
UNIT 3 CONTEXTUAL DIMENSIONS OF DEMOCRATIC DECENTRALISATION-II: SOCIAL, ECONOMIC AND GEOGRAPHICAL

Structure

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3.0 LEARNING OUTCOME

After studying this Unit you should be able to:

- Understand the concept of decentralised administration;
- Throw light on the Constitutional context of decentralisation; and
- Highlight the contextual dimensions of decentralisation from the point of social, economic and geographical.

3.1 INTRODUCTION

*The concept of **Democratic Decentralisation** has become fashionable in modern economic and political theories for political restructuring and for fashioning new strategies for economic development. The term is however is not of recent origin. It has been much discussed and debated by writers, social reformers, political philosophers, modern pluralists and liberal socialists. Democratic decentralisation has been described by various names in India such as ‘ functional democracy’ ‘ grassroots democracy’, ‘ building from below’. Panchayati Raj’ etc. (Malik, 2004). Strictly speaking, the term ‘ decentralisation’ does not necessarily contain a democratic connotation; hence the adjective ‘ democratic’ is used to impart a special meaning to the term. It is democratic in the sense, that the source, from which power is decentralised, has its democratic base and the body to which power flows is also democratically organised. The meaning of democracy is that people may determine the whole process of rural development, right from the formulation of policies to implementation and evaluation.*

However, much more importance has been assigned to democratic element in all of them than to its development aspect. The concept of democratic decentralisation in the Indian context has mostly been associated with the Gandhian philosophy of non-violent social order consisting of self-sufficient village republics”

Centralisation according to Mahatma Gandhi, “as a system, is inconsistent with the non-violent structure of society” (Harijan, 18, January, 1942). Since centralisation cannot be sustained and defended without adequate force, he suggested that, if India were to evolve along non-violent lines, it would have to decentralise. Mahatma Gandhi regarded it as essential for restoring order in the contemporary period of change and conflict, political instability and inefficiency in administration. It would be apt to say that in the absence of a viable economic policy, the alternative is to examine critically and dispassionately, the Gandhian economic and political ideas. These provide, to a great extent, a rational approach to our problems of national reconstruction and regeneration. In this Unit we will discuss the contextual dimensions of democratic decentralisation, particularly, social, economic and geographical.

3.2 SOCIAL CONTEXT OF DEMOCRATIC DECENTRALISATION

There is an attempt at concretisation through institutionalisation, of grass roots democracy. The theoretical ideology is ‘institutionalisation’ or ‘social construction’ through ‘agent-structure’ interaction. The premise is that human behaviour is not an independent variable in the social scheme of things, but is rather conditioned by the environment. ‘Environment’ is a generic term, which includes, broadly, the social, political, legal, administrative and economic environment that generally conditions the way we think and perceive, broadly, implying culture. If human behaviour were indeed a ‘dependent variable’, as professed by the ‘institutionalist’ sociologists, introducing the right structures in the social domain, would impact on the pattern of socialization and consequent internalization of values, thus modifying behaviour desirably, over time. Structure-agency viewpoint is primarily accredited to eminent sociologists like, Talcott Parsons, George Simmel and Robert Elias, though there has been much development accredited to modern sociologists such as George Ritzer and Nicos Mouzelis et al. In the Parsonian scheme of things, institutionalisation is described, “both as a process and as a structure”. The process is described as per the following steps or developments in social behaviour: a) actors with different orientations find themselves in situations where they must interact; b) their orientation stems from their ‘need structure’ and how the same is conditioned/influenced/determined by the cooption of cultural values on their part (from their social environment); c) through specific interaction processes, ‘norms’ emerge which guide subsequent behaviour, while actors adjust their orientation to each other; d) such norms emerge as a way of adjusting the different orientations of actors to each other to find a (common) ground for mutuality, but is constrained by the general cultural environment; e) in turn, however, these norms get established and regulate subsequent interaction giving ‘behaviour’ stability; thus bringing about desired change; though the extent or degree of such change could not be predetermined/anticipated (Roy, 2004). This theory belongs to the generic field of *social ontology*. Social ontologists attempt to inquire into the cause- effect phenomenon that orders social relations. Accordingly, in time, it is believed, that with local self government institutions in the villages promising equal opportunity in matter of membership to the socially and educationally backward and powerless segments in the social matrix, the traditional oligarchic/feudal social order would in time give way to a more equalitarian and

democratic social order. This would effect, what is referred in sociology as ‘social construction.’ Hence, there shall be a Gram Sabha in each village level exercising such powers and performing such functions at the village level as the legislature of a state may provide by law. The idea is to impart people “voice” in governance related matters at the local level in a form that is akin to direct democracy as has not been attempted until now. The attempt at democratic decentralisation marks a paradigm shift from a passive to an active democracy, where people participate in and actively articulate their concerns on a day-to-day basis, rather than express ‘choice’ once in five years and thereafter remain dormant, till the next state or central elections beckoned. Hitherto, large masses of the people who reside in villages had been left unaffected by the fruits of democracy for the simple reason that the accountability and responsiveness of administration and the political masters could not be enforced at the local level, where most of the development effort and fruits are concentrated. This well nigh negated the plan effort, since targets remained unmet, largely due to ineffective implementation of development policies and fraudulent practices on the part of government functionaries that went unreported and unscrutinised. Physical proximity would lay open officials to public scrutiny, both by lay people who are more likely to know and thus question wrong, or willful omissions on the part of government officials and claim their right in schemes, and by the voluntary organisations that have been active in the country side in the recent past. The hypothesis that physical distance is directly correlated to responsiveness and efficiency of administration; would be tested in the coming years. The idea distinctly draws upon the ideal of Swaraj or self-governance in that the attempt is empower sovereign people to take the lead in matters that concern them so that they are effectively addressed, rather than rely on a distant government, be it the State Government or the Central that neither has the time and allegedly, the inclination to inquire into their everyday concerns; more so in the present era of globalisation and liberalisation, where the yearly budget allocations suggest distinct shift in emphasis from rural development to commercial concerns. However, major lacunae in this regard would be lack of literacy among the rural masses, which greatly compromises their right to question. For provisions like right to information to yield expected benefits, it is imperative that literacy campaign be given an urgent fillip. Provisions for “Gram Sabha” (village assembly) as an institution for ‘direct democracy’ existed in majority of Indian states like, Gujarat, Karnataka, Maharashtra, Orissa, Punjab, Uttar Pradesh, Himachal Pradesh, etc; there is a statutory provision for Gram Sabha. On 26th January 1963 the Ministry of Community Development and co-operation set-up a study team on “the position of Gram Sabha in Panchayati Raj Movement” under the Chairmanship of Shri. R.R. Diwakar, a former member of Rajya Sabha and a Gandhian Diwakar Committee report revealed, “Our experience is that even in those states where the institution of the Gram Sabha has been introduced by statutes as 1947, it cannot be said that the institution had been functioning there in any real sense of the term. Generally, these Gram Sabha meetings are thinly attended and quorum is seldom achieved” Though the team put forward recommendations to review Gram Sabha, no such move has taken place in improving the position of Gram Sabhas in the country. In January 1964, the then Union Minister of Community Development, Co-operation and Panchayat Raj admitted at the All India Panchayat Parishad Seminar, “We know that in spite of statutory provisions, members of Gram Sabha are not taking interest in the deliberations of this body. This is the experience all over the country”((Rajneesh, 2002).

Continuing, in the same vein, reservation of seats for SC/STs has been provided in proportion to their population at each level. Not less than one-third of the total membership has been reserved for women and these seats may be allotted by rotation

to different constituencies in a Panchayat. Similar reservations have been made in respect of the office of Chairman also. This is a direct intervention in the social order through constitutional guarantee of equal opportunity, since democratic institutions, superimposed on a traditional feudal social order would work contrarily, to empower the rich and the *enabled sections of society*. *Desired social construction would only expectedly and predictably, be a gradual process*. It has been realised that there is a need of empowering the people, especially the disadvantaged sections of the society. Participation has a goal, which the community commonly shares. This common sharing makes the members of the community come together to take collective action to achieve the common goal. The goal sets the parameters and defines, in different situations, which the participants are? The roles different participants perform depend upon their capacity and capability like skills, technical knowledge, formal position, education, control over funds, and connection with those in power.

