & Child Welfare

Under Integrated Child Development Services (ICDS), PRIs coordinate with Anganwadi workers, monitor child nutrition, and ensure convergence with health and education services. Items 24 and 25 of the Eleventh Schedule include "Women and child development" and "Social welfare".

#### Local Schools and Monitoring

LSGs often establish and manage local schools, allocate funds for infrastructure, and ensure teacher accountability. Community participation is ensured through School Development and Monitoring Committees (SDMCs) and Gram Sabhas.

#### Constitutional Framework & Devolution

The constitutional foundation for LSGs' developmental roles lies in:

- Article 243G: Empowers Panchayats to prepare and implement plans for economic development and social justice concerning the subjects in the Eleventh Schedule.
- Article 243W: Similarly empowers Municipalities in relation to the Twelfth Schedule.
- State Finance Commissions (Article 243I & Y): Recommend devolution of financial resources to LSGs, essential for developmental functions.

## **Innovations and Good Practices in Local Governance**

Local Self-Government (LSG) institutions in India have undergone remarkable transformation since the enactment of the 73rd and 74th Constitutional Amendments. Despite structural limitations, several states and districts have developed innovative models and best practices that serve as blueprints for effective decentralization and participatory governance. These innovations can be categorized into administrative excellence, digital governance, and community engagement.

### **Best-Performing States and Districts in Local Governance**

Some Indian states have established robust institutional frameworks and devolved significant administrative, fiscal, and planning powers to Panchayats and Municipalities. This has led to better delivery of services, increased transparency, and people-centric governance.

Kerala stands out as a pioneer in grassroots planning. Its People's Plan Campaign launched in 1996 institutionalized participatory planning through Gram Sabhas, enabling communities to identify development priorities. Kerala also introduced Gender Budgeting at the Panchayat level and empowered Standing Committees to oversee sectoral responsibilities.

Karnataka has demonstrated strong devolution in planning and fiscal transfers, especially through the Karnataka Panchayat Raj Act, 1993, which ensures the Gram Panchayats have control over sanitation, water supply, and primary education.

Sikkim has successfully integrated environmental concerns into Panchayat-level governance. Through community forest management and eco-tourism programs, local bodies have become agents of sustainable development.

Odisha's experiment with self-help groups (SHGs) like Mission Shakti in convergence with Gram Panchayats has led to improved outcomes in women's empowerment and financial inclusion.

### **Digital Initiatives: e-Panchayat and Smart Cities Mission**

The rise of digital governance has had a transformative impact on the functioning of LSGs. Through centralized platforms and locally adapted ICT tools, digital initiatives have enabled efficient service delivery, reduced corruption, and enhanced citizen participation.

#### **1. e-Panchayat Mission Mode Project (MMP)**

The e-Panchayat MMP, launched under the National e-Governance Plan (NeGP), provides Panchayats with software applications for planning, accounting, monitoring, and documentation. Notable components include:

**PRIASoft:** An accounting software facilitating financial transparency in Panchayats.

**PlanPlus:** Helps local bodies prepare participatory and need-based development plans.

**ActionSoft and AuditOnline:** Aid in monitoring physical progress and conducting real-time audits.

These tools improve inter-departmental coordination and allow stakeholders, including citizens, to access data on funds utilization and project completion.

## 2. Smart Cities Mission

Introduced in 2015, the Smart Cities Mission aims to enhance urban governance through data integration, e-services, and sustainable infrastructure. Urban Local Bodies (ULBs) have established Integrated Command and Control Centres (ICCCs) to manage utilities like waste, water, traffic, and surveillance in real-time. Cities like Pune, Bhubaneswar, and Surat are leading examples where digital ecosystems have improved urban living conditions.

### Role of Civil Society and NGOs in Strengthening LSGs

Civil society organizations and non-governmental organizations (NGOs) have become instrumental in reinforcing democratic governance and promoting inclusiveness in the functioning of LSGs. Their contribution ranges from capacity-building and social audits to advocacy and service delivery.

PRIA (Participatory Research in Asia) has facilitated training programs for elected representatives in Rajasthan, Madhya Pradesh, and Chhattisgarh, particularly focusing on women and marginalized communities.

SEWA (Self Employed Women's Association) has empowered informal workers to participate in municipal decision-making processes in Gujarat and Delhi.

In states like Jharkhand and Odisha, NGOs have conducted social audits of MGNREGA, uncovering irregularities and demanding corrective actions. These activities enhance public accountability and democratize developmental planning.

Moreover, civil society networks have played a critical role in climate governance, child rights, and public health awareness at the Panchayat level.

### Global Perspectives and Comparative Insights on Decentralization

#### Comparative Study: India vs Brazil, South Africa, and Sweden

Decentralization—the process by which central governments delegate powers to lower levels of government—varies significantly across democracies. India's model, primarily shaped by the 73rd and 74th Constitutional Amendments, created a formalized three-tier structure for rural and urban governance. However, when we examine this in comparison with countries like Brazil, South Africa, and Sweden, both strengths and shortcomings emerge.

