



# Status of Devolution to Panchayats in States

2024

AN INDICATIVE EVIDENCE BASED RANKING



STUDY SPONSORED BY



पंचायती राज

Ministry of  
Panchayati Raj

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Indian Institute of  
Public Administration

V N Alok

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# **Status of Devolution to Panchayats in States**

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Advance Praise for the Report on Status of Devolution to Panchayats in India: An Indicative Evidence Based Ranking, 2024

“The 73<sup>rd</sup> and 74<sup>th</sup> amendments to the constitution were a major landmark in the evolution of our democratic framework. The devolution index presented in the report marks a significant approach in assessing the implementation of these amendments. The Index presents the overall scores and ranks for States/UTs on six identified dimensions covered through twenty-five indicators. The index permits both a spatial and temporal assessment of the devolution of power. The sub-indices for each of the component dimensions add useful insights into the regional diversity in the devolution structure. Integrating these measures into empirical studies will help improve the analysis. This report should be read by all those interest in the regional inequality.” – **TCA Anant**, *Prof. (Retired) Delhi School of Economics, Former Member Union Public Service Commission, Chief Statistician of India, 2010-2018.*

“The ‘Field Assessment of Devolution to Panchayati Raj Institutions (PRIs)’ report stands as a comprehensive analysis of India’s ongoing journey toward effective decentralization. By examining critical dimensions such as governance frameworks, financial transfers, local capacity building and accountability, the report offers an evidence-based ranking of states and Union Territories, highlighting both progress and areas of improvement. The dedication and rigorous effort put forth by Prof Alok of the Indian Institute of Public Administration (IIPA), in collaboration with the Ministry of Panchayati Raj, deserve commendation for this significant contribution. This work not only serves as a valuable tool for policymakers but also reinforces the vital role of empowered PRIs in strengthening India’s democratic fabric.” – **R Balasubramaniam**, *Member-HR, Capacity Building Commission, Govt. of India*

“Dr. Alok presents a very hopeful analysis which will interrupt the doomsayers in their tracks of sheer negative critique. However, as we all know Professor Alok is no roseate analyst but asks hard and often uncomfortable questions. The conceptual questions are aplenty: an issue that dominates this rich empirical analysis is the very meaning of ‘devolution’ as compared with ‘decentralization’, and cousin concepts, but for him institutions of local self-governments necessarily require besides the “sequential and correlated transfer of functions, finances, and functionaries (3Fs), the addition of a fourth ‘category. F’—framework—of “capacity enhancement measures along with accountability to the residents and the State”. This provides two dimensions that are the key to “preserving fairness and transparency in the operation of Panchayat”. In this light, the recommendation of a Consolidated Fund for Local Government” is of decisive importance as we move forward to the centenary of the Indian Constitution, whose signature tune is power combined with responsibility.” – **Upendra Baxi**, *Emeritus Professor of Law, University of Warwick and Delhi*

“While elected rural local governance institutions exist at the village, intermediate, and district levels in most Indian states, these Panchayati Raj Institutions (PRIs) generally have fewer powers and functions—and less autonomy—compared to local governments in other federal countries. A more nuanced assessment of federalism and decentralization in India, however, requires acknowledging the fact that the extent of devolution—as well as the nature of PRIs and their de jure and de facto functions—varies considerably across states. VN Alok’s recent assessment of the *Status of Devolution to Panchayats in States* significantly updates the policy literature on federalism and local governance in India by providing detailed, state-by-state discussions on the nature of PRIs and the extent of devolution, covering their institutional frameworks, functions, finances, functionaries, capacity, and accountability. The analysis suggests that while some progress has been made in state-to-local devolution over the past decade, the state of devolution remains unsatisfactory in many states. With this substantive contribution to the literature, Alok offers a strong evidence-basis for renewed policy discussions about the need to achieve more meaningful local self-governance in India.” – **Jamie Boex**, *Executive Director, Local Public Sector Alliance*

“India’s Panchayat regime comprises one of the most significant institutions of decentralisation in the world. Its functioning and role in shaping India into one of the most vibrant and diverse democracies in the world deserve deeper understanding. Given that States are responsible for local governance in India, considerable variation exists across the country. The Devolution Index, with its six dimensions, helps make sense of these variations and the strengths and weaknesses of different approaches. VN Alok and his collaborators in IIPA have compiled the authoritative review of the operation of Panchayats across the country, updating and applying their Devolution Index to help understand the variations, strengths, challenges and opportunities for further development of this critical community level government. It promises to be an essential resource for academics, administrators, policy professionals and others interested in the decentralisation, devolution and the progress of India’s democratic journey.” – **Michael G. Breen**, *Senior Lecturer in Public Policy, The University of Melbourne*

“Panchayats are a critical part of the Indian federal architecture. As the level of government closest to the people and provider of basic services they serve the social contract between the state and people. The Devolution Index created by Professor Alok provides the only comprehensive benchmarking of how effective Panchayats are in each state. Furthermore it shines a light on the health of Indian federalism as it evaluates the enabling environment for local governments in each state. It is an indispensable document of any policy maker and local government researchers.” – **Rupak Chattopadhyay**, *President and CEO, Forum of Federations, Ottawa, Canada*

“The Devolution Index, developed by Professor V. N. Alok, has long served as a critical tool for policymakers and scholars of Panchayati Raj. This version is destined to become the gold standard for future analyses and will play a critical role in driving our understanding of the causes and effects of rural decentralization in India and beyond.” – **Charles Hankla**, *Director, International Center for Public Policy (ICePP), Public Finance Research Cluster, Andrew Young School of Policy Studies*

“The IIPA report on Status of Devolution to Panchayats is well crafted and addresses most of the critical issues. The ranking of States on the Devolution Index aligns with the consensus among domain experts. The report is progressive and addresses key issues. Recommendations such as establishing a Consolidated Fund of Local Government could lead to dramatic improvements in decentralized democracy and local public service delivery. The trend towards centralization of revenue collection is evident with the introduction of nationwide Goods and Services Tax (GST). I hope that the 16<sup>th</sup> Finance Commission will agree to lend its support and recommend the policy paths including the needed constitutional arrangements for sharing the total GST tax revenues with the panchayats and municipalities and thus further strengthen our country’s unique model of cooperative federalism.” – **Vijay Kelkar**, *Chairman, Thirteenth Finance Commission and former Finance Secretary, Government of India*

“The Devolution Index is an interesting and valuable tool for assessing progress toward genuine local self-government for Panchayats. The empirical measures cover an array of important elements needed for local self-government. Many other countries would benefit from using the Devolution Index as a model for assessing the health of their own local governance.” – **John Kincaid**, *Robert B. and Helen S. Meyner Professor of Government and Public Service and Former Editor of Publius*.

“The ranking of the States on the Devolution Index seems to be broadly in conformity with what is widely recognized and accepted by experts. This report is progressive and touches on the most important aspects. The report can come handy even for the 16th Finance Commission.” – **Sunil Kumar**, *Former Secretary to the Government of India, Ministry of Panchayati Raj*.

“In my own experience, data that is posted on government websites regarding the functioning and finances of panchayats is often highly unreliable and different from the ground reality. For these reasons, what IIPA is trying to do is immensely difficult. The report is well-written, and I think (from my own experience) not inaccurate but that is my own gut feeling and not based on strong evidence.” – **Dilip Mookherjee**, *Professor, Boston University*

“India is one of the most over-centralized countries in the world, and greater decentralization of service delivery functions, funds, and functionaries to local governments will be a critical enabler of improved public service delivery in key areas like education, health, and child development. This well-researched and clearly written report makes an important contribution towards India’s decentralization discourse by constructing a state-level devolution index. This index can play an influential role in catalyzing a national agenda towards greater and more effective devolution and decentralization.” – **Karthik Muralidharan**, *Tata Chancellor’s Professor of Economics at the University of California, San Diego and author of “Accelerating India’s Development: A State-led Roadmap for Effective Governance”*

“The report on the ‘Status of Devolution to Panchayats in India – 2024’, prepared by the Indian Institute of Public Administration, is an invaluable resource for policymakers, academics, and practitioners seeking a deeper understanding of local governance in India. With its nuanced methodology, the report quantifies devolution and assesses state-level performance across six key dimensions, including institutional frameworks, finances, and accountability. The report provides an evidence-based robust framework for assessing the progress of Panchayati Raj Institutions (PRI) and the overall health of decentralised governance in India by constructing a state-level Devolution Index. The report’s in-depth discussion of best practices across states serve as a significant collection of scalable solutions to overcome governance challenges. Its forward-looking recommendations, such as implementing a Gram Panchayat Development Plan and enhancing institutional capacities, present a clear roadmap for empowering Panchayati Raj Institutions. Professor V. N. Alok’s meticulous work, thus, reinforces the critical role of PRIs in achieving effective governance, aligned with India’s aspirations for a Viksit Bharat.” – **V. Anantha Nageswaran**, *Chief Economic Adviser*

“It is a very comprehensive report providing a quantitative comparison of performance of states on various dimensions in implementing the 73rd constitutional amendment. I hope it will help in generating a constructive and competitive spirit for promoting grassroots level democracy in India”. – **Manoj Panda**, *Member, Sixteenth Finance Commission and former Director, Institute of Economic Growth*

“During the past several decades, decentralization reforms have been pursued worldwide to make the governments responsive and accountable to residents and restore public confidence. To what extent these initiatives have succeeded in achieving stated objectives remains an open question in the absence of an objective evaluation framework. To fill this void, Dr. Alok who is widely recognized as a leading international expert on local self-government, has provided an objective and innovative approach to evaluate progress on the devolution of authority to rural local governments in various states in India. The proposed approach encompasses the progress of decentralization reforms for their conformity with the constitutional mandates given to states and captures progress in strengthening local finances, institutional capacity development, people empowerment, integrity, transparency and accountability in rural local governance. A composite index of this comprehensive evaluation is termed as the devolution index. The index gives one shot appraisal of state progress on rural self-governance as well as interstate comparative perspectives. While this index is developed by Dr. Alok for the Indian states, the overall methodology is insightful and broadly applicable and would be useful for other developing countries to adapt and implement taking a stock of progress of their own reform initiatives.” – **Anwar Shah**, *Senior Fellow (Non-resident), Brookings Institution, Washington, DC and Advisor, World Bank.*

“An imaginative and credible account of the challenges and opportunities for the third tier of governance. The issues pertaining to the fullest implementation of the 73rd Constitutional Amendment Act of 1993 in both letter and spirit remain elusive. The challenges have been compounded by their inability to harness financial resources consistent with their constitutional obligations. Imaginative and innovative ways are indeed a necessity. We had planted some ideas in the recommendations of the 15th Finance Commission and are sanguine that the 16th Finance Commission will also pursue this. The conclusions in the Book are credible and based on research and data, which can inspire confidence. The third tier of our government is the centerpiece of our federal polity and enhancing the understanding of its challenges and opportunities would strengthen the architecture of this centerpiece. This book makes an enormous contribution towards this objective.” – **N K Singh**, *Chairman, Fifteenth Finance Commission and President, Institute of Economic Growth*



“The systematic tracking and analysis of government performance across a range of dimensions with rankings by state is critical to institutionalizing best practices, strengthening democratic governance, and integrating knowledge management across the vast array of federal, state, and local government agencies. I applaud the IIPA’s continued focus on developing panel data coupled with rigorous comparative analysis for prioritizing capability areas for administrative investment. Investing in effective public administration will pay dividends for citizens and the range of organizations that are key to India’s economic growth and international leadership as a vibrant and stable democracy.” – **David M. Van Slyke**, *Dean, Louis A. Bantle Chair in Business-Government Policy, The Maxwell School of Citizenship and Public Affairs, Syracuse University*

“The extent to which constitutional commitments to devolution translate into real empowerment of local governments is notoriously difficult to measure. Constitutional provisions, political rhetoric and policy undertakings to strengthen local governments often mask a complex reality of both centralising and decentralising features. This is all the more intricate when local governments derive their authority from states or provinces. The *Status of Devolution to Panchayats in States* measures the empowerment of India’s *Panchayats* in a nuanced, thoughtful and comprehensive manner. It distinguishes itself from other rankings, overviews and assessment of devolution with its careful selection of indicators that go beyond measuring legal commitments, and with its robust methodology. It will be an invaluable reference work for anyone with an interest in devolution in India.” – **Jaap de Visser**, *Professor and Former Director, Dullah Omar Institute, University of the Western Cape, South Africa*

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*By*  
*V N Alok*

Summary



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# **Status of Devolution to *Panchayats* in States: An Indicative Evidence Based Ranking**

**Field Assessment of the Status of Devolution of Powers and Resources to the PRIs  
across the States and Union Territories in the Country to Develop Indicative Evidence  
Based Ranking**

**A Report**

**2024**

*by*

**V.N. Alok**

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# Summary<sup>1</sup>

*Panchayats*, as rural local self-government institutions, constitute a fundamental component of India's multi-order federal system. Their authority is derived from the State, the sub-national entity responsible for nurturing and developing them. In this attempt, the Union Government provides necessary assistance to the States to ensure compliance with the legal provisions of the Constitution outlined in Part IX, as evidenced by the 73rd Constitutional Amendment Act of 1993.

