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Decentralization and development: Indian experience

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Abstract

Concept of development is measured in terms of Human Development index, encompasses human capital factor and enhancement of human welfare. Implementation of human welfare is indicated by standard of living, education level, health condition and environmental quality. In a context where all those need to be integrated and provided by the government, governance assumes importance. In democratic governance, people's participation is regarded as most prominent for development. In this context decentralization approach to integrate the diversified factors for better development would be useful.

Keywords: Decentralization, Development, Local bodies, Welfare.

Introduction

Concept of development is measured in terms of Human Development index, encompasses human capital factor and enhancement of human welfare. Implementation of human welfare is indicated by standard of living, education level, health condition and environmental quality. In a context where all those need to be integrated and provided by the government, governance assumes importance. In democratic governance, people's participation is regarded as most prominent for development. In this context decentralization approach to integrate the diversified factors for better development would be useful. Decentralization is a process where it can be viewed from different ideas of political, economic, social point of view. If political, the powers are distributed or shared from the centralized power. Decentralization has emerged out to be an effective means of achieving higher growth of Gross Domestic Product in both the developing and developed economy. In the recent years it has come to be advocated for improving efficiency in the use of scarce resources to achieve higher growth of GDP. Further, it is also realized that people participation in decision making and self-supporting appropriate institutional agencies, for multi –sector project co-ordination are the basic elements of various development program in the grass root level developmental activities. With these backgrounds the main objectives of the paper are analyzed.

Objectives

The main aim of this paper is to evaluate decentralization as an appropriate approach for integrated development for diversified context. The specific objectives of the paper are:

1. To review the literature on decentralization and development.
2. To analyze the Indian experience of decentralization.
3. To examine the performance of local bodies in India.

Methodology

The paper intends to provide a critical discussion on decentralization and development followed by decentralization in India and finally examines the performance of rural an urban local bodies. Performance of local bodies will be asses in terms of their structural transformation, role analysis and fiscal management.

Decentralization and development

During the past decades several new expressions in development have increasingly come into usage to signify the different approach to development. Some of these are like top –down planning, planning or development from below or bottom- up planning, micro planning or multi level planning. These developments are not without significance. They have followed in response to some changes that have occurred in the orientation and structure of development over the years. This can be termed as “*Paradigm shift*”. This made to bring concern on developmental accept from different views it can noted that development will be analysed from economics, social, political, technological, cultural etc. point of view. In this context it can be

linked to decentralization, people participation, target groups which got the significance in this paper.

After reviewing the major role played by local forces and spatial proximity in shaping economic development has increasingly led to the decentralisation of decision-making. In this area as a matter of fact, some countries have recently opted for federalist state structures according to different degrees of decentralization, such as Italy and Spain, when universally analysed the process of devolution has emerged after a long-standing tradition of centralised government, as in France, UK and some developing countries. Moreover, countries such as the US, Australia and India have experienced a revival of devolution, whereas decentralized states have been characterized by a more concrete push towards devolution, such as Mexico and Brazil (*Rodriguez-Pose and Gill, 2003*). Global trend of authority transfer from central to sub-national governments (SNG) is intimately connected with economic development since policies are increasingly designed and adopted at regional level, due to the acknowledgement that geography and the local context matter for development strategies to be effective and sustainable. Hence, decentralised administrations are empowered with the capacity to design and implement strategies that recognize the local cultural and socio-institutional underpinnings of regional economic interactions and behaviour. As such, they are in the position to favour bottom-up, region-specific, longer-term, and plural-actor based policy action (*Amin, 1999, p. 366*) which crucially differs from traditional top-down development strategies managed at the central level. It's a way of studying the linkages between decentralisation and economic performance, and the analysis is carried out from the points of view of equity and efficiency which follow the same scheme to review the implications of decentralisation on regional economic development or grass root level development.

Decentralization in India

Decentralization in Indian economy has its imprints on different backgrounds like of economy, political, social, cultural, technology etc. Decentralization is the process of redistributing or dispersing functions, powers, people or things away from a central location or authority while centralization, especially in the governmental sphere, is widely studied and practiced, there is no common definition or understanding of decentralization. The meaning of decentralization may vary in part because of the different ways it is applied. In case of India political decentralization emerged with the Constitution (74th Amendment) Act, 1992 is a landmark initiative of the Government of India to strengthen local self-government in cities and towns. The Act stipulates that if the state government dissolves a Municipality, election to the same must be held within a period of six months. Moreover, the conduct of municipal elections is entrusted to statutory State Election Commission, rather than being left to executive authorities. The mandate of the Municipalities is to undertake the tasks of planning for 'economic development and social justice' and implement city/town development plans. The constitution of three types of municipalities by every State are can be examined like stated below in urban area,

- ✓ Nagar Panchayat is for a transitional area, that is to say, is an area in transition from a rural area to an urban area.
- ✓ Municipal Council is constituted for a smaller urban area
- ✓ Municipal Corporation is constituted for a larger urban area.