#### India vs Brazil

Brazil operates under a federal structure with a high degree of autonomy granted to municipalities by its 1988 Constitution. Brazilian municipalities are constitutionally recognized as part of the federation, with financial and administrative independence. In contrast, Indian Panchayats and Municipalities, though constitutionally empowered, still face dependence on state governments for finances, functions, and functionaries<sup>[52]</sup>.

#### India vs South Africa

South Africa follows a cooperative governance model, where local governments are seen as equal spheres (not tiers) of governance alongside provincial and national governments. The South African Constitution (1996) ensures local governments are not subordinate but collaborate within the framework of intergovernmental relations<sup>[53]</sup>. Indian local bodies, while

constitutionally recognized, are often treated as subordinate extensions of state governments, especially in terms of fiscal and administrative autonomy.

### **India vs Sweden**

Sweden's model is based on strong local autonomy. Municipalities (Kommuner) in Sweden enjoy legislative authority, independent tax powers, and responsibility for essential services such as education, health care, and infrastructure. These powers are protected by constitutional provisions and democratic traditions that prioritize local self-governance[54]. Compared to Sweden, Indian local bodies have limited functional jurisdiction and often lack capacity, financial control, and infrastructure to deliver services independently.

### **Lessons India Can Draw from Global Best Practices Based**

on the comparative models:

**Constitutional Clarity and Fiscal Autonomy:** Like Brazil and Sweden, India must strengthen the fiscal independence of local governments. Although Schedules XI and XII assign functions to PRIs and ULBs, actual control over resources is minimal[55].

**Institutional Respect and Devolution of Authority:** Drawing from South Africa's concept of "equal spheres of government," India can move towards making local governance bodies more autonomous and participatory rather than subordinate to the state executive.

**Capacity Building and Digital Integration:** From Sweden, India can learn the importance of investing in the administrative and digital capacities of local bodies. A tech-enabled governance mechanism at the grassroots level can reduce inefficiencies and enhance citizen participation.

**Citizen Participation:** Brazil's participatory budgeting and inclusive decision-making processes offer valuable insight into deepening democratic engagement at the local level, a process which remains limited and tokenistic in many Indian states.

**Data-Driven Governance:** Sweden's use of data analytics and local statistical systems helps shape policy in a responsive manner. India could replicate this model by enabling Panchayats and Municipalities to maintain local datasets for planning and implementation.

### **India's Position in Global Decentralization Indices**

India's position in global decentralization rankings reflects a mixed performance:

The Local Autonomy Index (LAI) ranks India below developed countries like Sweden, Germany, and Canada, primarily due to weak fiscal autonomy and state-level control over local bodies[56]. According to the Global Empowerment Index developed by the United Cities and Local Governments (UCLG), India's local governments score moderately in terms of political participation but low on financial independence and legal authority[57].

The OECD's Fiscal Decentralization Database indicates that while India has made constitutional provisions for decentralization, actual spending by sub-national governments remains heavily skewed toward state rather than local governments[58].

## **Challenges and the Road Ahead in Strengthening Decentralization in India**

### **Capacity Constraints and Lack of Trained Manpower**

One of the foremost challenges in India's decentralization framework is the limited administrative capacity at the grassroots level. Most Panchayats and Urban Local Bodies (ULBs) lack professionally trained personnel to handle functions delegated under Schedules XI and XII of the Constitution. The absence of full-time technical staff such as engineers, planners, accountants, and e-governance specialists seriously hampers the execution of schemes and service delivery.

The Ministry of Panchayati Raj has acknowledged in several reports that many Gram Panchayats function with minimal technical support, often relying on part-time or deputed state government staff who are neither accountable to the local body nor adequately trained<sup>[59]</sup>. In contrast, the success of decentralization models in countries like Sweden and Brazil is partially attributed to well-trained and adequately resourced local governance structures<sup>[60]</sup>.

### **Political Interference and Bureaucratic Hurdles**

Despite constitutional mandates, state governments and bureaucracies retain disproportionate control over local governments, limiting their autonomy. This often results in political interference in decision-making and implementation processes. Bureaucratic oversight—through District Collectors or state-appointed CEOs—frequently overrides elected representatives, reducing local governance to a formality.

The dominance of the state executive, especially in fund allocation, project approval, and appointment of officials, has led to what scholars term “administrative centralism under constitutional decentralization”<sup>[61]</sup>. Moreover, elections to local bodies are often delayed, and State Election Commissions lack independence, further undermining democratic processes at the grassroots.

### **Need for Constitutional Reforms or Stronger Implementation Mechanisms**

Although the 73rd and 74th Amendments provided constitutional status to local bodies, their implementation remains inconsistent across states. The lack of binding timelines and mechanisms for devolution of the 3Fs—functions, funds, and functionaries—leads to fragmented decentralization.

There is a growing academic and policy consensus on the need for second-generation reforms. Suggestions include:

- Making the State Finance Commissions (SFCs) more effective and accountable.
- Creating a statutory mechanism to monitor devolution.
- Granting constitutional backing to the recommendations of SFCs and District Planning Committees (DPCs).
- Codifying minimum service delivery standards for local governments.