Thus, at the initial stage of its inception, the Ministry of *Panchayati Raj* (MoPR) in 2004 organised seven Roundtables of Ministers In-charge of *Panchayats* in States. In the Fifth Roundtable held at Srinagar on October 28-29, 2004, it was agreed upon to have the Annual Reports on the state of the *Panchayats* including the preparation of a Devolution Index in the format indicated by Alok and Bhandari (2004).

Subsequently, in 2005-06, the Ministry of *Panchayati Raj*, Government of India, introduced the *Panchayats* Empowerment and Accountability Incentive Scheme (PEAIS) with the objective to (a) Incentivise states to empower the *Panchayats*, and (b) Incentivise *Panchayats* to put in place accountability systems to make their functioning transparent and efficient. Funds under the scheme are allocated to states and UTs in accordance with their performance as measured in the Devolution Index formulated by an independent institution. For three years, i.e. 2006-07, 2007-08 and 2008-09, the National Council of Applied Economic Research (NCAER) developed the Devolution Index based on the work of Alok and Bhandari (2004). For subsequent four years, i.e. for 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14, the Indian Institute of Public Administration (IIPA) was entrusted to carry out the assessment.

In 2012, the study went beyond the dimension of “4Fs” (Framework, Functions, Finances and Functionaries) and two new dimensions were added, viz. ‘Capacity Building’ and ‘Accountability’.

The subsequent studies conducted by IIPA improved upon various aspects of previous studies such as number of indicators, coverage of area, including PESA areas etc. For the year 2014-15 and 2015-16, devolution report was prepared by TISS using many indicators, not all, of the previous studies.

## The Objective

Ministry of *Panchayati Raj*, after the gap of seven years, has again entrusted the study on, “Field Assessment of the Status of Devolution of Powers and Resources to the PRIs

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<sup>1</sup>An abridged version of an empirical study report titled ‘Status of Devolution to Panchayats in States: An Indicative Evidence Based Ranking’ by V N Alok, Indian Institute of Public Administration, New Delhi, for the Ministry of Panchayati Raj, 2024.

across the States and Union Territories in the Country to Develop Indicative Evidence Based Ranking” to IIPA with the following primary objectives<sup>2</sup>:

- To assess the actual progress in implementing the operative core of decentralization covering the transfer of functions, institutions, functionaries, and finances to *Panchayati Raj* Institutions in the subjects listed in the 11th schedule of the constitution of India vis-à-vis mapping of the activities done by States including PESA States.
- To examine the role of the *Panchayats* as institutions of local self-government with various committees at the local level and the role of the *Panchayat* in managing institutions at the local level.
- To arrive at an indicative ranking on the status of devolution based on the above parameters through field studies and through appraisal of state level data sets.
- To assess the role of *Panchayats* vis-à-vis Centrally Sponsored Schemes and parallel bodies in major Centrally Sponsored Schemes like: (i) MGNREGA; (ii) SSA; (iii) NHM; (iv) ICDS; (v) PMAY; (vi) PMGSY; (vii) RKVY; (viii) NLRM including DDU-GKY; (ix) SBM; (x) NSAP; (xi) SAGY etc.

The study assesses the enabling environment that the States have created for the *Panchayats* to function as institutions of self-government. The Figure 1 gives a picture of the indicators considered.

## The Method

The methodology for the current study is primarily based on the previous five studies on Devolution Index of *Panchayat* conducted by IIPA. The questionnaire was developed and built upon the previous work by Alok (2014). The comments and feedback on previous work received from the State governments and academics were handy in developing the questionnaire. Further, workshop organised at IIPA to seek the views of the experts, and the Secretaries/nodal officers of State *Panchayati Raj* Department served as a valuable input. This process was taken forward through continuous consultations with States and the Ministry of *Panchayati Raj* along with the review of the government reports on various issues, MoPR guidelines under various schemes, and review of other national and international literature on decentralization and local governance. Related State Acts, manuals, state reports, government orders etc. were also sought to make better judgments. This process culminated in the form of a well-structured questionnaire with few open-ended questions. The questionnaire was pre-tested in Bharatpur district of Rajasthan. The questionnaire had been sent to all State Governments on 20 December 2022 to elicit data. Data was also collected from the field in all States to supplement or validate the data received from State Governments.

All States and Union Territories are covered in the study except the States of Meghalaya, Mizoram and Nagaland where Part IX of the Constitution does not apply as per article 243M due to tribal population. Further, the NCT of Delhi is out of reckoning as *Panchayats* were

<sup>2</sup>A complete list of objectives is presented in the first chapter.

**Figure 1: Dimensions and Indicators under Devolution Index of *Panchayats***

<b>Framework</b>	<ul style="list-style-type: none"> <li>▪ Election and affirmative action of <i>Panchayats</i> (Art. 243D)               <ul style="list-style-type: none"> <li>– Reservation of Seats for SC/ST and Women</li> </ul> </li> <li>▪ <i>Panchayats</i> Elections &amp; State Election Commission (Art. 243K)</li> <li>▪ <i>Panchayats</i> duration, Dissolution &amp; Bye Elections (Art. 243E)</li> <li>▪ Constitution and Function of District Planning Committee (Art. 243ZD)</li> <li>▪ Role of <i>Panchayats</i> in Committees and Parallel Bodies/Institutions</li> <li>▪ Autonomy to <i>Panchayats</i> (Art. 243F)</li> </ul>
<b>Functions</b>	<ul style="list-style-type: none"> <li>▪ Functions Assigned to <i>Panchayats</i> including Activity Mapping, Expenditure incurred and Actual Involvement of <i>Panchayats</i> (Art. 243G)</li> <li>▪ Involvement of <i>Panchayats</i> in Important Schemes (Art 243G)</li> </ul>
<b>Finances</b>	<ul style="list-style-type: none"> <li>▪ Fifteenth Finance Commission Grants to the <i>Panchayats</i> (Art. 280 (3)b)</li> <li>▪ State Finance Commission (SFC) (Art. 243I)</li> <li>▪ Money Transfers to <i>Panchayat</i> on accounts of the SFC recommendations</li> <li>▪ Empowerment of <i>Panchayats</i> to Impose and Collect Revenue (Art. 243H)</li> <li>▪ Funds Available with <i>Panchayats</i></li> <li>▪ Expenditure of <i>Panchayats</i></li> <li>▪ Initiatives related to Finance, Accounts and Budget (Art. 243J)</li> </ul>
<b>Functionaries</b>	<ul style="list-style-type: none"> <li>▪ Physical Infrastructure of <i>Panchayats</i></li> <li>▪ e-Connectivity of <i>Panchayats</i></li> <li>▪ <i>Panchayats</i> Officials:               <ul style="list-style-type: none"> <li>– Sanctioned and actual staff position</li> </ul> </li> </ul>
<b>Capacity Enhancement</b>	<ul style="list-style-type: none"> <li>▪ Training Institutions</li> <li>▪ Training Activities               <ul style="list-style-type: none"> <li>– Training of Elected Representative and Officials</li> </ul> </li> </ul>
<b>Accountability</b>	<ul style="list-style-type: none"> <li>▪ Accounting and Audit Of <i>Panchayats</i> (Art. 243J)</li> <li>▪ Social Audit of <i>Panchayats</i></li> <li>▪ Functioning of <i>Gram Sabha</i> (Art. 243A)</li> <li>▪ Transparency &amp; Anti-Corruption</li> <li>▪ <i>Panchayats</i> Assessment &amp; Incentivization</li> </ul>

superseded in 1990 and have not yet been revived. The UT of Chandigarh is also kept outside the purview of the study as *Panchayats* do not exist according to the response by the Union Territory.

Data could be collected for all the States except Arunachal Pradesh and Manipur.

The authorities were unable to respond due to the situation of riots and insurrection in the State of Manipur. Among the Union territories, Lakshadweep and Dadra & Nagar Haveli and Daman & Diu have not provided the updated data. Therefore, responses given by the State/UT in the previous IIPA study and the field survey

data along with the facts from secondary sources are considered to calculate the index of these States.

Finally, a two-day National Consultative Workshop on Status of Devolution to *Panchayats* was organized jointly by the IIPA and the MoPR during 24-25 January 2024 in Goa. The Secretary, Ministry of *Panchayati Raj* (MoPR) convened and presided over this meeting. The Additional Secretary, the Joint Secretary and the Deputy Secretary of the Ministry were present. Special Chief Secretaries / Additional Chief Secretaries / Principal Secretaries / Secretaries in-charge of *Panchayati Raj* in States primarily participated in the workshop. The representatives of Reserve Bank of India (RBI), NITI Aayog and Comptroller and Auditor General (C&AG) also participated. The methodology and findings of the study were presented to elicit comments. All the participants accepted and appreciated the study and the findings.

### **Devolution Index: Overall**

The Index presents the overall scores and ranks for States/UTs on six identified dimensions. Table 1 categorizes the States according to the score received of dimensions as well as the overall Devolution Index (DI), which forms the basis to present the ranks of States/UTs.

Based on the weighted aggregation of six dimensional sub-indices, the composite DI is computed for the States/UTs. Table 1 and Figure 2 depict that State of Karnataka ranks first in the present ranking with an index score of 72.23 followed by Kerala (70.59), Tamil Nadu (68.38), Maharashtra (61.44) and fifth, the State of Uttar Pradesh (60.07). Further, Gujarat is ranked sixth

with a score above 58.26. The scores highlight a significant gap between the top three States and the rest.

It may be noted that the States namely Tripura, Rajasthan, West Bengal, Chhattisgarh, Telangana, Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, and Odisha are above 50 i.e. 57.58, 56.67, 56.52, 56.26, 55.1, 54.43, 53.17, 50.94, and 50.03 respectively. State of Bihar along with the Northeastern and Hilly States of Assam, Sikkim, and Uttarakhand emerged as moderate scorers but with values above the national average i.e. 43.89. States/UTs which have scored low are Goa, Haryana, Jharkhand, and Punjab along with the Northeastern and Hilly State of Arunachal Pradesh, and Manipur and the UTs of Andaman & Nicobar Islands, Dadra & Nagar Haveli and Daman & Diu, Jammu and Kashmir, Ladakh, Lakshadweep, and Puducherry.