Weaker sections of the society have also been given an opportunity to get elected to the posts of Adhyakshas and Upadhykshas. If this provision were not made in the Act, the disadvantaged groups would have been reduced to mere numbers, having no great say in decision-making process. There should not be mere participation but empowerment should be entrusted to poor people. Arvind K.Sharma rightly mentions:” This reappraisal attributed poverty not just to a violently iniquitous distribution of wealth and resources but equally to an oppressive system of governance in which power was unequally distributed. This, it was asserted, prevented the majority from participating in the political process; and therefore this majority has no opportunity to influence the decisions, which affect them. The silent majority remains an object of development, not its agent”(Sharma, 1996).

Experiments with local government have ended in chaos and bankruptcy; ‘ decentralised’ structures of administration only act as a more effective tool for centralizing the power; these are at best regional and district committees in which government officials make decisions while the local representatives sit silent; village councils where local people participate but have no resources to allocate (Bhargava and Raphael, ———). The social hierarchy makes the powerful participants active and others passive. This affects participation in favour of those have the power to make decisions for others. The poorer groups, who are generally the most affected by the development process, are the least endowed and least powerful. The poor are automatically excluded from the participation process. Decision –making is the first step in the development process. Therefore, a key objective of participation is to find out ways to include the hitherto neglected groups, who are directly affected by the negative impacts of development in the decision- making process. Participation is a process of giving weightage to the poorer groups in the development process so that they may have say and control over decisions, which affect their lives; participation is a process of empowering the poorest. The indicator of genuine participation is the extent to which the poorer groups have power over decision-making and over resource management.

Status of women especially in rural villages is pathetic. Even after 60 years of independence, the grassroots reality is something else from what the official papers say. Their participation is still in proxy in majority of cases because of socio- economic cultural reasons based on certain customs and values. Apart from voting in the elections, 80 per cent women don’t have any experience of active politics. They had contested mainly to satisfy the urges/commands of their family members or local leaders. Understandably, they were particularly hesitant to express views that were contrary to or in opposition to the views expressed by dominant and powerful male members of the PRIs. Women’s participation

in the political process of development is of crucial importance from the consideration of both equity and development. India has also heralded the new millennium by following the year 2001 as Year of Women's Empowerment; nearly seven lakh women occupy positions as members and chairpersons of grassroots democratic institutions in India, following the reservation clause in 73rd and 74th Amendment providing one-third seats at district, taluk, village and municipal level for women in public life and large members have come forward to tackle the challenge of leadership at all levels of Panchayats. In fact, right from the days of the freedom movement the Indian women have been consistently encouraged to take part in the active politics. But due to the vitiated political milieu, resulting from increasing politicisation and criminalization of politics, the level of political participation of women has been a marked increase in the level of literacy and political awareness of women (Singh, 2000).

3.2.1 PRIs as an Instrument of Social Transformation

The 73rd (1993) amendment act provides reservations to the weaker sections of the society up to a minimum of 51 per cent of the total membership of the PRIs. The Scheduled Caste and Scheduled Tribe communities are statutorily elected to a minimum of 15 per cent and 3 per cent seats respectively. Another 33 per cent seats are reserved for the backward classes. Further, one-third of all seats, including the above reserved seats, have to be necessarily filled up by women. As a result, majority representation has been provided for the underprivileged sections, in order to undo the socio-economic handicaps thrust on them, in the traditionally exploitative society. These weaker sections of the society have also been given an opportunity to get elected to the posts of Adhyakshas and Upadhyakshas, in the same proportion. If the provision were not made in the Act, the disadvantaged groups would have been reduced to mere members, having no great say in the decision-making process. Due to their illiteracy, ignorance and social backwardness, they could not have mustered enough courage to stand up to the cause of their communities. Study has proved that the people have accepted the need for reservations in the PRIs, although it has been pointed out that the functioning of the Gram Panchayats, in particular, suffer a set back due to lack of strong leadership, on account of filling up of these posts through reserved categories. It is proposed to prescribe some eligibility criteria or minimum qualification to ensure that the elected Chairperson smoothly runs the administration. It is also suggested that these Adhyakshas and Upadhyakshas should be provided adequate training in leadership and communication skills.

The reservations proposed in the Act are proportionate to the population of the village. Numerically stronger communities, which had been hitherto governed by the dominant rural elite, have now gained confidence to realize their unorganised potential. Thus, for the first time the local governments have been transformed into a system of people's governance of themselves. As the programmes of rural development are aimed at ameliorating the conditions of the poor, ignorant and backward, the elected representatives, being part and parcel of these target groups, can empathise with their needs, aspirations and problems. They can also mobilize the prospective beneficiaries. To participate in the process of planning as well as execution they can, therefore, effectively initiate a process of bottom-up approach to development. Among the elected members of PRIs, we also find the emergence of younger generation, which is more enthusiastic and impatient in bringing about a social change.

However, the youth among the weaker sections have been represented in sufficient numbers and generally women above 40 years of age and men above 50 years of age

have been contested from the reserved seats. The older generation among the weaker sections is more submissive to the commands of the dominant classes and they are traditionally attuned to accepting injustice and discrimination. Hence, even if they are elected as Adhyakshas, they do not succeed in bringing about radical changes in the social structure, as contemplated by the Panchayat Raj Act. However, process of social change is always gradual. The State Government should ensure that it is steady and smooth.

The fresh legislations by the states include the reservation of seats for the office of Sarpanch for SC/ST and women. The Punjab Panchayati Raj Act, 1994 provides that not less than one-third of the total number of offices of Sarpanch of Gram Panchayats in the district shall be reserved for Scheduled Castes; and not less than one-third of the offices of Sarpanch shall be reserved for women including SC women. Some states like Bihar, U.P, Karnataka, M.P, Gujarat and Rajasthan have provided for the reservation for the office of chairperson for BCs, while in Punjab there is no reservation in the offices of Sarpanchas for Backward Classes. The offices reserved are to be allotted by rotation to different Panchayats.

Chandra B.P. Singh in his Article, "Institutionalising Panchayat System in India" in IJPA, Oct- Dec 1998, rightly examined the quality of leadership required in Sarpanch. After having been elected, a Panch as well as a Sarpanch is required to take an oath affirming faith in the Constitution of India, faithfully discharging duties and doing good to people without fear or favour, affection or ill will. This can be put to practice through appropriate leadership training and empowerment, especially in case of weaker sections.

Reiterating the theory of institutionalisation explained above Roy (2004) citing Mann (1985), explain it thus; "institutionalisation as a process means the gradual growth and crystallization of rules of behaviour in various social and organisational settings. Examples of institutionalisation include the routinisation of charisma and the gradual emergence of legal rational administration, or the process of state formation and associated civilizing processes, or the institutionalisation of class struggle, in modern societies through regulated union management bargaining and the competition of mass democratic political parties etc." Routinisation of charisma is a strong contradictory force to democracy, for which a legal rational system is imperative. However charismatic authority is so entrenched in social relations, especially in the countryside in India, that positive intervention is needed to replace it with legal rational authority. With the structural intervention, it is hoped mores would change, giving way to healthier tradition in due course of time. However political will for giving effect to these changes would be a crucial variable in the effectiveness of these structural interventions. Desired apocalyptic social transformation may not seem a far-fetched idea, if the logic of the process is understood. Man made systems should be attempted to be altered suitably if found working contrarily to social welfare.

Programmes for the Socially Weak

As per 1991 Census, the population of SC and ST is 13.82 crores and 6.78 crores respectively, accounting for 16.48per cent and 8.08per cent of the total population of the country. Further, the census data also revealed that *SC and ST children in the age group of 0-6 years constituted 19.63per cent and 20.18per cent respectively of the total SC and ST population.* This means that about one-fifth of their population belongs to this vulnerable and formative age group. The percentage of SC and ST people below the poverty line are much larger than those in the rest of the society as seen from the data collected from NSSO Surveys.