Such reforms would require both constitutional amendments and stronger policy commitments at the Union and State levels<sup>[62]</sup>

### Strengthening Participatory Democracy and Fiscal Autonomy

India's local democracy has yet to achieve full participatory potential. Gram Sabhas and Ward Committees, intended as platforms for citizen engagement, are often underutilized or manipulated by local elites. The lack of awareness, low digital penetration, and social barriers further hinder community participation, especially among marginalized groups.

To strengthen participatory democracy, India must:

- Institutionalize social audits and participatory planning.
- Digitize Gram Sabha proceedings and budgets.
- Mandate citizen charters for local service delivery.
- Promote civic education and community monitoring tools.

On the fiscal front, local bodies continue to suffer from acute dependency on state grants, with limited authority to raise their own revenue through taxes or fees. According to the Reserve Bank of India, own-source revenue of rural and urban local bodies is less than 1% of GDP<sup>[63]</sup>. Empowering local bodies with financial autonomy is critical for decentralized planning, independent project execution, and accountability.

### Conclusion

Local Self-Governments (LSGs) have emerged as the cornerstone of participatory democracy in India, particularly after the landmark 73rd and 74th Constitutional Amendments, which institutionalized the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). The analysis undertaken reveals that while the constitutional framework has laid a robust foundation for decentralization, the practical realization of grassroots governance continues to face considerable challenges, including inadequate devolution of powers, financial constraints, bureaucratic dominance, and limited administrative autonomy. Despite the constitutional mandate under Articles 243G and 243W,<sup>[64]</sup> which entrust PRIs and ULBs with powers and responsibilities to prepare and implement plans for economic development and social justice, the actual transfer of functions under Schedule XI and XII has remained incomplete or superficial in many states<sup>[65]</sup>.

One of the key findings is the wide variance in the functioning and effectiveness of LSGs across states, primarily due to the discretionary nature of devolution granted to State Legislatures under Article 246 read with Schedule VII. Moreover, State Finance Commissions (SFCs), envisaged under Article 243-I, have not been able to consistently ensure fiscal empowerment of LSGs. Likewise, State Election Commissions (SECs) under Article 243K often lack the institutional strength to conduct free, fair, and regular elections at the local level. These shortcomings have hindered LSGs from becoming fully functional democratic units, despite their constitutional status.

### Policy Suggestions for Enhancing Effectiveness of LSGs

To address these gaps, several policy recommendations can be proposed. Firstly, a uniform and binding framework for the devolution of functions, functionaries, and finances—the '3Fs'—should be enacted through either central guidelines or model state laws. While the Constitution grants states flexibility, this flexibility must not translate into indifference or centralization.

There must be a time-bound roadmap for transferring all 29 subjects listed in Schedule XI and the 18 functions under Schedule XII to the respective rural and urban local bodies, tailored to local needs but with central oversight.

Secondly, the functioning of State Finance Commissions must be institutionalized and professionalized. The recommendations of SFCs should be made binding in nature, or at least require mandatory discussion and justification in State Legislatures if not accepted. This would mirror the binding nature of the Central Finance Commission's recommendations under Article 280, thereby ensuring a level playing field for local governments[66].

Thirdly, capacity building and human resource development must be prioritized. Local bodies require not just elected representatives but also trained personnel to carry out development plans effectively. Establishing dedicated training institutes and incorporating mandatory training for elected officials can bridge the governance and execution gaps. Furthermore, leveraging digital governance and technology-driven platforms can enhance transparency, accountability, and service delivery in both PRIs and ULBs.

Finally, civil society and community-based organizations must be encouraged to participate in local governance. Social audits, participatory budgeting, and citizen feedback mechanisms should be institutionalized within the functioning of local bodies to ensure genuine grassroots involvement and responsive governance.

### **Vision for the Future: Local Governments as Engines of Inclusive and Sustainable Development**

Looking forward, the vision must be to empower local governments not merely as administrative units but as democratic institutions of self-government, as originally envisaged by Article 243[67]. In a country as diverse and vast as India, centralized governance models are inherently limited in their responsiveness and adaptability. LSGs, if empowered and respected, can bridge this gap by acting as localized engines of inclusive growth, tailored to the unique socio-economic and cultural realities of different regions.

The role of local governments should extend beyond delivery of basic services to active involvement in areas like environmental conservation, sustainable agriculture, primary healthcare, disaster preparedness, urban planning, and digital innovation. They must become facilitators of the Sustainable Development Goals (SDGs) at the grassroots, in partnership with state and central governments. This requires redefining the relationship between various tiers of government—not in hierarchical terms, but through cooperative federalism and subsidiarity, as implicit in the Preamble's vision of Justice, Liberty, Equality, and Fraternity.

Ultimately, the success of decentralization depends not just on formal structures but also on the democratic culture that surrounds them. Regular elections, financial independence, functional autonomy, and institutional capacity are essential, but so are political will and civic engagement. By truly implementing the spirit of the 73rd and 74th Amendments and respecting the autonomy of LSGs, India can unlock a model of governance that is not only democratic and inclusive but also sustainable and future-ready[68].

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