### **Devolution Indices: Dimensional**

Table 2 presents the dimensional indices. States have been ranked in each of the dimensions and scores have been allotted for immediate comparison.

#### **‘Framework’ dimension**

The ‘Framework’ dimension of the index first filters States which do not adhere to certain mandatory requirements of the Constitution then assesses how well the mandatory criteria have been implemented. Firstly, this tests whether the States have fulfilled the necessary legal requirements, *i.e.* holding regular *Panchayat* elections (article 243 E), reserving seats for women, Scheduled castes and Scheduled Tribes (article 243 D), establishing State Election

**Table 1: Devolution Index of Panchayats and Dimensions**

S. No.	States	Framework D <sub>1</sub>	Functions D <sub>2</sub>	Finances D <sub>3</sub>	Function- aries D <sub>4</sub>	Capacity Enhance- ment D <sub>5</sub>	Account- ability D <sub>6</sub>	D
<b>General Category States</b>								
1	Andhra Pradesh	60.08	30.50	43.19	68.78	76.69	60.49	54.43
2	Bihar	49.76	18.69	43.86	75.13	55.27	51.64	48.24
3	Chhattisgarh	68.51	42.39	51.45	78.33	47.61	58.17	56.26
4	Goa	52.88	6.63	26.88	46.31	77.70	31.75	37.71
5	Gujarat	61.65	41.23	41.63	90.94	83.96	47.90	58.26
6	Haryana	73.30	16.82	40.38	38.48	35.35	41.93	39.33
7	Jharkhand	42.30	27.56	30.05	27.83	24.72	16.47	27.73
8	Karnataka	74.43	57.62	70.65	80.11	71.59	81.33	72.23
9	Kerala	83.56	53.86	62.89	82.99	71.11	81.18	70.59
10	Madhya Pradesh	70.00	39.47	42.34	62.22	70.00	36.55	50.94
11	Maharashtra	74.74	46.52	42.96	73.63	73.35	80.36	61.44
12	Odisha	69.20	57.46	53.57	27.42	43.43	51.92	50.03
13	Punjab	47.26	31.97	36.36	8.20	26.34	24.87	29.34
14	Rajasthan	68.54	56.13	54.56	64.03	61.43	41.43	56.67
15	Tamil Nadu	66.83	60.24	55.78	84.25	84.29	71.00	68.38
16	Telangana	45.35	38.77	46.86	58.01	86.19	60.43	55.10
17	Uttar Pradesh	54.64	46.89	51.76	63.13	74.44	76.07	60.07
18	West Bengal	62.30	33.07	52.96	67.76	70.63	57.87	56.52
<b>Northeastern / Hilly States</b>								
19	Arunachal Pradesh#	41.50	12.70	6.83	5.74	37.40	22.56	17.96
20	Assam	54.04	28.66	34.06	65.12	71.96	57.14	49.06
21	Himachal Pradesh	62.22	23.01	48.41	70.06	83.68	39.41	53.17
22	Manipur#	34.05	11.23	13.17	21.40	3.75	28.75	17.13
23	Meghalaya*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24	Mizoram*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25	Nagaland*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26	Sikkim	65.27	42.59	43.50	31.42	53.23	34.94	43.91
27	Tripura	66.50	21.50	59.16	52.22	76.82	70.69	57.58
28	Uttarakhand	70.95	16.68	47.11	60.49	56.02	52.72	49.11
<b>Union Territories</b>								
29	Andaman & Nicobar Islands	55.21	4.50	9.09	20.94	54.82	45.73	27.15
30	Chandigarh**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
31	Dadra & Nagar Haveli and Daman & Diu#	22.06	0.00	5.45	31.69	8.57	24.91	13.62
32	Jammu and Kashmir	23.07	11.88	13.29	36.97	55.08	39.76	27.85
33	Ladakh	22.21	11.08	0.00	25.25	29.32	27.43	16.18
34	Lakshadweep#	31.42	10.36	3.99	39.53	15.18	28.13	18.32
35	NCT of Delhi**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
36	Puducherry	9.31	4.63	16.16	21.49	13.75	29.33	16.16
	<b>National Average</b>	54.29	29.18	37.04	50.96	54.63	47.51	43.89

Source: Author's calculation

Note: #States for which previous data is used.

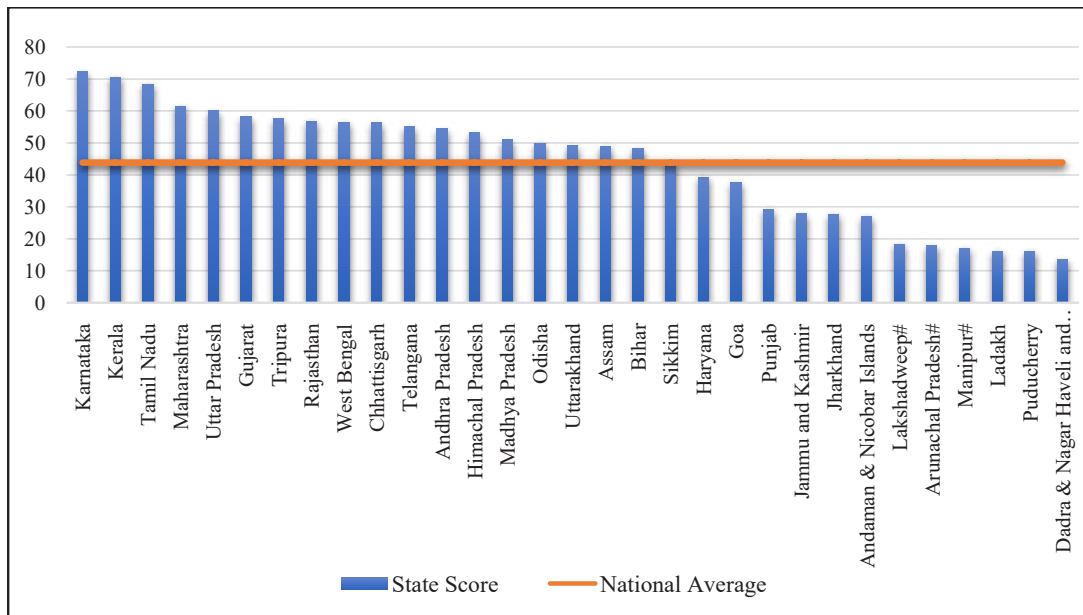
\*Provisions of Part IX (The Panchayat) do not apply to these States.

\*\* Panchayats are not operational in these UTs.

n.a. means not applicable



**Figure 2: Devolution Index of Panchayats**



Commission (article 243 K), establishing State Finance Commission (SFC) at regular intervals (article 243 I), and setting up the District Planning Committees (Article 243 ZD). and if a State do not fulfil them, the same is kept outside the purview of the study. Secondly, this assigns scores which form part in the construction of the index. SFC though a mandatory provision in the Constitution is not a component of ‘Framework’ dimension for two reasons. Firstly, SFC is a strong factor in “Finances” dimension. Secondly, we know that all States have constituted at least a first generation SFC. Hence, no State can be disqualified on this factor.

Table 2 and Figure 3 show that Kerala ranks first with a score of 83.56 followed by Maharashtra (74.74), Karnataka (74.43), and Haryana (73.3). Madhya Pradesh, Odisha, and Rajasthan are next in this order. Uttarakhand, Tripura, Sikkim, and Himachal Pradesh are among the northeastern and hilly States that have

scored above the national average of 54.3. Among the UTs, Andaman and Nicobar Islands is the only UT above the national average.

The following are the highlights of the indicators in the ‘framework’ dimension along with recommendations for their further improvement:

- Regular **election and affirmative action** are at the core of decentralized democracy articulated in Part IX of the Constitution. Article 243 E mandates every State to conduct an election to constitute *Panchayats* for five years. Article 243 D stipulates reservation of seats for women, Scheduled Castes, and Scheduled Tribes. These mandatory provisions are ingrained in the ‘Framework’ dimension which first tests the States on mandatory legal requirements and then assigns scores, if qualified. It may be noted that all States keep seats reserved as

Table 2: Ranking of States/UTs in Devolution Index and Sub-indices

Rank	DI		Framework		Functions		Finances		Functionaries		Capacity Building		Accountability	
	State	Score	State	Score	State	Score	State	Score	State	Score	State	Score	State	Score
<b>General Category States</b>														
1	Karnataka	72.23	Kerala	83.56	Tamil Nadu	60.24	Karnataka	70.65	Gujarat	90.94	Telangana	86.19	Karnataka	81.33
2	Kerala	70.59	Maharashtra	74.74	Karnataka	57.62	Kerala	62.89	Tamil Nadu	84.25	Tamil Nadu	84.29	Kerala	81.18
3	Tamil Nadu	68.38	Karnataka	74.43	Odisha	57.46	Tamil Nadu	55.78	Kerala	82.99	Gujarat	83.96	Maharashtra	80.36
4	Maharashtra	61.44	Haryana	73.30	Rajasthan	56.13	Rajasthan	54.56	Karnataka	80.11	Goa	77.70	Uttar Pradesh	76.07
5	Uttar Pradesh	60.07	Madhya Pradesh	70.00	Kerala	53.86	Odisha	53.57	Chhattisgarh	78.33	Andhra Pradesh	76.69	Tamil Nadu	71.00
6	Gujarat	58.26	Odisha	69.20	Uttar Pradesh	46.89	West Bengal	52.96	Bihar	75.13	Uttar Pradesh	74.44	Andhra Pradesh	60.49
7	Rajasthan	56.67	Rajasthan	68.54	Maharashtra	46.52	Uttar Pradesh	51.76	Maharashtra	73.63	Maharashtra	73.35	Telangana	60.43
8	West Bengal	56.52	Chhattisgarh	68.51	Chhattisgarh	42.39	Chhattisgarh	51.45	Andhra Pradesh	68.78	Karnataka	71.59	Chhattisgarh	58.17
9	Chhattisgarh	56.26	Tamil Nadu	66.83	Gujarat	41.23	Telangana	46.86	West Bengal	67.76	Kerala	71.11	West Bengal	57.87
10	Telangana	55.10	West Bengal	62.30	Madhya Pradesh	39.47	Bihar	43.86	Rajasthan	64.03	West Bengal	70.63	Odisha	51.92
11	Andhra Pradesh	54.43	Gujarat	61.65	Telangana	38.77	Andhra Pradesh	43.19	Uttar Pradesh	63.13	Madhya Pradesh	70.00	Bihar	51.64
12	Madhya Pradesh	50.94	Andhra Pradesh	60.08	West Bengal	33.07	Maharashtra	42.96	Madhya Pradesh	62.22	Rajasthan	61.43	Gujarat	47.90
13	Odisha	50.03	Uttar Pradesh	54.64	Punjab	31.97	Madhya Pradesh	42.34	Telangana	58.01	Bihar	55.27	Haryana	41.93
14	Bihar	48.24	Goa	52.88	Andhra Pradesh	30.50	Gujarat	41.63	Goa	46.31	Chhattisgarh	47.61	Rajasthan	41.43
15	Haryana	39.33	Bihar	49.76	Jharkhand	27.56	Haryana	40.38	Haryana	38.48	Odisha	43.43	Madhya Pradesh	36.55
16	Goa	37.71	Punjab	47.26	Bihar	18.69	Punjab	36.36	Jharkhand	27.83	Haryana	35.35	Goa	31.75
17	Punjab	29.34	Telangana	45.35	Haryana	16.82	Jharkhand	30.05	Odisha	27.42	Punjab	26.34	Punjab	24.87
18	Jharkhand	27.73	Jharkhand	42.30	Goa	6.63	Goa	26.88	Punjab	8.20	Jharkhand	24.72	Jharkhand	16.47
<b>North-eastern / Hilly States</b>														
1	Tripura	57.58	Uttarakhand	70.95	Sikkim	42.59	Tripura	59.16	Himachal Pradesh	70.06	Himachal Pradesh	83.68	Tripura	70.69

(contd.)