Nearly half (49.06 per cent) of the SC and one-third (32.69 per cent) of the ST main workers are engaged as agricultural labourers. Agricultural labour is characterized by seasonal and low-wage employment with high dependence on monsoon. 77.11 per cent and 90.03 per cent SC and ST workers were engaged in the primary sector of the economy, 9.83 per cent and 3.85 per cent respectively in the secondary sector and 13.06 per cent and 6.12 per cent respectively in the tertiary sector. However, considering the extent of poverty amongst SC and ST, it is imperative that the occupations in which they are engaged should generate sufficient income. While the work participation rates of male SC and ST workers are higher (51.48 per cent for SC and 54.74 per cent for ST) as compared to female participation rates (25.98 per cent for SC and 43.71 per cent for ST), the SC and ST female participation rates are significantly higher than that of their counterparts in the total population. The difference is even more conspicuous in respect of SC female workers. This only confirms that the SC and ST women have to work harder and in greater numbers because of economic compulsions.

Need for Substantial Functional Devolution

Professor S. Guhan argues that the provisions of 73rd Amendments strengthen administrative federalism in order to facilitate and encourage delegation of administrative and financial powers from the states to local bodies. The Eleventh Schedule lists 29 subjects that will involve functional devolution to the local bodies. Study of the subjects contained in the list suggests a motley- mix of functions, in respect of which requisite expertise would have to be developed at the local level. However, most authority and responsibility with regard to development administration, specifically the subjects lined up for devolution, has rested with the bureaucracy. The situation is not likely to change much if required expertise is not developed for successful accomplishment of allotted tasks. Another important factor would be willingness on the part of state governments to devolve the functions, which is essentially correlated to the former condition. Since, administrative powers to discharge the responsibilities are entirely derived from legislation that will have to be passed by the states, the ball is clearly in the states' court that could continue with the super ordinate bureaucratic predominance in this regard, if so be the intention. In the context of expertise, the constitutional amendment, notably, is silent on committees that nevertheless exist, though would have been considerably entrenched, had constitutional guarantee endorsed their status and position. Committees exist in most states at all three levels, however their number (varies from 2-5), composition, structure, scope and functions vary from state to state. The membership too leaves a lot to be desired. As regards the number of members of the standing committees, it varies from 2-6. As regards membership, in almost all cases, the members of the committees are to be elected by the elected members of the panchayats and in most cases, The Chairperson or the Deputy Chairperson of the Village Panchayat perform the duties of the chairperson of the standing committee (Bajpai and Verma, 1995).

Functional devolution without concomitant resource transfer is an exercise in futility. The state legislature have been given the power to authorize the Panchayats to levy, collect and appropriate suitable local taxes and also provide for making grants-in-aid to the Panchayats from the consolidated fund of the concerned state. A Finance Commission has to be constituted once in every five years to review the financial position of the Panchayat and to make suitable recommendations to the state on the distribution of funds between the state and local bodies. Though it remains a matter of concern that states that remain perpetually indebted to central governments may not really be in a position to aid local

governments in any substantial measure. Improving the financial position of state governments would thus be a prerequisite to strengthening urban and rural local bodies as institutions of self-governance.

3.2.2 Impact on Urban Sociology

As could not be denied, we are facing today, urban crisis as per the following:

- a) The massive of scale migration from mostly rural to urban centres as a consequence of ‘pull’ and ‘push’ factors and the fundamental right of the people to settle in any part of the country could not be overlooked. This coupled with ‘population explosion’ has posed a colossal problem for urban administration; much beyond the resources, which could possibly be mobilised to address the issues involved.
- b) Slums and squatter settlements have mushroomed where about 50 per cent of urban population lives in de-humanising conditions, especially the poor and the disadvantaged population, including women and children in particular. The combined phenomenon is referred to as ‘over urbanisation’ by sociologists, which denotes excess demand over capacity in urban areas which create problems of space and assimilation in the urban setting. To tackle the problem of mushrooming slums, “governments allot large proportion of scarce resources to social investment at the risk of productive investments” (Abraham, 2006). Quoting Hauser (1970), Abraham (2006) states that there further problems caused like “internal disorder, political unrest and government instability fed by mass misery and frustrations in the urban setting” and himself adds “inadequacy and ineffectiveness of infrastructures to plan for and provide health and welfare services, education, et al. To absorb the extra labour force, governments are forced to adopt labour intensive techniques of production, which hampers technological development in the country.
- c) Housing for all, as a basic human right, is a far cry despite government’s intervention by setting up housing boards, city development authorities, and other local–self government agencies. Unauthorised colonies come up, which pose serious hazards for the environment and difficult policy choices for the government. Environment of conflict creates disorder in that pressure groups develop around rational policy processes and press for vested interests. Subversion of the electoral process and rule of law and rise of particularistic demands are direct consequences of this state of disorder.
- d) Lack of essential services like potable water supply, sewerage and drainage, collection and disposal of garbage are the main cause of great health hazard to urban people and due to paucity of financial resources, urban administration has not been able to ensure proper sanitation, hygiene and healthy living for the urban people.
- e) Inadequacy of power supply, roads and bridges, transport, communications has come in the way of economic development of cities in many ways, particularly industrialization are called ‘the engines of growth’.
- f) Pressure of demand causes overexploitation of natural resources. Acute environmental degradation has occurred in many urban centres, particularly in the metropolitan centres having more than million plus population adversely affecting the health of people and threatening their very existence,
- g) Unsustainable urban development has also been the bane of urbanisation in our country arising out of inappropriate techniques, out-modelled and out-dated regulatory

measures, and lack of foresight and comprehensive perspective of development which have vitiated rural-urban balanced development, conservation of indigenous resources, ecological imbalance and destruction of nature.

- h) The problem of socio-economic exclusion of marginalized sections, such as women, children and the backward castes in economic development, post liberalisation is another sociological problem to be tackled via policy in these regards.

Urban sociology by above enumerated concerns characterises therefore, chaos and inhuman living conditions for the majority of the urban poor. The major issue at stake is improvement of urban infrastructure. Also, in an environment of deprivation, lawlessness and cultural deterioration are most likely to result. To pre-empt the undesirable social condition, the people need to be involved in 'choices' that concern them. Endorsing the point, to quote from the Economic Survey 2003-04, read in Thomas (2004), "international experience suggests that without reforms in the institutional framework for urban infrastructure, central of state level government funds directed into the urban sector will not have the expected economic or social returns. On the contrary, the urban sector, could make larger fiscal claims when faced with acute problems of infrastructure or poverty, and thus exacerbate India's fiscal problems. The institutional reforms are identified as follows:

- The strengthening of urban local bodies (ULBs) as provided under the 74th amendment to the constitution
- The strengthening and further diversification of community structures so that the people right down to the grass- roots level have representative bodies through which they can intervene in social and economic activity (GOI, 2004, *ibid*).

This may not be possible without strengthening the urban local bodies. First and foremost, there is need to strengthen their resource base to improve service delivery on their part. Charges on public utilities have been regressive in impact, that is, the poor have ended up paying more than the rich. The failure to collect appropriate user charges is actually failure to make the rich pay equitably for use of public utilities (The problem lies in how these services are run (Thomas, 2004). In the past when municipal, functions were few and the pressure on infrastructure was not that much, local bodies could meet the cost of water supply from general revenues, and property owners were assured of free water supply upto an agreed level. It has been hard to get the rich to pay in the first place and that at a heightened rate, because effective demand has gone up, as the quality of services has not improved and prospective payers have put service quality as a condition for more charge. However, quality can improve only when there are resources, and people have been unwilling to pay more creating a vicious circle of inadequate capacity and poor service. Also, as stated in the Tenth plan (2002-07), in small and medium towns especially, water supply and sewage services do not fetch sufficient revenue to cover operating expenses. There is no matching of revenues against expenditures. Collection efficiency is low; tariffs are low resulting in direct subsidy. Institutions dealing with water supply and sanitation have very little autonomy on personnel and financial matters. Information systems, necessary for effective management are generally lacking. Responsibility is shared between a multiplicity of agencies, namely the state level Board/ Department/ Corporation with little initiative coming from the ULBs. Funds from financial institutions like HUDCO depend on the state's willingness to share the project cost and guarantee the loan on behalf of the ULBs.