The Governor declares a transitional area, or smaller urban area or larger urban area based on the population of the area, the density of the population therein, the revenue generated for local administration, the percentage of employment in non-agricultural activities, the economic importance or such other factors as he may deem fit, specify by public notification for the purposes.

Composition of Municipalities is reviewed in article 243R of the Constitution makes the provision for the composition of Municipalities. All the seats in a Municipality are filled by persons chosen by direct election from the territorial constituencies in the Municipal area and for this purpose each Municipal area shall be divided into territorial constituencies to be known as wards. The Legislature of a State may, by law, provide the manner of election of the Chairperson of a Municipality. Wards Committees is reviewed in article 243S of the Constitution make the provisions for constitution and composition of Wards Committees, etc. consisting of one or more wards, within the territorial area of a Municipality having a population of three lakhs or more. A member of a Municipality representing a ward within the territorial area of the Wards Committee shall be a member of that Committee. Where a Wards Committee consists of two or more wards, one of the members representing such wards in the Municipality elected by the members of the Wards Committee shall be the Chairperson of that Committee. Reservation of seats in article 243T makes the provisions for the reservation of seats. Seats are reserved for the Scheduled Castes and the Scheduled Tribes in every Municipality and the number of seats so reserved shall bear, as nearly as may be, the same proportion to the total number of seats to be filled by direct election in that Municipality as the population of the Scheduled Castes in the Municipal area or of the Scheduled Tribes in the Municipal area bears to the total population of that area and such seats may be allotted by rotation to different constituencies in a Municipality. Not less than one-third of the total number of seats reserved Scheduled Caste are reserved for women belonging to the Scheduled Castes or, as the case may be, the Scheduled Tribes. Not less than one-third (including the number of seats reserved for women belonging to the Scheduled Castes and the Scheduled Tribes) of the total number of seats to be filled by direct election in every Municipality are reserved for women and such seats may be allotted by rotation to different constituencies in a Municipality. The office of Chairpersons in the Municipalities shall be reserved for the Scheduled Castes, the Scheduled Tribes and women in such manner as the Legislature of a State may, by law, provide.

Powers, authority and responsibilities of Municipalities as per Article 243W of the Constitution states the powers, authority and responsibilities of Municipalities, etc. Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow like,

a)The Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to;

- The preparation of plans for economic development and social justice.
- The performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule.

(b) The Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule.

Power to impose taxes by, and Funds of, the Municipalities is given in article 243X of the Constitution states the power to impose taxes by, and Funds of, the Municipalities. The various articles and provisions of Indian have helped out the local bodies to carry out their developmental activities in urban area all over India.

When we consider rural growth, after independence developmental planning and the rural population in India does not find themselves in the mainstream of development across the country. The basic issues of healthcare, sanitation, comparable quality of education, employment and overall quality of life remain a serious consideration in policies and programmes of national and provincial governments. Much of the significant performance gaps in the policy planning and implementation are owing to the poor participation of the people at the grass root level, in the rural areas, in planning, projects management and implementation as reviewed in Panchayat raj institution.

The term 'Panchayat Raj' is relatively new, having originated during the British administration. 'Raj' literally means governance or government. Mahatma Gandhi advocated Panchayati Raj, a decentralized form of Government where each village is responsible for its own affairs, as the foundation of India's political system. His term for such a vision was "Gram Swaraj" or Village Self-governance. It was adopted by state governments during the 1950s and 60s as laws were passed to establish Panchayats in various states. Panchayati Raj is included in the State List of the Seventh Schedule of the Constitution. It is the States that have been charged with the responsibility for devolution of powers to the Panchayats.

After independence, Community Development Programme was started in 1952. But because it was not attached with the people, therefore it could not prove to be a success story. People took it as a burden put on them by the government. A team, under the leadership of Balwantrai Mehta tried to find out the cause for the failure of this programme and came up with the inference that there should be an organization at village level, which would select the true beneficiaries and implement various government programmes and schemes. This organization would act as the representative of all the villagers and should ensure the development of the village as well as participation of villagers. In this way Balwantrai Mehta tried to achieve local self-government through Panchayats and its organization. In 1977, Ashok Mehta Committee was set up to review the working of Panchayats. The committee found out that Panchayati Raj is the soul of democracy and therefore it should be empowered with more authority. Those Panchayats which formed after 1977 are known as Second Generation Panchayats.