(contd. Table 2)

Rank	DI		Framework		Functions		Finances		Functionaries		Capacity Building		Accountability	
	State	Score	State	Score	State	Score	State	Score	State	Score	State	Score	State	Score
2	Himachal Pradesh	53.17	Tripura	66.50	Assam	28.66	Himachal Pradesh	48.41	Assam	65.12	Tripura	76.82	Assam	57.14
3	Uttarakhand	49.11	Sikkim	65.27	Himachal Pradesh	23.01	Uttarakhand	47.11	Uttarakhand	60.49	Assam	71.96	Uttarakhand	52.72
4	Assam	49.06	Himachal Pradesh	62.22	Tripura	21.50	Sikkim	43.50	Tripura	52.22	Uttarakhand	56.02	Himachal Pradesh	39.41
5	Sikkim	43.81	Assam	54.04	Uttarakhand	16.68	Assam	34.06	Sikkim	31.42	Sikkim	53.23	Sikkim	34.94
6	Arunachal Pradesh#	17.96	Arunachal Pradesh#	41.50	Arunachal Pradesh#	12.70	Manipur#	13.17	Manipur#	21.40	Arunachal Pradesh#	37.40	Manipur#	28.75
7	Manipur#	17.13	Manipur#	34.05	Manipur#	11.23	Arunachal Pradesh#	6.83	Arunachal Pradesh#	5.74	Manipur#	3.75	Arunachal Pradesh#	22.56
<b>Union Territories</b>														
1	Jammu and Kashmir	27.85	Andaman & Nicobar Islands	55.21	Jammu and Kashmir	11.88	Puducherry	16.16	Lakshadweep#	39.53	Jammu and Kashmir	55.08	Andaman & Nicobar Islands	45.73
2	Andaman & Nicobar Islands	27.15	Lakshadweep#	31.42	Ladakh	11.08	Jammu and Kashmir	13.29	Jammu and Kashmir	36.97	Andaman & Nicobar Islands	54.82	Jammu and Kashmir	39.76
3	Lakshadweep#	18.32	Jammu and Kashmir	23.07	Lakshadweep#	10.36	Andaman & Nicobar Islands	9.09	Dadra & Nagar Haveli and Daman & Diu#	31.69	Ladakh	29.32	Puducherry	29.33
4	Ladakh	16.18	Ladakh	22.21	Puducherry	4.63	Dadra & Nagar Haveli and Daman & Diu#	5.45	Ladakh	25.25	Lakshadweep#	15.18	Lakshadweep#	28.13
5	Puducherry	16.16	Dadra & Nagar Haveli and Daman & Diu#	22.06	Andaman & Nicobar Islands	4.50	Lakshadweep#	3.99	Puducherry	21.49	Puducherry	13.75	Ladakh	27.43
6	Dadra & Nagar Haveli and Daman & Diu#	13.62	Puducherry	9.31	Dadra & Nagar Haveli and Daman & Diu#	0.00	Ladakh	0.00	Andaman & Nicobar Islands	20.94	Dadra & Nagar Haveli and Daman & Diu#	8.57	Dadra & Nagar Haveli and Daman & Diu#	24.91
	<b>National Average</b>	43.89		54.29		29.18		37.04		50.96		54.63		47.51

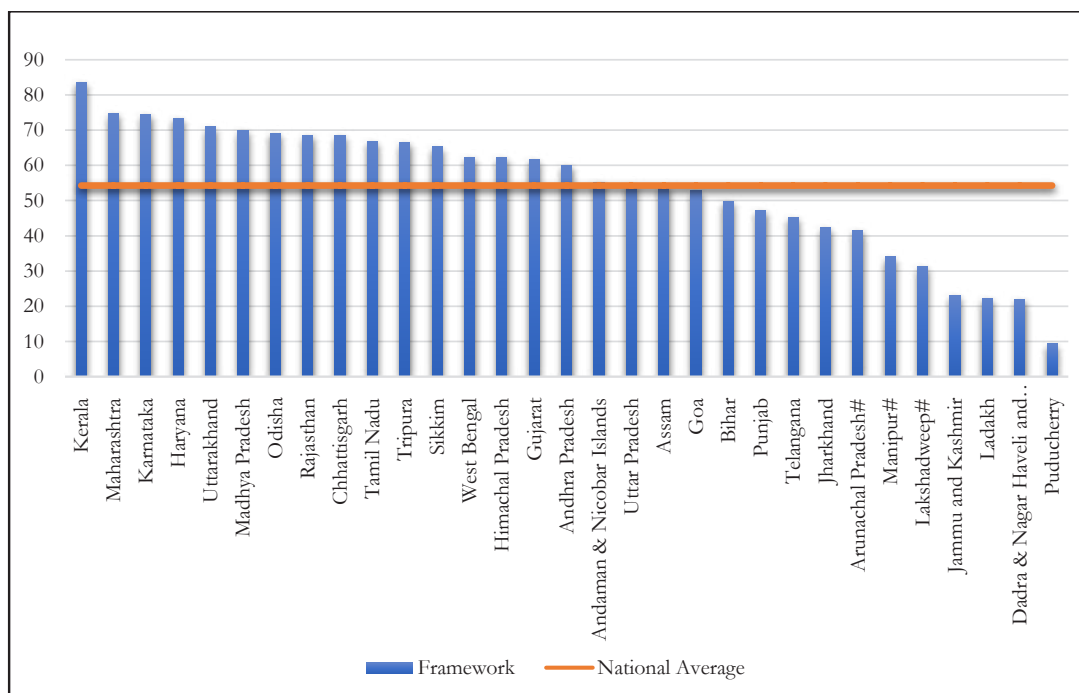
Source: Author's calculation

Note: #States for which previous data is used.

\*Provisions of Part IX (Panchayat) do not apply to these States.

\*\* Panchayats are not operational in these UTs.

Figure 3: 'Framework' dimension



per the Constitution for women, SCs and STs. Most States have increased the reservation quota from one third to one half of the total number of seats. The assessment, in this indicator, is carried out evaluating several factors like the difference between elected representatives and number of wards, the regular conduct of elections and the gap between two elections. Based on these evaluations, eleven States namely Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Sikkim, and Tripura have commendable legal provisions and these States are closely followed by Goa, Manipur, Uttarakhand, Uttar Pradesh, and West Bengal. In *Panchayat* elections of States, **reserved seats**

are rotated in every successive round of election though the Constitution is silent on this aspect and does not mandate the rotation of reserved seats in every election cycle. This discourages elected representatives from performing well, as they have a poor chance of running for the same constituency in the next election. Reservations for all categories should be frozen for at least two or three terms. Extending the tenures on the same seat for general candidate as well as women, as well as SC/ST candidates in general, will promote both efficient performance and the effective empowerment of the local leaders including the disadvantaged sections of society. Part IX of the Constitution has clearly specified the **time and tenure** to conduct *Panchayat* elections. In many State

Acts, SEC is required to consult the State Government while fixing the dates. Sometime, the political party in power does not respond positively to fix election dates. Moreover, delimitation and reservation exercises are taken up when elections are round the corner causing the postponement of elections. The rotation in the reservation of seats creates controversy in conducting elections. Hence, it is suggested that all the election related matters such as fixing the election dates, delimitation of constituencies, and reservation of seats by rotation principle for weaker sections should be vested with the State Election Commissions and there shall not be any involvement of the concerned State Governments.

- Article 243 K makes it compulsory for the all the States to hold elections for *Panchayats* every five years by the **State Election Commission** under its direction, superintendence and control of the preparation of electoral rolls. Therefore, it is necessary to examine the components involved in the constitution, functioning of State Election Commission (SEC) and service conditions of State Election Commissioner. Assessments have been made on the functioning of SEC, the status of State Election Commissioner, *i.e.* the emoluments, service conditions, removal, the tenure of SEC, the usage of Electronic Voting Machines, financial support for the purchase of EVMs and other equipment etc. Haryana, Kerala and Maharashtra are leading in this

indicator followed by Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, Uttarakhand and West Bengal. Additionally, the State government should not be the sole authority regarding **appointment of SEC**. In its report on “Ethics in Governance”, the Second Administrative Reform Commission (ARC) recommended that the Election Commissioner(s) should be selected through a collegium system comprising the Chief Minister, the Speaker and the Leader of Opposition in the Legislative Assembly. The *Panchayat* Act of Jammu and Kashmir also provides that the SEC is to be appointed by the Governor on the recommendation of a committee consisting of Chief Minister (chairman), a senior minister to be nominated by the Chief Minister, speaker of legislative assembly, minister in charge of *Panchayats* and leader of opposition in legislative assembly. It is observed that the tenure of SEC is five years and upper age limit is 65 years, however, in a few States the tenure ranges from two years to six years while the upper age limit ranges from 65 years to 70 years. Upper age limit has not been prescribed in States of Andhra Pradesh, Himachal Pradesh, Maharashtra and Telangana. The **tenure of the SEC** should be of five years enabling the SEC to conduct at least one election in his/her tenure.

Two constitutional bodies, *i.e.* Election Commission of India (ECI) and State Election Commission (SEC) independently prepare electoral rolls. Electoral roll for elections to the Lok Sabha and assembly constituencies is prepared by the ECI and electoral roll for elections to the *Panchayats*

and municipal bodies is prepared by SEC. The voter for each of these elections is, however, the same. Large sums of money are periodically spent by the ECI and the SECs in preparing these electoral rolls, manpower is withdrawn from schools and government departments for a long period to do this work at the cost of their regular work, resulting in both duplication and wasteful expenditure. The voter is also confused with two electoral rolls and at times there are cases where the voter's name is on one electoral roll but not on the other. Therefore, it is suggested to have a **common electoral roll**. Further, SECs have expressed the paucity of funds for meeting 'other' expenditures of SEC such as procurement of EVMs, hiring an advocate for court cases, conduct research work and pilot initiatives etc. Therefore, the **funding to SEC** should be on the lines of ECI whereby all their demands are honored. Such an arrangement ensures availability of funds for their unhindered functioning. It may be studied further whether the funds to the SEC should be "charged" or "voted" to the consolidated fund of the State government.

The **removal process** of the SEC in State Legislation should be in conformity of article 243 K (2) *i.e.* s/he can only be removed in "*like manner and on the like grounds as a Judge of a High Court*".

It is noted that the appointment and service conditions including tenure, age limit, salary and emoluments vary across States as per the law made by State Legislature. There are no uniform **eligibility criteria** for the appointment of SEC. It varies from joint secretary to principal secretary in the State Government. SEC should be of the rank of additional chief secretary or chief

secretary to enable the SEC to manage extraneous pressures.