The 74th amendment increases the civic responsibilities of urban local bodies considerably by adding subjects to their list of functions (twelfth schedule). In view of augmented responsibilities, improvement of services cannot be affected without involving the local bodies in appropriate reforms and ensuring to them, the wherewithal, such as decision-making autonomy, resources, O&M improvement, wherever found insufficient. Some proposed measures in this regard are external assistance, involvement of the private sector and market finance and involvement of the community as active participants in governance. Another significant problem is that administrative processes are exasperatingly protracted and complex which can leave people frustrated and sceptical about their condition. There is therefore need for rationalisation and simplification of administrative processes to achieve better outcomes and also reduce corruption, which is bred on inefficiency. Importantly, peoples' participation could greatly reduce administrative hurdles (Chapter 6.2, GOI Tenth Plan, 2002-07).

The most significant means in this regard is the Right to Information act that guarantees access to the ordinary citizens to official information that had hitherto remained concealed in official files, coupled with e-governance initiatives for process improvement from the point of view of efficiency as also democratisation of the process through ensuring transparency.

The mid term appraisal of the tenth five year plan (2005) document reveals that a National e-governance plan is underway. The project involves the Department of Administrative Reform and Public Grievances and beneficiary departments. The objective is to overcome infrastructural inadequacies, reengineering the process to weed out outmoded procedures and make them user friendly, strengthening e-governance drivers, building institutions for capacity building and training and putting in place appropriate laws. Design applications would respond to citizen needs and aspirations, and systematic implementation of projects with the less complex preceding the more complicated processes.

As far as the question of 'social exclusion' is concerned, quality public education services and equal opportunity in employment to the girl child and children of deprived sections would be needed apart from effective say in administrative matters and political empowerment would be needed to counter contradictory historical pulls in this regard would be necessary. As per Kumar (2004) these sections have been ignored in the New Economic Policy. The author alleges that initiate has retarded in this regard since the state has chosen to withdraw from the social sector and has concentrated instead on corporate sector friendly policies.

The 74th amendment provides for reservation of one-third seats at level of local governance and one-third of all chairperson seats. As a result there are at present one million women representatives at the local level in India. The reason why women have not made it in sufficient numbers in political circles is that they do not constitute safe bets for political parties in a system where money and muscle power account for most gains. As read in the tenth plan (2002-07) document, studies of parliamentary participation suggest that women members participate more actively in women's issues- health, welfare, atrocities against women, crimes like dowry and violation of human rights. Hence, more women members would certainly give a boost to activism in these regards.

Decentralisation of Urban Administration

It is a potential means to promote the benefits of development for all, especially designed to. It enables better accessibility of local population to come in contact with the urban

administration to redress their grievances. It facilitates many working operations of administration. It also accounts for economy, speed and efficiency in administration closer to the people, which pave the way for greater public participation in urban development, which is a matter of vital significance.

Participation of public in urban administration is unavoidable and appropriate measures have to be devised and adopted. This can be done in the following manner:

The elected representatives of the people like the Members of Parliament and State Legislative Assemblies should be actively involved as has been provided for by the Constitution of India.

- The Non-Governmental Organisations should be provided opportunity to play their role more effectively by giving them necessary support and also assigning specific responsibility.
- As many people as is possible should be actively associated and kept informed of the administrative measures in order to enable the effective implementation for the benefit of the society. The concept of democratic administration, decentralised governance and public participation appear to be simple. However, as these are aligned to ideologies, systems of government and ethos of the people, much explorative work taking into account local problems, which may be unique, needs to be undertaken on the lines of observations having been made in the paper.

Recommendations in this Regard

It is not easy to frame a set of recommendations to tone up urban administration to be more democratic, decentralised and pro-people. However some salient points are proposed here for consideration:

- i) Accent on pro-people policies and programmes,
- ii) Accessibility of all sections of society, especially the poor and women should be ensured,
- iii) Affordability should be one of the main criteria for the various services, which should be user-oriented also,
- iv) Accountability to people should be the primary responsibility of administration, which can be fulfilled to a great extent by informing the people, motivating their cooperation, redressing their grievances, catering to their needs more satisfactorily above all developing a clean and transparent administration that could win their constant appreciation and confidence (Singh, 2004)

Assessing Civil Society Activism

These are healthy linkages, between the nuclear family at one extreme and the state at the other. This means civil society is of paramount importance for the democratisation process. At the same time, however, as clearly noted by a number of observers, civil society can have its own problems and negative consequences for democracy. Examples of these are excessive particularism, separatism, ethnic strife, pressure exerted by the state to conform its own policies to those of voluntary organisations, consolidation or alignment of existing elites within the voluntary sector thereby limiting the political impact of the latter. Indeed, in the face of these and similar hurdles in many Third World countries, the

road to a mature democracy is still full of uncertainties. One should be also aware of the fact that democratisation processes can take different forms following diverse historical traditions, and form different functions for different configurations of interests. Finally, it is worth noting that the form and the content of democracy cannot be determined abstractly beforehand.

The attempt in this amendment is to intervene proactively and reverse the negative historical trends; since one is encouraged by the fact that local self-governance is in fact rooted in indigenous culture in India, and thrived as a formal institution during the ancient historical period before the interregnum in the medieval age, when administration was highly centralised, till the present times when much emphasis is again being put on their empowerment. The continuum was impeded during the medieval and the British times, before the British decided to 'reinvent' local governance in India, though as per British tenets.

3.3 GEOGRAPHICAL CONTEXT OF DEMOCRATIC DECENTRALISATION

The UN definition of the term focuses upon the geographic dimension to highlight the centrality of popular participation in the 1960's. It is noted that effectiveness of any decentralisation scheme, especially from the point of view of participation and democracy, depends on the proper mix of differential degrees of both processes. Parker notes that "a successful programme of decentralisation will need to include the right combination of political, fiscal and institutional elements" (Parker, 1950).

Reliance on the Geographical Regions is Another Dimension

The greatest advantage is that it is well-recognized administrative unit or boundary offers an established frame of reference for the functioning of the different sector- activities, the administrative units concerning them and the institutional structure, which goes with them. Where scientifically, one may think of homogenous regions like water resources, forest resources, the mineral resources, one may also, and more practicably, have to think of the simple methods of bringing about inter- regional decentralised planning. This does not imply that the resource regions are to be ignored in the process. It is possible to synthesize them with a good decentralised planning set up. Where a district is found to be too large or where it is found to distort the urban-rural mix of population that is to be served by development programmes, bifurcating such a district into two can be desirable. One of the interesting examples is from Karnataka where two districts were created like the Bangalore District for notional proposes by the Planning Department; but later it was accepted on administrative grounds also.

Some have argued that a division may be taken as the level next to the State for decentralised planning. Some of the advantage claimed for the district as the unit is there for the division also. It appears that a division is more suited in some States. One way, is to allow the States to choose whatever they feel is more convenient— division or district. Removing imbalances is yet another important aspect. The approach has to take note of the characteristics of a region. The sub-regions in the districts are to be studied for developing the strategies " for correcting any intra-district imbalances must be emphasized that decentralised planning has to a great extent depended upon the regions which are in some way or other already carved instead of trying to do the exercise de novo in the first phase.

Another major but highly neglected issue is of rural-urban integration. Somehow, so far, even while using District Planning as synonymous with decentralised planning, the district plans are conceived as rural plans only. With the introduction of IRDP and other area-oriented schemes, the need to integrate the rural activities, particularly with the small and medium towns, has become a crucial issue. The small and medium towns, has become have to function as focal points for certain activities and for providing certain amenities including the marketing facilities or the banking services. In this context the working group on District on District Planning has recommended that the towns with a population of less than 10,000 should be treated as an integral part of the District for the purposes of over all planning and implementation of development programmes in the District.

On the contrary, there are the bigger towns with higher incidence of poverty and unemployment. There are implications for State level planning in view of a series of activities like warehousing, dairy, agricultural research, agricultural implements, industrial development, electricity generation and distribution, road transport which are implemented by certain autonomous bodies or other line Departments/ Boards. There are also the major plan schemes of the State sector which are to get located in one or more districts.