During the decade of 1990, it was realized that without constitutional power, the self-government cannot be fruitful. Therefore the Central Government passed the 73rd Constitutional Amendment Act in 1992, which became effective from 20th April 1993 (from the date of publication in the Gazette of India). The Constitution (73rd Amendment) Act, 1992 that came into effect in April 1993 brought about major reform in local governance in the country. The Amendment Act of 1992 contains provision for devolution of powers and responsibilities to the Panchayats to both for preparation of plans for economic development and social

justice and for implementation in relation to twenty nine subjects listed in the eleventh schedule of the constitution. The Panchayats receive funds from three sources like local body grants, as recommended by the Central Finance Commission, funds for implementation of centrally-sponsored schemes, and funds released by the state governments on the recommendations of the State Finance Commissions.

The Ministry of Panchayati Raj was set up primarily to oversee the implementation of Part IX of the Constitution, inserted by the Constitution (73rd Amendment) Act, 1992, the Panchayats Extension to the Scheduled Areas Act, 1996 (PESA), and Article 243ZD of Part IX-A relating to District Planning Committees. Although the Panchayats have historically been an integral part of rural life in India, these Acts have institutionalized the Panchayati Raj Institutions (PRIs) at the village, intermediate, and district levels as the third tier of government. The aim has been to combine social justice with effective local governance, with an emphasis on reservation of seats for the deprived classes of population, including of the leadership positions. Article 234G with the Eleventh Schedule of the Constitution stipulates that States may, by law, endow the Panchayats with such powers and authority as may be required to enable the latter to function as institutions of self-government in rural areas in India.

Performance of Local bodies

Performance of local bodies can be analysed with the help of indicators like fund utilization, target achievement etc. It can be analysed with the help of grants to local bodies may be their own fund or grant from central or state government. The following table-1, shows the estimated value of grants to local bodies in India.

Table 1: Estimated grants to local bodies in India (in Crores)

Sl. no.	Years	Grants in Rs.
1	2011-12	853.0
2	2012-13	2001.0
3	2013-14	2361.0
4	2014-15	2785.0
5	Total	8000.0

Source: Thirteenth finance commission estimation in India

To see the fund utilisation of urban and local bodies so that their performance can be reviewed, it is based on reforms of both the urban and rural local bodies in India.

Reforms at Urban Local Body

- Adoption of modern, accrual-based double entry system of accounting in Urban Local Bodies.
- Introduction of system of e-governance using IT applications like, GIS and MIS for various services provided by ULBs.
- Reform of property tax with GIS, so that it becomes major source of revenue for Urban Local Bodies and arrangements for its effective implementation so that collection efficiency reaches at least 85% within next seven years.
- Levy of reasonable user charges by ULBs with the objective that full cost of operation and maintenance or recurring cost is collected within next seven years. However, cities/towns in North East and other special category States may recover at least 50% of operation & maintenance charges initially. These cities/towns should graduate to full O&M cost recovery in a phased manner.

- v. Internal earmarking within local body, budgets for basic services to the urban poor.
- vi. Provision of basic services to urban poor including security of tenure at affordable prices, improved housing, water supply, sanitation and ensuing delivery of other already existing universal services of the Government for education, health and social security.

Reforms at State Level

- i. Implementation of decentralization measures as envisaged in 74th Constitution Amendment Act. States should ensure meaningful association/engagement of ULBs in planning functions as well as delivery of services to the citizens.
- ii. Repeal of Urban Land Ceiling and Regulation Act.
- iii. Reform of Rent Control Laws balancing the interests of landlords and tenants.
- iv. Rationalization of Stamp Duty to bring it down to no more than 5% within next seven years.
- v. Enactment of Public Disclosure Law to ensure preparation of medium-term fiscal plan of ULBs and release of quarterly performance information to all stakeholders.
- vi. Enactment of Community Participation Law to institutionalize citizen participation and introducing the concept of Area Sabha in urban areas.
- vii. Assigning or associating elected ULBs with "city planning function". Over a period of seven years, transferring all special agencies that deliver civic services in urban areas to ULBs and creating accountability platforms for all urban civic service providers in transition.

These reforms in urban and rural local bodies tell us how they are undergoing with the developmental activities where we can examine their performance.

Conclusion

It is quite plausible to argue that in the matter of service deliveries as well as in local business development, control rights in governance structures should be assigned to people who have the requisite information and incentives and at the same time will bear responsibility for the (political and economic) consequences of their decisions. In many situations, this insight calls for more devolution of power to local authorities and communities in this view on the whole the system of decentralization is well established in India and its contributing for the development in respect of gross Domestic Product of Indian economy.

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