- Article 243 E makes provisions for the duration, **dissolution and bye elections** of *Panchayats*. Under this indicator, States are assessed based on the frequency of *Panchayat* dissolutions before the completion of five years, conduct of bye elections within six months, suspension of *Panchayat* head or members, the provision in case a sarpanch is removed, and the management of *Panchayat* activities following the removal of a *Panchayat* head. Maharashtra and Uttarakhand have attained the highest scores in this indicator, with Tamil Nadu securing the second position.
- Article 243 ZD mandates **District Planning Committee** 'to consolidate plans prepared by the Panchayats and the Municipalities and prepare a draft development plan for the district as a whole'. This was envisaged in the amendment act to reflect the immediate needs of the people through a local plan which could be integrated with the State plan. As per the provision, planning must be undertaken at all levels of *Panchayats*; similarly, all municipalities are expected to prepare their own plans. The consolidation of these sets of plans must be undertaken at the district planning committee. The consolidated district plan is then forwarded to the State government for integration into the State plan. Although district planning

committees have been constituted in almost all States, such detailed grassroots planning is undertaken nowhere. This is a pivotal indicator utilized in calculating the overall Devolution Index. Kerala and Rajasthan together, in this indicator, have garnered the highest score in the establishment and functioning of district planning committees, followed by Sikkim with the second-highest marks. These leading States are succeeded by Goa, Gujarat, Haryana, and Tamil Nadu, which exhibit notable activity in establishing DPCs, convening regular meetings, and submitting district plans. It is an irony that almost all States have provisions concerning the constitution of DPCs in their *Panchayat* Acts, but their actual operation is tardy or missing. In an ideal condition, *Panchayats* should have an effective say in the design of the scheme or grant program. The CAA recognized the significance of identifying local needs and developing capabilities at the local level in the formulation of the *Panchayats* own plan. An institutional framework needs to be established to ensure a) a regular district plan, b) coordination of various district plans with the state policy and lastly, c) the national policy.

- The term “**parallel bodies**” refers to entities whose functional domains overlap with those of the *Panchayats*. They operate and present in a manner to show support to the decision-making powers

and effective functioning of the *Panchayats* in subjects enumerated in the Eleventh Schedule and mandated to *Panchayats* under article 243 G. The assessment of parallel bodies across different States is made by evaluating their integration and accountability with the *panchayati raj* institutions at various levels—*Gram Panchayat*, *Intermediate Panchayat*, and *District Panchayat*. Each parallel body’s status is scored based on their merger with, accountability to, or separation from these *panchayat* institutions. Kerala scored the highest among all followed by Odisha.

- **Autonomy to *Panchayat*** depends upon the level of State authority who is empowered to suspend or dissolve *Panchayats*. Since *Panchayat* is an elected body, State Legislature is arguably the most appropriate institution to suspend or dissolve *Panchayats*, dismiss *Panchayat* representatives, and/or resend the resolutions for reconsideration or quash such resolutions. Likewise, a field functionary at the district and block is considered the most inappropriate. All other authorities fall in between. Rajasthan has secured the highest in this indicator followed by Karnataka and Uttarakhand. This means that *Panchayats* in these States enjoy more autonomy in comparison to other States.

### ‘Functions’ dimension

Article 243 G is the most important

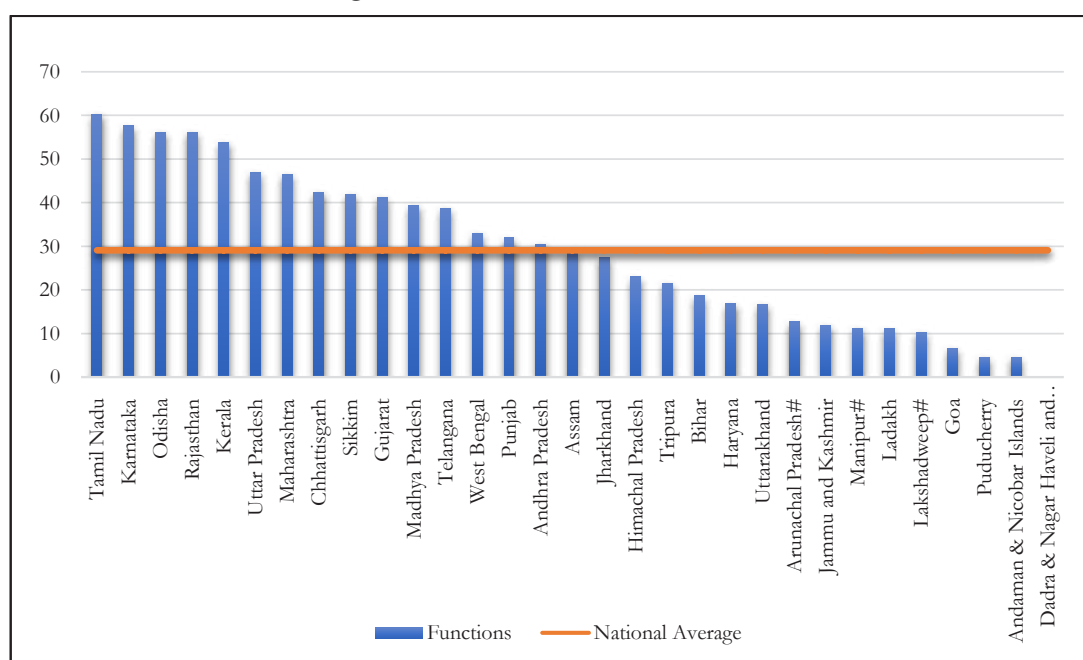
provision of Part IX of the Constitution. It stipulates States to assign local functions to *Panchayats* enabling them to act as institution of self-governments. It is argued in literature that assignment of expenditure responsibilities to local governments is the first step towards effective decentralization. All other aspects, including finances, follow functions. Undoubtedly, functions form the base of the *Panchayat* to act as institution of self-government. The dimension is critically based on the core and other functions devolved by the State to *Panchayats* and role of the *Panchayats* in schemes of social justice and economic developments designed by the central and state governments. In the ‘functions’ dimension, as shown in Figure 4, Tamil Nadu tops the list with an index value of 60.24. Karnataka (57.62), Odisha (57.46), and Rajasthan (56.13) are marginally separated from each other. Kerala, Uttar Pradesh, and Maharashtra are other States in line among the general category States.

Sikkim with a score of 42.59 is the only State among the northeastern and hilly States which has scored above the national average of 29.18. None of the UTs are above the national score in ‘functions’ dimension. Unfortunately, the ‘functions’ dimension, which is the base of local self-governments, has the lowest national average among all the dimensions.

Features of the indicators in the ‘functions’ dimension and suggestions thereon are discussed below:

- The indicator on “assigned functions” has been formed based on the devolution of functions by the State, activity/responsibility mapping, the issuance of executive orders thereon, and the actual undertaking of these functions by *Panchayat* at the level of village and/or block and/or district. Among all the States, Karnataka have **assigned functions** in maximum

**Figure 4: ‘Functions’ dimension**





number. The States of Odisha, Kerala, Rajasthan, Tamil Nadu, and Maharashtra follow Karnataka in that order. Though, many States are above the national average but the northeastern States like Arunachal Pradesh, Manipur and UTs of Dadra & Nagar Haveli and Daman & Diu, Ladakh and Lakshadweep lag behind, as per the study. So far as, activity/responsibility mapping is concerned, the same remains a question and matter of confusions in most of the States. In Karnataka, for example, the activity mapping and government order for most of the functions were completed but the line departments in the State seem to have limited understanding of the activity mapping exercise. It may be noted that the study is neutral to the rungs of *Panchayats* as the same is the discretion of the State.

- A vertical scheme refers to a system or programme in which the implementation and administration of policies, funds, or services are vertically organized, typically involving all three tiers of government. These schemes, multiple in numbers, are grant-based transfers through the State Government from the Union Ministries. Many other schemes are designed at sub-national level. The study attempted to find out the role and involvement of *Panchayats* in these schemes. For the purpose, an indicator on ‘**involvement of Panchayats in important schemes**’, was developed under ‘Functions’ dimension.

This indicates how actively the *Panchayats* are involved in various roles including identification of beneficiaries and implementation of schemes. The top-ranked States in terms of *Panchayat* involvement in important schemes are Tamil Nadu, Rajasthan, and Odisha. Article 243 G envisages centrality to *Panchayats* in Central Sector Schemes (CSSs) on subjects in the Eleventh Schedule. Hence, CSSs need to be improved integrating active roles of *Panchayats* in all States. During study, it was found that a few parastatal bodies operate in areas earmarked for *Panchayats* in the Eleventh Schedule. This deprives the *Panchayat* from its rightful mandates enshrined in the Constitution. It is desirable that all funds of the Union and State governments relating to the subjects listed in the Eleventh Schedule be transferred to the *Panchayats* and not to parallel bodies. **CSSs guidelines** and monitoring may ensure uniformity in the implementation process across States. The very nature of convergence at district, block and village levels calls for enhanced monitoring and mentoring at multiple levels. Each scheme of the Government of India should contain guidelines for **electronic tracking of CSS funds** to the *Panchayats* through the States. In that case, utilization certificates will also be reverted to the concerned ministry with intimation to State Governments. Numerous government departments

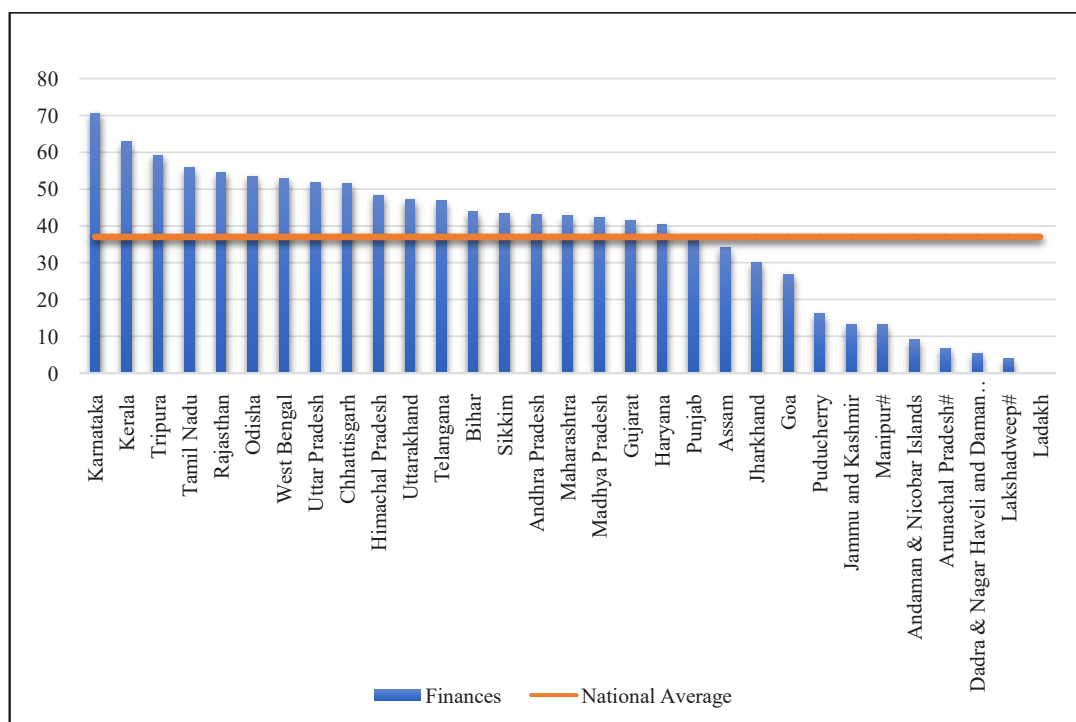
implement developmental programs at the *Gram Panchayat* (GP) level, but they often work in isolation, leading to a lack of synergy and duplication of efforts. Guidelines for CSSs like MGNREGA, NRLM, SBM, and ICDS emphasize grassroots planning. However, the **Gram Panchayat Development Plan** (GPDP) should serve as a comprehensive document, offering a holistic view of the *Panchayat* across all dimensions. Plans from various line departments, including labor budgets, should originate from the GPDP, even though the execution of approved activities may remain with the respective departments. This integrated approach helps attract more funds from different sectors, enhances local resource mobilization,

and improves service delivery. Converging all plans and schemes through the GPDP prevents duplication, reduces financial burdens, and speeds up the achievement of desired outcomes.