There can be the State as a whole as a unit of planning although the location of some of the activities do fall within the district some of them being of infrastructural nature and others of the nature of end products. The decentralised planning at the district will be incomplete if all these development programmes that are to take place within the district are not integrated with the other schemes of the district. This is all the more important when some of these activities provide the much needed linkages, supplying even infrastructure. The endeavour should be to develop suitable integrating mechanisms for bringing all these within the ambit of the decentralised planning at the district level. (Kumar, 2001).

As per the present arrangement, the extent of geographical area covered by each tier of local governance is quite substantial. There is the village panchayat at the village level, block panchayat for 100 villages, and a district council for a district comprising about 1000 villages.

The urban local bodies are of three grades: municipal corporations for cities with a population of more than 0.3 million, municipal councils for towns smaller than this and Nagar Panchayats for villages in transition to becoming towns.

3.4 ECONOMIC CONTEXT

Decentralisation has become necessary to ensure efficient and economical administration, speedy and realistic decision- making which is a prerequisite for a big and complex organisation like those involved in rural development. The number of decisions to be taken from time to time is so large and the points on which such decisions are to be mentioned are so many that it becomes a necessity to distribute decision-making powers among a number of field organisations or field institutions rather than concentrate them at the headquarters. This is expected to prevent the frequent emergence of bureaucratic bottlenecks, which bedevil highly centralised power structures.

Decentralisation can protect the individual against the threats from large, remote and impersonal bureaucracies, as well as provide a preparation and foundation for a healthy democratic society. Decentralisation is said to counter bureaucracy by restoring local autonomy and initiative in decision-making procedures. Decentralisation could also allow

better political and administrative” penetration” of national government policies into areas remote from the national capital, where central government plan are often unknown or ignored by the rural people. Decentralisation might allow greater representation for various political, religious, ethnic and tribal groups in development decision making that could lead to the development for greater administrative capability among local governments and private institutions in the regions and provinces, thus expanding their capacities to take over functions that are not usually performed well by central ministries, such as the maintenance of national capital. *Decentralisation can lead to more flexible, innovative and creative administration.* Regional, provincial or district administrative units may have greater opportunities to test innovations and to experiment with new policies and programs in selected areas, without having to justify them for the whole country. If the experiments fail, their impacts are limited to small jurisdictions; if they succeed, they can be replicated in other areas of the country (Meenakshi, 1994).

Economic Aspects (Financial arrangements and funding of PRIs, Rural Urban local bodies)

Economic decentralisation has not taken place in the true sense, because most of the rural development programmes are being carried out as centrally sponsored schemes. The PRIs have to act according to the directions of the higher levels in spending the money given to them. In the age of shifting paradigm of development from ‘ top-down ‘ to ‘ bottom-up ‘ approach, the recognition of local level realities is foremost on the agenda of developmental perspectives, The most critical element is that of financial resources, which sets the tone of flexibility in charting the course of socio-economic development. The economic survey, 1991-92 has rightly stated that the financial sector is the centre of economic activity; its health affects the entire economy (Govt. of India: 1991-92). A reasonable financial resource base and its flexibility for PRIs is a major constituent for ensuring grass-root democratisation of development process (Mukherjee, 1996).

The Ashoka Mehta Committee (1978) had observed that, part of the inability of Panchayati Raj institutions to come up to expectation lay in their weak financial resources.’ The Constitutional Amendments of 1992 for the local governments, so far as financial issues are concerned, have not pursued any good attempt to guarantee autonomy and freedom from the conventional godfather, the state government. Firstly, these amendments have not made a clear –cut finance provision for the lower tier as the Constitution has made for the centre-state fiscal divisions. The claim for financial betterment has been assured only by mere provision of the constitution of State Finance Commission, which cannot create resources but can make recommendations for distribution of the same amount in different propositions in a situation of financial deficit in either side. The second confusion it has allowed to continue in Indian local governments is on the d=sources of income in different states. It should have streamlined the income from specific sources to be appropriated for the local governments.

Financial Devolution is a must for PRIs

The State Government has ensured that the funds relating to the functions carried out by each tier are scientifically specified, through a formula of weightages, on the basis of population, agricultural backwardness and unemployment. As per Schedule- I of the Act, the GPs have been entrusted with the community development projects, while the TPs and ZPs have been given the specialized role of monitoring the regional imbalances in infrastructural development, as per Schedule-II and Seclude-III, respectively. The ZP,

which has adequate number of personnel for planning, monitoring and evaluation, has to play the role of co-coordinator for the entire district, through a mechanism of DPC. The DPC has to work towards the comprehensive development of the District, in order to tackle the rural-urban dichotomy, as well as directly under the State Government.

The study has shown that the PRIs have only 14 per cent of the total funds allocated by the State as united funds, which can be used for fulfilling local needs and priorities. The functionaries are therefore dissatisfied with insufficient autonomy devolved on PRIs. Moreover, the parameters of funding are also centrally defined and may not be suitable to the local conditions. The ZPs are totally dependent on the state and central funding. Even when they are able to raise their own resources through Horticultural/ fish Farms, etc., the same has to be deposited with the State, thus leaving no incentive for their enterprise and innovation. GPs are given powers to raise their own resources through taxes etc. The flat administrative grant of Rs. 1. lakh given to each GP is adequate for bigger GPs, where the electricity bills for water supply schemes and street lighting itself is huge. The GP tax revenue constituted 26 per cent of its budget, while the state governments grant from 57 per cent of GPs resources. The non-tax revenue is only 17 per cent. As GPs own resources are found to be having a potential for growth, the administrative machinery needs to be strengthened to realize the same. The PRIs by and large have been perceived as agencies for spending of government money. The budgeting is not linked with performance. Thus, the activities of rural development are not sustainable. It is proposed that not only should the PRIs be empowered to generate their own resources, but they should also follow the process of zero-based budgeting for achieving better results. At present, auditing of accounts at ZP, TP and GP is quite a laborious and rigid process. The initiative and creativity of the PRIs is killed due to rigours of accounting and reporting. At GP level, Gram Sabhas should be the ultimate instrument of social auditing. The GP secretaries should be encouraged to be development-oriented rather being paper-oriented.

Sources of Income of Local Governments in General

Here, local finance is dealt together, though there is qualitative difference between municipal finances and panchayat finances. Whereas the former relates to projects for urban agglomeration, with advantages of resource mobilisation, tax collection, tax realisation and utilisation and utilisation of funds, the latter has a lot of problems. The municipal finance is capital intensive; the local governments find some funds out of taxation and receive a large share from the state government by tax sharing, grants-in-aid and loans. Tax sharing must be on a flexible basis so that it can be followed year after year. Grants-in-aid may be fiscal need grants, conditional grants or matching grants. In the state as a whole, the regional disparities can be minimised by variation of the grant amount to different localities.

Against this background, the need for providing local self-governments a firm constitutional status became necessary and, after a great deal of effort, the 73rd and 74th Amendments have been passed providing constitutional status to PRIs and Urban Local Bodies (ULBs). Thus, the long cherished Gandhian dream of fostering local self-governments in India has come to be partially realized by the 73rd and 74th Amendments to the Constitution. However, it is necessary to mention here that the ULBs and PRIs do not enjoy the powers of a government, as they are not assigned any police powers. They are mainly local level institutions comprising elected representatives to identify, formulate, implement and monitor development and welfare programmes. Accordingly, the state governments are

required to pass necessary legislation to create ULBs and PRIs, and endow them with such financial powers and functional responsibilities, as they deem appropriate. The 73rd and 74th Amendments also require the state governments to these bodies in the form of tax shares, grants-in-aid, tax assignments, as also measures to improve their financial position.

In India, the 73rd and 74th Amendments to the Constitution have no doubt created fiscal federalism but there is a lot of vagueness in this framework. The provisions under these amendments do not specify clearly the expenditure functions and the revenue sources. Though they are mentioned in the 11th and 12th Schedules, the actual assignments are left to the state governments legislations. However, what is lost in the framework of fiscal federalism is to some extent gained in the provisions relating to the federal finance, i.e. transfer of resources from the state governments to the PRIs and ULBs. The 73rd and 74th Amendments provide for State Finance Commissions, which are expected to recommend periodically the financial transfers from the state governments to the PRIs and ULBs. The provisions relating to federal finance are much stronger and firmer ground than the provisions relating to fiscal federalism in the 73rd and 74th Amendments to the Constitution.

Coming to the specific focus of the emerging trends in local government finances, it implies that some new trends have emerged in recent years. But after studying the finances of urban as well as rural local bodies in Karnataka, any such new trends are not discernible in the horizon of local government finances. Before highlighting the financial problem of these institution, it is necessary to mention here that, on spite of the 73rd and 74th Constitution Amendments, all the state governments have not passed the necessary legislations and held elections to these local bodies, Further, though a number of states appointed the State Finance Commission to make recommendations on the financial transfers, many of them have not yet submitted their reports and, in the case of those State Finance Commissions which have submitted their reports, no tangible action has been taken on their recommendations. This would mean that some state governments have continued to remain as indifferent to the financial needs of the newly created PRIs and ULBs as they used to be.

It may be appropriate to examine first as what happened to the finances of these local bodies. Though the Panchayati Raj Institutions have not been continuously in existence, the ULBs have been functioning more often under the state government appointed administrators. They're economic and hence, revenue base has been much stronger because of the concentration of non-agricultural economic activity in the urban centres. But most of the state governments and even the central government tapped the revenue potential available in urban areas and used that money for large-scale investment in public sector, and poverty alleviation programmes in rural areas. Both the central and the state governments hardly gave sufficient money to the ULBs also provide even the basic minimum urban civic services to the people living there.

There is a feeling that ULBs can raise their own resources as they have rich potential tax base. But unfortunately the constitutional division of source of revenue has left very little for the urban as well as rural local bodies. The three direct taxes, which were historically recognized as local sources of revenue, namely, property tax and motor vehicle tax, are no longer with them. Motor vehicle and entertainment taxes have been taken over by the state governments and paltry compensatory grants are handed over to them. Property tax is made to yield as low revenue as possible by putting restrictions on the maximum rates,

which municipal bodies can levy. Thus the emerging trend in the finances of urban local bodies would be that the property tax will continue to be the only major source of revenue for ULBs. Users' charges may emerge but very slowly. Consequently, the financial transfers from the state governments will have to be substantial in the years to come. It is a happy augury that the central government has accepted its own responsibility for improving the finances of the local bodies by accepting the recommendations of the Tenth Finance Commission. We only hope that future National Finance Commissions will contribute to make recommendations to the central government to give a share from its own revenue.

There are a number of other suggestions made by experts to improve the finances of the ULBs, like creating income-yielding assets. But, with the existing rent control legislations and easy accessibility to civil courts, they have become unremunerative. The ULBs will have to depend upon property tax and user charges, and a substantial flow of financial resources from the state and central governments. However, it is possible to raise loan funds for capital works like water supply and underground sewage disposal through municipal bonds. But municipal bond financing requires some pre-conditions to be fulfilled. First, the municipal body should be financially viable to service the bond funds. Second, the funds raised through municipal bonds be excluded from the coordinated borrowing programme of the central and state government so that it becomes an addition in financing urban development plans. Third, it may be useful to give tax concession to those who invest in municipal bonds.

In regard to the PRIs, it is a dismal picture. The state legislations, which empower the three levels of PRIs, do not give any sources of revenue to the zilla panchayats and the taluk panchayats. Most of the local sources of revenue are assigned to the village panchayats. A major source of revenue for village panchayat is the house tax, corresponding to urban property tax. All other sources of revenue put together are inconsequential because they do not fetch much revenue, for example, fees on shandies, tax on bullock carts, bicycles, and licence fee for building houses or for holding entertainment shows. All these do not add up to much. But rural residential and commercial properties are fast developing, so much so that in some of the villages in states like Kerala, Haryana, Punjab, Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra and Goa, they are as impressive and fashionable as in urban areas.

Against this background, what are the lessons we learn for strengthening finances of urban and rural local bodies in India? There is a need to evolve a specific practical scheme of property taxation both for urban and rural areas. That should become an important source of revenue in the years to come. Second, identification of specific user's charges for the ULBs as well as for PRIs other than water rates is necessary. In other words, these ULBs should have an important indirect tax to meet their liquidity requirement. Third, both ULBs and PRIs should be encouraged to raise loans for creating income-earning assets. Correspondingly, the state governments should provide legal support by amending the existing laws regarding rent control and make it difficult for people to approach lower courts for frustrating the efforts of these local bodies from earning revenue from their assets. Fourth, it would be appropriate to encourage big urban centres, i.e. state capital cities, to become financially viable and raise funds through municipal bonds. The Government of India should treat any additional borrowing by the municipalities through bonds as an additionally and should not be treated as a part of their total market borrowings. So far the Government of India has not included them as part of the market borrowing. The treatment should continue notwithstanding the compulsion to reduce the overall fiscal

deficit of the governmental authorities. On the expenditure side, fragmentation of municipal functions should be avoided and all urban development-related agencies functioning independently should as far as possible be brought under the control of elected municipal bodies.

Financial Control

In the sphere of financial control, the following policy options and recommendations are given. *Firstly*, the approval of budgets of the gram panchayats by their respective gram sabha should be made mandatory, before the former adopts them. *Secondly*, the gram sabha should have the right to conduct a social audit of the expenditure of the gram panchayat and to call for any document of information from the gram panchayat. *Thirdly*, the requirement that the local governments should submit their annual budget for final approval of the state government should be removed. The elected bodies should have full powers to adopt their budget and also effect mid-term re-appropriations. *Fourthly*, the existing lack of arrangement to dovetail the annual budget of the local governments with the five-year development plan of the concerned area needs to be looked into. *Fifthly*, the budgeting and accounting at the local levels should follow the same format as is specified by the state government or comptroller and Auditor General of India. The adoption of performance budgeting and commercial accounting will considerably help planning and monitoring of expenditure execution.

Finance: Essence of Panchayati Raj Institutions

The essence of PRIs lies in the freedom of local self-government. The local self-government institutions enjoy in selecting their own course of development, planning for it and finding it independently and hiring and firing of their own staff under their own condition of service. “ For this essential objectives to be realised, it is necessary that they should have their sources of finances which should be assured sources not spending donations like grants-in-aid. And, secondly, they should have complete choice of spending these finances on such development and maintenance schemes as they way choose “(Girglani, 1994).

The finance has become the sine qua non of PRIs. Hicks (1961) has rightly observed, “ If local bodies are to play any sufficient part in economic and social development, they must clearly have access to adequate finance.” Jai Prakash Narayan also emphasised the need of sufficient resource and pointed out that, “in the absence of these resources PRIs cannot run administration properly”(Narayan, 1961). Panchayati Raj Bodies are institutions of local self government in the matters of economic planning and development as envisaged in the 73rd Constitution Amendment Act”(Girglani, 1994). Decentralised Planning is concerned with Panchayati Raj Financial Management Planning

Committees on Panchayat Finances

Various committees and commissions were constituted for suggesting measures for establishing financial autonomy of the Panchayats. In the light of these suggestions, the state have made appropriate provisions in their suggestions, the States have made appropriate provisions in their Panchayati Raj Acts (MahiPal, 1996).

Finance Enquiry Committee

In 1951, the Local Finance Enquiry Committee studied this problem and recommended unconditional assignment of 15 per cent of land revenue rose in the Panchayat area and

the proceeds of the surcharge levied on the transfer of immovable property to the Panchayats. Panchayats were also to be empowered to raise their own resources by levying certain taxes in their territories.

Taxation Enquiry Committee

In 1954, the Taxation Enquiry Committee recommended reserving certain taxes such as tax on property, tax on profession, tax on advertisement other than newspapers, theatre tax, duty on transfer of property, etc. for Panchayats.

Santhanam Committee

In 1963, this Committee strongly recommended that it was essential for stability and growth of these institutions to have substantial and growing resources, which were entirely within their power to exploit and to develop.

Ashok Mehta Committee

In 1978, the Ashoka Mehta Committee recommended that besides government support, Panchayats should mobilise enough resources of their own, as no democratic institution can continue upon external resources.