### ‘Finances’ dimension

The dimension of ‘Finances’ is the most decisive measurement, carrying the maximum weightage in the index. Since sources of *Panchayats’* finances are their own and transfers from central and state governments, the “dimension” is built on several indicators, viz. a) timely release of the 15<sup>th</sup> Finance Commission grants to *Panchayats*, b) regular and effective functioning of SFC, c) SFC transfer to *Panchayats* d) power to collect revenue e) funds available with *Panchayats*, f) expenditure by *Panchayats* as percentage of State’s public expenditure, and g) accounts & budget. Figure 5 highlights that

Figure 5: ‘Finances’ dimension



Karnataka leads in this sub-index among all the States and UTs with a score of 70.65 followed by Kerala (62.89), Tamil Nadu (55.78), and Rajasthan (54.56). However, 19 States including four northeastern States namely, Himachal Pradesh, Sikkim, Tripura, and Uttarakhand are above the national average in 'finances' dimension.

Below is a discussion on the features of the indicators within the 'finances' dimension, along with relevant suggestions:

- In order to cover the operational expenses and daily functioning of *Panchayats*, the **fiscal transfers from the Union Finance Commission** play a pivotal role. The funds are substantial and remain a key to the *Panchayat* kitty. Since these funds are passed through States, role of the State is crucial in releasing the money in time. Under this indicator, the States have been evaluated based on release of grant allocation in time and amount. Chhattisgarh, Jharkhand, Karnataka, Madhya Pradesh, Odisha, Punjab, Tripura, Uttar Pradesh are among the States that have released the funds of 15th Finance Commission, and *Panchayats* have also utilized them on time. It was noticed that few States do not treat the 15th Finance Commission fiscal transfers as additionality but club it with other transfers from States to local self-government. It is suggested that the higher-level governments, particularly the State government, need to abide by its own rules and ensure **timely release of funds** without affixing

ambiguous conditionalities to fiscal transfers. Retaining unspent funds erodes the foundation of decentralized democracy. In order to place the rightful role of the local governments in the fiscal architecture, **Article 266** may be amended to incorporate *Panchayats* and Municipalities. Hence, "the Consolidated Fund of State" could be defined after deducting all statutory transfers to *Panchayats* and Municipalities the way "the Consolidated Fund of India" is defined. **The 16<sup>th</sup> Finance Commission** may consider transferring funds under article 280 (3) bb & c as a share in the central tax divisible pool instead of *ad hoc* grants. The 13<sup>th</sup> Finance Commission have done that after obtaining the legal advice from the Law Schools and other constitutional experts.

Moreover, the State government may publish a **supplement to the budget** documents for *Panchayats* indicating details of transfers separately for all rungs of *Panchayat* under major heads to object head. This supplement may also include details of funds transferred to the *Panchayats* outside the State government budget. The 13th Finance Commission has made this recommendation. In addition, State **Budget head 3604** must clearly mention the 'fiscal transfers to all rungs of *Panchayats*'. Furthermore, **Manpower strength** in *Panchayats* needs to be improved through multiple fundings such as UFC (16<sup>th</sup> FC), SFC, State government and own source revenue (OSR). It is observed that *Panchayats* are marred by a lack of support staff and personnel,

such as secretaries, assistant secretaries, accountants, engineers, computer operators, data entry operators etc. An attractive pay package and good working conditions may be offered to attract competent young professionals.

- Article 243 I and Y stipulate Governor of the State to constitute “at the expiration of every fifth year”, the **State Finance Commission (SFC)** to assess the financial position and requirements of local self-governments- both *Panchayats* and Municipalities. The SFC is mandated to make recommendations for a) financial devolution from State’s kitty (global sharing), b) grants-in-aid, c) assignment of taxes and non-taxes (b and c have also mentioned article 243 H), and d) any other measures to improve the financial positions of *Panchayats* and Municipalities. This institution is peripheral and endogenous to the State government, lacking in technical activities and of true autonomy. The institution of SFC is still evolving, and role of the State is crucial. The 15<sup>th</sup> UFC also recommended to regularise the working of SFCs through conditional grants. Kerala manages to regularise the constitution of SFC and responses of the State on its recommendations. Kerala is followed by Tamil Nadu, and Tripura in this indicator as it has constituted all the six SFCs till date. Tamil Nadu and Kerala have been leading in this indicator in the past as well. However, Karnataka which

is the top ranked State in the DI, lags considerably in this indicator and the same is the case with Maharashtra and Uttar Pradesh.

- The second part of this indicator is related to SFC fiscal transfers to *Panchayats* from States or money transfers due to SFC recommendations. It has been examined that accepted recommendations of the SFCs are, at times, put on hold and Governments orders are not issued to comply the decision of the Assembly. Moreover, money is not released even if government orders are issued. Practices of this kind erode *Panchayati Raj*. It is intriguing to note that the SFC in the State of Haryana, though regular, is not effective. Traditionally, the Government of Haryana accepts hardly any of the recommendations made by successive six SFCs. The States of Karnataka, Kerala, Rajasthan and Telangana transfer money to *Panchayats* based on SFC recommendations. It is found that most States are not serious about the constitution of state finance commission and their recommendations. The legal provisions allow them to be casual in this regard. Hence, **Article 243 I** need to be amended to add “or at such earlier time” after the wordings, “at the expiration of every fifth year” and make it similar to that of Article 280. So far as the constitution of SFC is concerned, **article 243 I (b)** enables State governments to legislate on

the requisite qualifications of SFC members as the case with Article 280. While the UFC membership is governed by an Act, most SFCs are not. It is therefore necessary that all States must legislate in this regard on the lines of central Act. In addition, a time frame may be prescribed in **Article 243 I (4)**, so that explanatory memoranda to the action taken on SFC recommendations be laid before the Legislature of the State on time. In the absence of time frame, many SFC reports have not seen the light of the day. Most essentially, **Article 280 (3) (bb) and (c)** may be amended to delete the following wordings “*on the basis of the recommendations made by the Finance Commission of the State*”. Instead, the following wordings could be inserted “after taking into consideration the recommendations...”. The Second Administrative Reform Commission has also made this recommendation.

- In the context of the provision of local public goods, a re-assessment of the revenue resources is always a more efficient alternative than transfers from the Union and States. The more distant the source of transfer, the less efficient is the dispensation. Hence, the power of *Panchayats* to **impose and collect revenue** (own taxes and non-taxes) is vital for bolstering their capabilities. The same has been enunciated in article 243 H of the Constitution. The indicator examines *de jure* and *de facto*

powers of the *Panchayats*. In other words, the assessment is made of both aspects, *i.e.* a) *Panchayats* that are empowered to collect revenues and b) *Panchayats* that are actually collecting revenues. As the case with most local governments in the world, the property tax is the mainstay of own revenues. The same has been assigned to *Panchayats* in all major States except Bihar, Jharkhand and Uttarakhand. It is to be noted that it remains the major source of own tax revenue for most *Panchayats*. So far as all revenue handles are concerned, *Panchayats* of Karnataka have the maximum power to impose and collect revenue. The State is followed by Tripura, West Bengal and Andhra Pradesh. It may be mentioned that States of Assam, Jharkhand, Manipur, Punjab, and UTs of Andaman & Nicobar Islands, Dadra & Nagar Haveli and Daman & Diu, Jammu & Kashmir, and Ladakh need to strengthen their revenue collection system. It is recommended that every *Gram Panchayat* should be fully empowered and enabled to levy **property tax** to all types of residential and other properties of any kind. State and district administration need to extend all possible support in this regard. This would be a first step towards the self-sufficiency and fiscal autonomy of the local self-government. In addition, a Local Government Revenue Board may be constituted in all States to a) enumerate all properties; b) design property

tax system including assessment and valuation of properties, and c) make provisions for periodic revisions.

- It's crucial for *Panchayats* to maintain their own funds as the same allows *Panchayats* to function as true institution of self-government, making decisions that directly reflect the needs and priorities of their local communities. Own funds show financial independence that builds *Panchayats'* capacity to manage resources effectively, fostering governance skills and local leadership. *Panchayats* in only Kerala, Andhra Pradesh, Goa and Gujarat keep respectable funds with them.
- **'Public expenditure of *Panchayats'*** is an essential indicator to show the fiscal space assigned to *Panchayats* by the State. It estimates the fiscal space by calculating the percentage of total public expenditure made by *Panchayats* in total public expenditure made by the State, as shown in State Budget. Maharashtra, where *Panchayats* incur more than one-eight of the total, is at the top followed by Odisha.
- The scoring for initiatives related to **Finance, Accounts, and Budget** is based on factors such as budgeting provisions for *Gram Panchayats*, *Block Panchayats*, and *District Panchayats*, the submission of budgets, the integration of *Gram Panchayat* Development Plans

(GDP) into *Panchayat* budgets, and the online disclosure of documents. The State of Uttar Pradesh and those scoring close to it show exemplary performance in integrating finance and budget initiatives with *Panchayat* systems whereas, States of Arunachal Pradesh and Manipur, face challenges and lack effective systems for financial management. In this regard, the use of Public Financial Management System (PFMS) should be mandatory for all utilization certificates, releases, and transactions of expenditure by the *Panchayats*. All the States should ensure that the fund flow to *Gram Panchayats* is made on PFMS. Therefore, clear fund flow mechanisms for all the categories of funds need to be developed by the State. This includes a defined period within which the funds would reach the *Panchayats*. The efforts should be made by the States for universal adoption of electronic fund management system (e-FMS) which will help in monitoring both the receipts and expenditure of funds by the *Panchayats*. The specific discretions for each category of fund flow need to be issued by the Empowered Committee (set up at State level, as prescribed under GDP guidelines, to extend necessary support and issue clarifications sought by *Panchayats*) to streamline it.

### **'Functionaries' dimension**

The dimension of 'Functionaries' is critical in 'devolution index' due to its significance

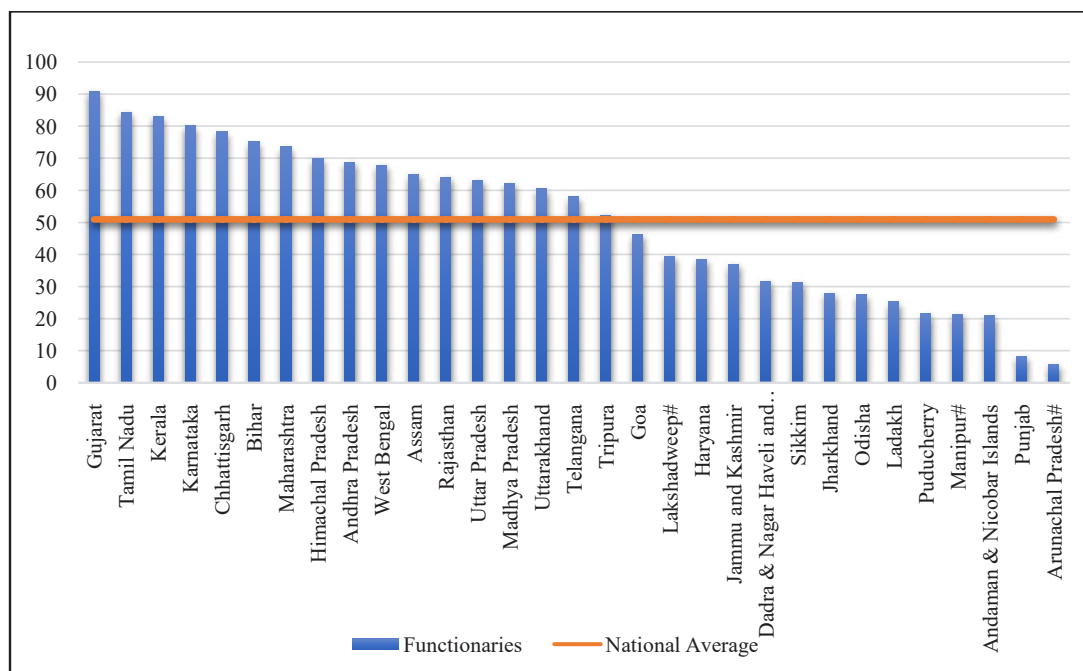
in strengthening *Panchayats*. Many key indicators form this dimension. These are - a) physical infrastructure of *Panchayats*, b) e-Connectivity of *Panchayats*, c) *Panchayats* Officials, and d) sanctioned and actual staff position. Each indicator has been discussed below. As shown in Table 2 and Figure 6, Gujarat ranks the highest with a value of 90.94. Tamil Nadu is ranked second in this dimension with a score of 84.25 followed by Kerala with an index score of 82.99. Karnataka, Chhattisgarh, Bihar, and Maharashtra have secured scores above 70.0 along with the hilly State of Himachal Pradesh (70.06). Scores of six other general category States and three more northeastern States are above the national average of 50.96.