Singhvi Committee

In 1986, the Singvi Committee among others, suggested pattern of compulsory and optional levies. A list of subjects in respect of which powers to levy taxes and fees may be entrusted to PRIs with a provision that for given period, the State governments shall levy and collect on behalf of PRIs and shall disburse to them, on the basis of the recommendation of the Finance Commission in each State (Jain,1996).

Finance Commission

To ensure that its scheme is properly implemented, the 73rd Amendment mandates the establishment of a Finance Commission by each state, every fifth year, to assess the financial position of the Panchayats and to make specific recommendations on the following:

- a) The principles which should govern:
 - i) distribution between state and PRIs of the net proceeds of taxes. Duties, tolls and fees, leviable by the state,
 - ii) determination of the taxes, duties, tolls and fees, which may be assigned to, or appropriated by the Panchayats and
 - iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the state.
- b) The measures needed to improve the financial position of the Panchayats
- c) Any Governor shall cause every recommendation, made by the Commission under this article, together with an explanatory memorandum as to the action taken thereon, to be laid before the legislature of the State.

The State Finance Commission (SFS) appointed by the government of Karnataka, in its report in 1996, has suggested that 36 per cent of the own gross non-tax revenue shall be devoted on local bodies to be shared in the ratio of 80/20 between rural and urban local bodies (The State Finance Commission (SFS) was appointed by the government under the chairmanship of Dr. G. Thimmiah).

Issues Before State Finance Commissions

The state Finance Commissions have a crucial role to play in making institutions of local self-governance vibrant bodies by recommending resources in consonance with the functional allocations. Since they are in the process of developing recommendations, it may be pertinent to identify the issues, which are the important.

- How far is the distinction between plan and non-plan funds justifiable, especially in the context of division of finances?
- How should the state taxes, tolls, etc., divisible between the state and local bodies, be identified?
- Should such division take place tax-wise either on the basis of origin of collection or a formula?
- Should all state taxes, etc., identified for such division be pooled and devolved on local bodies on the basis of a formula?
- Should the net proceeds of all taxes, tolls forming what may be called the global income of the state be divided between the state government and the local bodies on the basis of a formula?
- If the net proceeds are to be distributed, how to identify the shares of the state and the local bodies?
- On what basis should the proceeds be divided between the urban and rural local bodies?
- What should be the basis for the vertical division between the three-tiers of panchayati Raj and also the division between different types of urban local bodies takes place?
- If the division was to be on the basis of a formula, then how to work out a reasonably good formula?

Prof. M.A. Oommen suggested that the finance commission should consider the following criteria while recommending the transfer of resources (Oommen : 1996).

i) Autonomy

The essence of decentralisation is self-rule and autonomy. The transfer mechanism in no way should result in a dependency syndrome. Fiscal discipline and own resource mobilization is the key to autonomy.

ii) Equity

The well-known dictum of equity, viz. from each according to one's needs is relevant in considering resource mobilisation and intergovernmental resource transfers as well. It should be noted that Panchayats at all levels are very unequal in size, resources and development attainments. Given the extreme regional disparities, decentralisation in such conditions can produce the desired results.

iii) Predictability

The PRIs should know the amount and timing of the transfers to make provision for planning, budgeting and implementation of their activities. Irregular payments are not

conducive to efficiency. Quite often it happens that allocations may not even be paid, resulting in overdue, which eventually may be permanently lost to them.

iv) **Efficiency**

The resource transfer should be so designed as to facilitate efficient management and discourage inefficient and uneconomic practices. The transfer mechanism should not turn out to be a “gap-filling” approach.

v) **Absorptive Capacity**

The resource transfer should be in tune with the utilisation ability (which includes availability of personnel) of the receiving Panchayat.

vi) **Simplicity**

The formula for transferring the inter-governmental resources should be simple and transparent.

vii) **Promotion of Incentives**

There should be adequate built-in arrangements for encouraging resources mobilisation and penalizing wasteful and uneconomic practices. Thus, there is an imperative need for the philosophy of decentralisation penetrating from the centre to the states. The freedom and autonomy of PRIs cannot be maintained only by political (democratic) decentralisation, although it is essential and it must precede (Noorjahan, 1996).

Amit Vardhan (1996).has rightly pointed out the problems pertaining to Panchayat Raj finance, which need to be examined in detail.

Lack of Will/ability to Impose Taxes

Taxes, in general, are compulsory payments for which no direct quid pro quo can be established, on the part of the tax imposing authority. The tendency is to evade paying them and hence, the need arises for tax-enforcement machinery. No such machinery is available to PRIs, They do not have the wherewithal to take action against those who do not pay their taxes. Moreover, potential taxpayers form the upper economic crust of the village population. These are typically powerful segments, from which tax collection is an uphill task

Poor Financial Position of the States

As regards grants-in-aid being provided by State governments, it has to be borne in mind that state government finances are themselves in a shambles. They have been running into huge budget deficits for years for years together.

1) **Tax Base is Narrow**

The tax-base in the form of property, profession, income, and vehicles is itself not very wide, given the low standards of rural living. Although, with time, poverty ratio has declined, yet the improvement in incomes and property has not reflected in substantial increases in tax collection by PRIs. The populist tendencies of the State and PRIs prevent a scientific revision of rates of taxes.

2) **Unfavorable Attitude of States**

It is commonly perceived that State governments have not given their due. There are countless instances of PRIs not having been constituted or constituted or superseded or

not given sufficient powers and authority to enable them to carry out their functions in any meaningful manner, The unfavorable attitude manifests itself in the meager amounts given to PRIs by State governments.

3) **Absence of Rural Industries**

PRIs raise funds through local enterprises. However, these are very limited in number and scope. Serious efforts have not been made to establish small-scale units on a co-operative basis to manufacture products based on local resources, or to go in for agro-based enterprises. Because of lack rural Industrialisation, there is not much scope for high taxation.

4) **Apathy of the Village Community**

Involvement of the village community is very essential for the successful functioning of PRIs. That has been sadly missing. This reflects itself in the low amount of voluntary contributions that are made to PRIs funds. In order to ensure and safeguard the financial autonomy of PRIs, they should be freed from relying on the united funds and encouraged to take to innovative resource mobilisation such as generation of income from entrepreneurial activities, project-tied loans, public contribution, tax sharing, tax assignments, matching grant incentives for tax collection etc. (Government of India, Tenth Finance Commission Report, 1994).

In sum, it may be argued that the success of the local bodies in India will largely depend upon the extent to which allocation of functions is matched with the resources within the principle of financial autonomy. Transfer of resources on the basis of the recommendations of the State Finance Commissions provides only one of the alternatives. In view of the decline financial situation of the state governments, this measure is not going to help in a long-term perspective; in particular, if the attitude of the state governments is passive. Therefore, local bodies have to plan for mobilization of internal resources. This process may not be restricted to the level of the villages all across India. If decentralization in India can more easily be achieved from top to bottom, it seems to be a logical consequence that local bodies also have to get organized as a powerful interest group at the national level.

3.5 DEMOCRATIC DECENTRALISATION: MEANS FOR GOOD GOVERNANCE

Good Governance⁹ has become a very fashionable concept in the literature on Political Science and Public Administration. It is also widely used by International Agencies such as the United Nations, the World Bank and IMF. The Indian Polity has also committed itself to the theory and practice of Good Governance. One of the main objectives behind the constitutionalisation of Democratic Decentralisation, popularity known as the Panchayati Raj through the 73rd Constitutional Amendment was to promote Good Governance in the rural local government system. It was hoped that this step would lead to efficiency, accountability, transparency and responsiveness in ensuring rural governance. It was also hoped that the new system of Panchayati Raj will not only ensure popular participation in the implementation of rural development programmes but will also ensure that the benefits of these reach the rural poor. The 21st century offers India the right opportunity to critically analyze, in the context of government, to meet the future challenge before the country (Geholt, 2005) This is possible only when the government of the day is prepared

to change its mindset, to cope with the fast pace of technological change, global competition and the emergence of knowledge-based economy. It is pertinent to recall, in context with the contemporary governance scenario, that value-based transparency is the pre-requisite of the good governance and this should happen right from the Centre down to the grassroots levels.