Below is a discussion on the features of the indicators within the 'functionaries' dimension, along with relevant suggestions:

- **Physical infrastructure** is crucial for the administrative

efficiency of *Panchayats*. Minimum requirements include proper office building, computer and modern communication facilities that enable *Panchayats* to conduct their executive and other tasks efficiently. The indicator assesses the State's provision of *pucca ghar* (concrete building), computer & printers, scanners, telephone, internet etc. These necessities of *Panchayats* act as catalysts in better functioning. It has been noted that many States attempted to create basic infrastructure and facilities, but the States of Gujarat and West Bengal are ahead of all. These two States are followed by Karnataka, Kerala, and Uttar Pradesh which have shown significant advancement in their provisions to create physical infrastructure and internet connectivity. But, the States of Arunachal Pradesh, Manipur,

**Figure 6: 'Functionaries' Dimension**



Odisha, Punjab, and the union territory of Ladakh need to focus on developing the infrastructure for better functioning of the *Panchayats*.

- The increasing technological development has raised the expectations of the citizens. Hence, the *Panchayats* need to keep pace with the advancement to remain relevant. The indicator on ‘**e-Connectivity**’ aims to examine the adequacy of information technology (IT) in all rungs of *Panchayats*. The objective is to assess digitization in business processes of the *Panchayats*’ functioning. This indicator evaluates ICT usage by assessing the proportion of *Panchayats* in total number having BharatNet, wireless connectivity, e-mail address etc. It also considers the usage of ICT for service delivery and uploading financial data. Moreover, assessment is also made with respect to the number of trained officials, ongoing support for computerization, adoption of software applications, development of softwares, and nominations for the *e-Panchayats* Award. Chhattisgarh, Gujarat, Telangana, Maharashtra, Tamil Nadu, and Assam are using central government’s software programmes including *e-gramswaraj*, Local Government Directory, and ServicePlus, enhancing the transparency of *Panchayats* nationwide.
- *Panchayats* need to be assigned essential manpower to perform assigned functions and manage

finances. This indicator looks at the existence of State *Panchayat* Service, proportion of *Panchayats* having Secretaries, Technical and Non-Technical Assistants. It also examines who pays the salaries to the staff. Karnataka and Kerala lead in this indicator. In most of the States, the actual staff is less than the sanctioned posts. It was found, during the survey, that one *Panchayat* Secretary manages on an average 17 *Gram Panchayats* in a State. This affects their functioning and delivery of services. The Parliamentary Standing Committee on Rural Development, 2018 on ‘Improvement in the functioning of *Panchayats*’ had similar observation. Therefore, it is recommended that the State government should make serious efforts towards **recruitment and appointment** of qualified support and technical staff to ensure the smooth functioning of *Panchayats*. The 16th Finance Commission may make suitable recommendations in this regard. The details could be part of the memorandum of the Ministry of *Panchayati* Raj to the Commission.

Manpower is mostly short at *Gram Panchayat* level to maintain accounts and conduct audits. *Panchayats* should be empowered to hire and fire support *ad hoc* staff at the local level. *Panchayats* could be allowed to seek the expertise and assistance of qualified professionals and institutions outside the government. Sufficient human and financial resources could be allocated to ensure **adequate staffing** and infrastructure. Equitable



distribution of staff across *Panchayats* based on workload and requirements must be ensured. Every *Gram Panchayat* should have at least one *Panchayat Clerk/Assistant* to assist the *Gram Panchayat* secretary.

- **Recruitment of *Panchayat* employees** at senior level should be the responsibility of State Public Service Commission (SPSC) in each State. For other levels, a separate body namely Local Government Service Commission may be established to recruit *Panchayat* and Municipal employees. The chairman and Members of the Commission could be appointed by the Governor on the recommendation of a committee consisting of Chief Minister (chairman), a senior minister to be nominated by the Chief Minister, speaker of legislative assembly, minister in

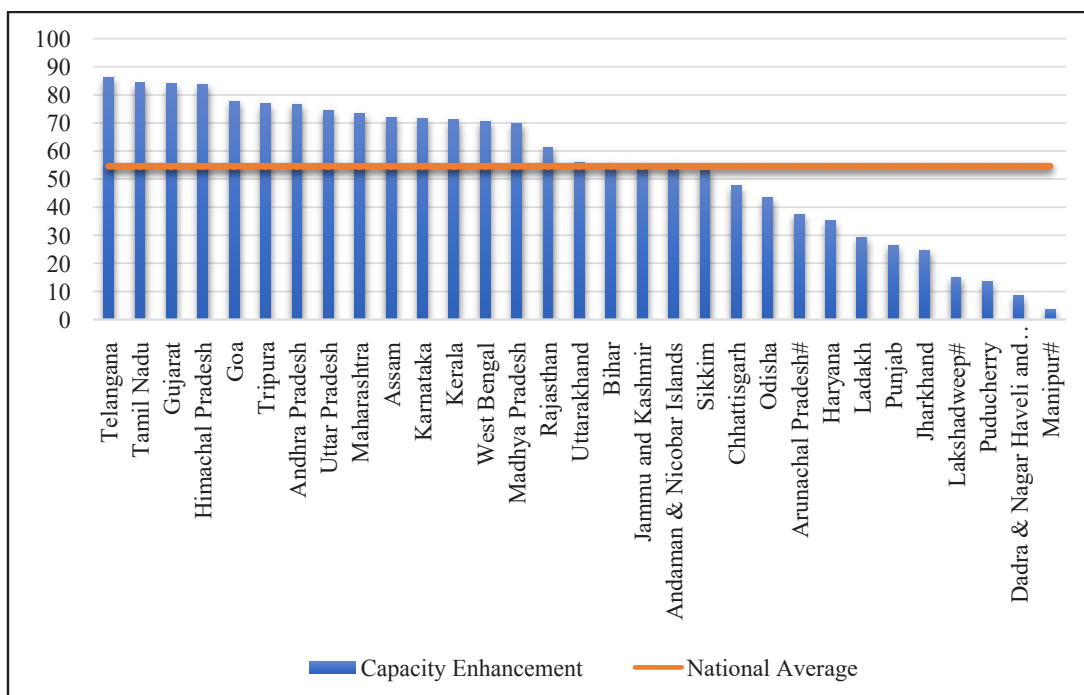
charge of *Panchayats* and leader of opposition in legislative assembly.

- There should be a **link between the State cadre and the *Panchayat* employees**. This way, when *Panchayat* employees reach a certain level of seniority, they can be inducted into the State cadre based on merit, with the appropriate recommendation from the State Public Service Commission.

### ‘Capacity Enhancement’ dimension

The dimension of ‘Capacity Enhancement’ is integral in assessing various measures of the States in strengthening of *Panchayats* to enable them acting as institutions of self-governments. Key indicators of this dimension are - a) training Institutions, b) training activities of elected representatives and officials. The same is discussed below at length. It can be observed from the Figure 7, that Telangana secures first rank

**Figure 7: ‘Capacity Enhancement’ dimension**



in 'Capacity Enhancement' dimension with the value of 86.19 closely followed by Tamil Nadu, and Gujarat, with the score of 84.29, and 83.96 respectively. Seventeen States and two UTs *i.e.*, Jammu & Kashmir and Andaman and Nicobar Islands scored more than the national average of 54.63. It is heartening to note that Jammu & Kashmir has made a remarkable achievement in capacity enhancement by scoring an index value of 55.08, which augurs well and conveys commitment by the J&K Administration to strengthen *Panchayats*.

The following are the highlights of the indicators in the 'capacity enhancement' dimension along with recommendations for their further improvement.

- The **training** of *Panchayat* members is crucial for building their capacity and plays a pivotal role in the overall effectiveness of *Panchayats*. Under this indicator, presence of a capacity enhancing - framework is assessed in the States/UTs. The indicator looks at the existence of institutes at both the State and *Panchayat* levels for training elected representatives and officials including the topics covered in training programmes. The States of Gujarat, Karnataka, Kerala, Madhya Pradesh, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal are leading. UT of Jammu and Kashmir is at par with these leading States. Many factors including lack of education, and inadequate finance inhibit the functioning of *Panchayat* members and officials. Investment in

training infrastructure needs to be enhanced. This includes provision of adequate resources such as qualified trainers, computers, and satellite communication facilities at training centers. It may be ensured that residential **training facilities** with proper amenities are available to accommodate *Panchayat* members and officials during training programs. A shift from traditional one-way communication to more participatory and specialized approaches such as adult learning and experiential learning should be adopted. The training material can be customized to cater for the specific learning requirements of *Panchayat* members and officials, including providing materials in local languages and formats accessible to all. It is important to design a **comprehensive curriculum** in Local Public Service Management two-year course consisting of public systems, financial management, personnel management, law, e-Governance etc. on the lines of MBA for *Panchayat* functionaries. It is necessary to develop a strong **mechanism** through IT application for quantitative and qualitative monitoring of the capacity building and training interventions of GPDP. Initially, focus could be on proper documentation and management of records using digital platforms like e-gramswaraj PlanPlus, ActionSoft, PRIASoft and National Asset Directory (NAD) among

others. By equipping officials with the necessary skills and tools, a uniform pattern for accounting can be established which will also **promote transparency** at the *Panchayat* level.

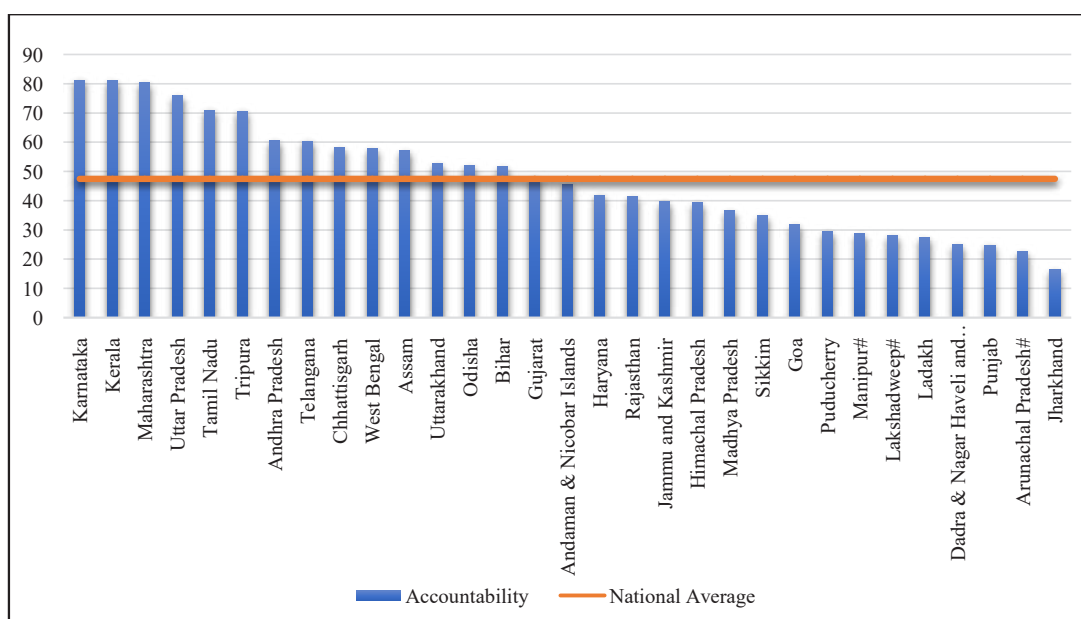
- **Training activities** in the States/UTs have been assessed based on a few questions, *viz* whether trainers are external or internal, the percentage of compliance to total planned training programmes, and the trainee-to-trainer ratio. Additionally, it examined the formats in which training materials are provided. The training activities varied significantly across States and Gujarat leads with perfect scores followed by Goa. Scoring in the second part of the indicator has been made by calculating a) total number of elected representatives and *panchayat* officials trained as per the percentage of total number, b) the percentage of women elected

representatives among total participants, c) the percentage of SC/ST representatives among total, and d) mechanisms in place to assess the impact of trainings. There is variation across States in this part of indicator on **training of elected representatives** and officials. Goa and Himachal Pradesh are the highest scorers.