The World Bank has identified a number of aspects of good governance, which has assumed significance both for the developed and the developing countries. These factors deal with political and administrative aspects, which are as follows:

- 1) Political accountability.
- 2) Freedom of association and participation rule of law and independence of judiciary
- 3) Bureaucratic accountability
- 4) Freedom of information and expression
- 5) A sound administrative system leading to efficiency and effectiveness.
- 6) Cooperation between the government and the civil society organizations (Blunt, 1995).

Similarly, *'the new public management'* focuses on management, not policy and on performance appraisal and efficiency. It deals with converting public bureaucracies into agencies, which deal with each other on a user-pay basis (Lane, 1995). If we want to have good governance we have to make bureaucracy responsive and ultimately democratic decentralisation can achieve. The bureaucracy has become an inevitable part of Indian public administration, as civil servant is meant to execute and implement government policies, especially those meant for the deprived sections of the society.

What has been wrong with the accepted concept of democratic decentralisation, popularly known as the Panchayati Raj, particularly before the 73rd Amendment to the Indian Constitution?

- The pattern of Panchayati Raj was not uniform throughout India, as each state had adopted a pattern suitable to its own political administrative conditions.
- While these institutions took root in a few states and made a significant impact in an embryonic stage and all energies were exhausted simply to keep them alive in most of the states.
- Its working indicated that these institutions were not equipped with adequate powers and resources.
- The bulk of their budget consisted of the grants provided by the state government for the schemes chalked out by the state or the central government in the making of which they had no role, this adversely affected their performance in the field of development.
- Conflict, tensions and clashes between officials and non-officials on petty matters were a common feature.
- Power was nowhere transferred to the people in reality.

3.6 CONCLUSION

The tenets of democratisation and the democratic process are not particularly new. In certain parts of the world, especially in Western Europe (with the exception of Germany, Spain and Portugal during substantial parts of the 20th Century) and North America, democracy and the democratic process have been internalised in the values and norms of society, and as such they are accepted as guiding principals of the day- to-day politics and administration and with adequate measure of success. But the democratisation process has been gathering renewed momentum in recent years. It is at the forefront of the academic and institution building debates since the early 1980's— a decade that marked the end of the communism in Eastern Europe, and the Soviet Union and the parallel rejection and / or decline of authoritarian and one –party regimes in various Third World countries. In a sense, it is a normal process associated with democracy and the democratic process to the nations in Eastern Europe and the Third World.

In a nutshell, we can say that with all the dimensions and variables Decentralisation in the institutional form of Panchayati Raj, however, came to stay in this country. Political parties penetrated the PRIs, making them subservient to the upper echelons of an integrated political structure. This proceeded from above and was not built from below as conceived by Gandhi. Although the 73rd Amendment to the Indian Constitution has not only accorded a constitutional status to the PRIs, provided for a uniform structure of Panchayati Raj in all the states, listed the powers to be given to the PRIs, made provision for the establishment of Finance Commission in every state, but also made provision for reservation of offices and membership to the scheduled castes in accordance with their proportion in the population of the state. In fact, there has been no real change in the character of the PRIs.

There have been merely formal changes in the context. There has neither been transfer of powers nor that of resources. The women and the scheduled caste have not been empowered because of their lack of participation in the decision- making process. This democratic decentralisation, which is prevalent in India, is neither democratic in character nor decentralised in substance. Moreover, it functions in a highly impersonal and bureaucratic manner. There is yet no model of polity, which has a built-in process of decentralisation that generates people's power to decide their own fate over a wide range of activities.

When the 73rd Constitutional Amendment Act came into vogue, there was a sense of devalue among the ardent admirers of democratic decentralisation in the country, if not among the people at large. After all the demand for according constitutional status to the Panchayati Raj Institutions (PRIs) was more than a quarter century old. It was a bold step, we were made to believe, and that not only would ensure the continuity of PRIs but also make the country move steadily towards genuine democratic decentralisation. Above all, the quota system introduced to ensure the representation of marginalized communities like the SCs, STs and women in general in the PRIs was perceived as an added commitment of the political elites to the cause of participatory decentralisation. By all means, it was the first serious attempt, we were told over and over again, to expand the social base of the representative democratic system in the country.

The impact of these measures was, however, limited; a large majority of the states did not accept the recommendations due to a variety of reasons. The functioning of the Panchayats continued to be ineffective. Even in the states where they were performing better, they worked as bureaucratically- controlled, state-funded delivery arms of the

government, with only a semblance of democratic structure. The urge to revitalize these bodies and to bring about a responsive administration, however, became prominent in the 1990's in the context of streamlining the poverty alleviation programmes. This culminated in a major policy initiative in terms of providing a constitutional status to the local bodies. It was felt that the Constitution must provide for a mandatory set-up for the PRIs, based on holding of periodic elections to these bodies, provision of reservation for the weaker sections including women and mechanism to provide financial assistance to them on a regular basis. This was ultimately achieved through the 73rd Amendment to the Indian Constitution in 1993 (Mukherjee, 1994). The Constitution 73rd Amendment was a landmark in institutionalizing popular bodies (PRIs) from the village to the district levels to enable the community to participate in planning, deliberating and implementing programmes and projects for its development. This amendment gave specific mandate to the state governments for the establishment of a three-tier structure of Panchayati Raj and to take steps, which will ultimately enable them to assume the role of self-governing institutions at the micro and meso levels of administration and pursue towards the true democratic decentralization.

3.7 KEY CONCEPTS

- Affirmative Action** : A term that first meant the removal of “artificial barriers” to the employment of women and minority group members; now it refers to compensatory opportunities for hitherto disadvantaged groups – specific efforts to recruit, hire, and promote qualified members of disadvantaged groups for the purpose of eliminating the present effects of past discrimination.
- Charter** : Local government’s equivalent of a constitution.
- Equality** : The idea that all persons have an equal claim to life, liberty, and the pursuit of happiness.
- Cooperative Federalism** : The notion that the national, state, and local governments are cooperating, interacting agents, jointly working to solve common problems, rather than conflicting, sometimes hostile competitors, pursuing similar or possibly conflicting ends.
- Agent** : The theory of institutionalisation does not believe in independent agency, but conditioned responses to prevailing cultural norms. Since social behaviour is a dependent variable, one could inquire into causes of a phenomenon to know what guides it and then attempt to modify it by suitable structural interventions.
- Structure** : As per the theory of ‘institutionalisation’ structure is the innovation introduced into a system, which brings about changes in the ‘agent’ over a period of time. The theory does not believe in independent causation of any social phenomenon or norm. There are attendant variables which guide social norms and which could

be manoeuvred in appositive sense to get desired results.

- Charismatic authority** : Max Weber talks of three kinds of authority systems: Traditional, Charismatic and Legal Rational. Charismatic authority stems from personal magnetism of the leader or any remarkable or outstanding achievement to his credit, which draws people to him. Such authority is ascribed to the leader by the masses that adore him and does not stem from any legitimate position he holds by virtue of merit secured through established process.
- Legal- Rational authority** : Legal-rational authority is a precondition according to Weber for modern governance. Here, authority accrues, not because of any ‘ascriptive’ criteria, such as tradition or personal magnetism but due to position acquired on the basis of merit and is therefore ‘legitimate’.
- Routinisation of Charisma** : In developing countries, which are in a “prismatic” stage of development, legal rational institutions become a means for legitimisation of charismatic authority, which is ‘ascriptive’ in nature, nevertheless effective. For example, a Prime Minister dies and his son ‘succeeds’ him and is subsequently elected through the modern democratic process. The concept is attributed by sociologist, Max Weber.
- Over Urbanisation** : Over urbanisation perspective is based on the assumption that urban population in developing countries is too large in relation to the level of economic development, which creates shortfalls in absorptive capacity of cities. This happens during early low stages of industrialisation, where there is excess out- migration from surrounding areas into cities, but the economic base is too weak to absorb the influx. Most cannot find employment, which give rise to a host of administrative and economic problems, which breed sociological problems in the long run. Communal riots, caste conflicts and other forms of deviant behaviour are some examples.

3.8 REFERENCES AND FURTHER READING

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3.9 ACTIVITIES

- 1) Discuss the concept of democratisation and decentralisation.
- 2) Highlight the contextual dimensions of decentralisation from the point of social, economic and geographical.