### 'Accountability' dimension

'Accountability' has been identified as an important dimension, in making *Panchayats* answerable to the people and working in a fair and efficient manner. The dimension is built on various indicators *viz.* a) accounting and audit of *Panchayats*, b) social Audit of *Panchayats* c) functioning of *Gram Sabha*, d) transparency & anti-corruption, e) *Panchayats* assessment & incentivization. All these indicators are subsequently deliberated in detail. In this dimension, as shown in Table 2 and the Figure 8, Karnataka has topped in the

**Figure 8: 'Accountability' dimension**



dimension with the score of 81.33 and is closely followed by Kerala, Maharashtra, and Uttar Pradesh with the score of 81.18, 80.36, and 76.07 respectively. Tamil Nadu, Tripura, Andhra Pradesh, Telangana, Chhattisgarh, West Bengal, Assam, Uttarakhand, Odisha, and Bihar are other States in descending order with value more than 50. As many as fifteen States including Assam and Tripura from northeastern region, scored more than the national average, *i.e.*, 47.51.

- **Enhancing accountability** in Panchayats is essential for ensuring effective governance and transparent decision-making processes. The accountability mechanism of Panchayats to their residents should be robust. This includes adequate maintenance of essential records at the Gram Panchayat level such as digital data, asset register, demand & collection register, grant register etc. Absence of these lead to inefficiencies and discrepancies in governance. Additionally, implementing accountability mechanisms such as performance evaluations could ensure that members fulfill their responsibilities effectively. The Union government must encourage the State governments, through an incentive or reward structure, for establishing **accountability mechanism** in all rungs of Panchayats. This accountability is not just to the upper level of governments but to the residents of the jurisdiction. This action is essential, as the statutory role of the Union government, in the federal set up, is limited to the fulfilment

of the mandatory provisions of the Constitution.

- Article 243 J requires a State to make provisions for “*the maintenance of accounts by the Panchayats and the auditing of such accounts.*” Since *Panchayats* collect revenues from people and receive public money, **accounting and audit** is obligatory. Keeping this in view, this indicator was framed using several parameters including number of *Panchayats* that have disclosed account statement online, and whether the Comptroller & Auditor General (C&AG) and local fund audit conduct audits effectively of the accounts of *Panchayats* in the State. It is significant to note that Uttar Pradesh has secured the maximum followed by Karnataka, Kerala, Andhra Pradesh, and Telangana. These States have also developed a financial database for revenue and expenditure of *Panchayats*, and they have been actively using the software which ensures transparency in the activities of *Panchayats*. It may be noted that Article 243 J of the Constitution is silent on the role of C&AG in **audit of accounts** prepared by *Panchayats* though central government makes regular fiscal transfers to *Panchayats* in the form of UFC grants and central schemes. The article leaves to the State Legislature to make provisions for the accounts and audit of the *Panchayats*. The State legislations, by and large, have not introduced the provision of the annual performance report with

its financial statements. *Panchayats* mobilize revenue through taxes, service charges, and rents, etc. but are not properly scrutinized by any central or state audit authority. A robust system of accounts and audit in line with the practices in other parts of the world is the key aspect to ensure financial accountability of *Panchayats*. In most States, audits have been assigned to departmental auditors of the State governments. Moreover, The C&AG has already proposed to open its offices in each district to exercise control and supervision over the proper maintenance of accounts and audit of *Panchayats*. The C&AG has also started a certification course in collaboration with Institute of Chartered Accountants of India (ICAI) to prepare a pool of auditors for local governments. It's a good development. It is suggested that the Director of Local Fund Audit (DLFA) may align their audit plans with the guidelines and standards set by the C&AG or Accountant General (AG) to enable proper certification of accounts.

- **Social Audit** on a regular basis indicates strong system of *Panchayats* towards accountability not just to the State but to the residents of that jurisdiction. Schemes including MGNREGA, PMAY, SSA, ICDS, AAY also have provisions for social audit and its operation by *Gram Sabha* and others for better implementation. Karnataka has scored the maximum in this indicator followed by Odisha, Kerala, West Bengal and Uttar

Pradesh. However, the States of Arunachal Pradesh, Goa, Madhya Pradesh, Himachal Pradesh, and the UT of Puducherry need to emulate Uttar Pradesh that has made strides lately and joined the front runners.

- The Constitution under article 243B defines **Gram Sabha** and subsequently empowers them under article 243A. *Gram Sabha* epitomises Village Republic propounded by Mahatma Gandhi in his writings on 'Village Swaraj'. The *Gram Sabha* serves as the fundamental element of local democracy and is designed to protect the collective interests of the residents of the locality. Karnataka has achieved the highest score for this indicator. The State is closely followed by Chhattisgarh, Maharashtra, Tamil Nadu, Telangana and Bihar. States of Arunachal Pradesh, Jharkhand, Manipur, Punjab and UTs of Dadra & Nagar Haveli and Daman & Diu need to follow other States to monitor and ensure the minimum number of meetings of *Gram Sabha* and the quorum of each meeting.

The concept of *Panchayat* is formed on participatory democracy, avoiding the concentration of power among a few representatives and ensuring ultimate accountability to the people through the *Gram Sabha*. Effective functioning of *Gram Sabha* in each *Panchayat* makes the grass root democracy vibrant. Therefore, all schemes under the Eleventh Schedule must be implemented through a **group of people or committees** in *Panchayat*. These

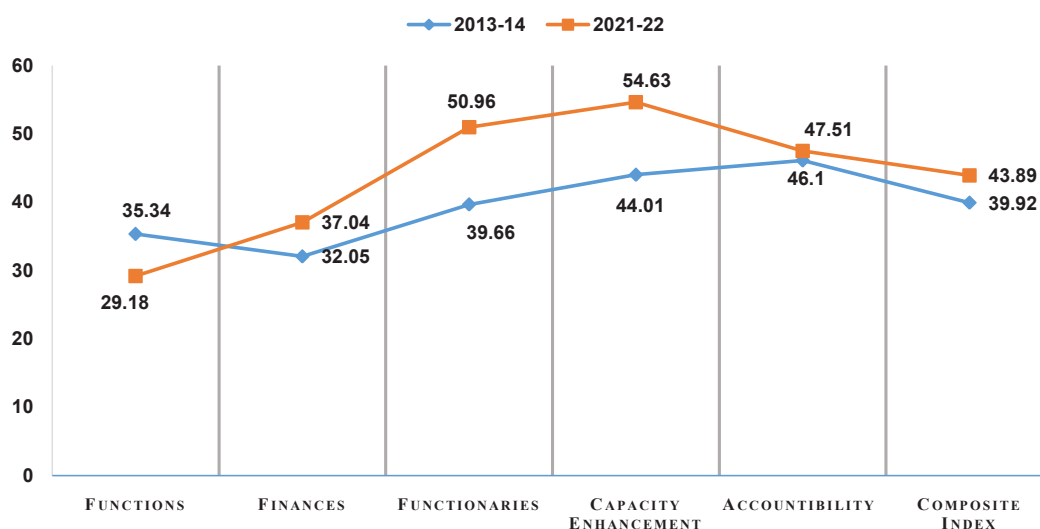
committees should be empowered through CSS guidelines which may have provision for the involvement of SHGs and other community-based organizations.

- Transparency and anti-corruption** practices of States/UTs are evaluated based on Right to Information (RTI) Act compliance, including a) the authorities acting as Information Officers and Appellate Authorities, b) proportion of *Panchayats* that submitted annual reports, c) State policies for information disclosure, disclosure modes, Citizens' Charter provisions (such as service lists, procedures, and grievance redressal), and d) the institution responsible for handling *Panchayat* complaints, whether an Ombudsman, *Lokayukta*, or government agency. The States of Chhattisgarh, Kerala, and Maharashtra outshine in this indicator reflecting strong RTI implementation, information

disclosure, and complaint handling. In contrast, States of Jharkhand, Punjab, and Manipur secured low scores indicating weaker practices in this area.

- Under the indicator '**Panchayat Assessment & Incentives**', the framework of States/UTs to measure *Panchayat* performance is assessed based on several key aspects. The indicator investigates whether the State has a) framed/used scoring plans/questionnaires/indicators for assessment, and b) instituted prizes for *Panchayats* and elected representatives, c) established support mechanisms for improving the activities of poorly performing *Panchayats*. It also examines whether performance audits are conducted for *Panchayats* and the percentage of *Panchayats* audited in the last financial year as per the total number in the State. Kerala and Tripura lead in *Panchayat* assessment and incentives,

**Figure 9: Past and Present Devolution Indices: A Comparison of National Averages**



with scores of 93.75 and 90.63 respectively.

- *Panchayat* survey on all important parameters of devolution in the States needs to be conducted periodically so that the system of data collection from various line departments in States remain active and intact. The periodicity of such a survey could be in a) the second year for updating, and b) the fourth year for full-fledged ranking. This would enable **monitoring and evaluation of States' performance for *Panchayats*** and progress over time. By comparing data collected at different points in time, trends and patterns can be analyzed, facilitating evidence-based policymaking and program implementation. It will provide policymakers insights into the impact of devolution on *Panchayat* governance and development outcomes. By analyzing survey data, policymakers can identify successful initiatives, assess areas requiring improvement, and refine policies to better support *Panchayat*.

Though several conclusions can be drawn through the comparative analysis of these dimensions and their indicators, one glaring part can be mentioned here from the comparative assessment of the 'Functions' and 'Finances' dimensions, it is evident (see Figure 9) that while financial devolution has improved—from a national average of 32.05 in 2013-14 to 37.04—the functional devolution has decreased, with the national average falling from 35.34 to 29.18 in the same period. This is

concerning since functional powers are fundamental for *Panchayats* to operate as institutions of self-governments.

Additionally, the 'Accountability' dimension has seen a marginal increase, with the national average rising from 46.10 in 2013-14 to 47.51. Other dimensions have shown more significant improvements: 'Functionaries' rose from 39.66 to 50.96, and 'Capacity Enhancement' increased from 44.01 to 54.63 points. Overall, India's Devolution Index (DI) has improved from a national average of 39.92 in 2013-14 to 43.89.

It is pertinent to note that the 'Finances' dimension holds the maximum weight of 30, having the most significant impact on the overall score. Various indicators contribute to the financial devolution score, but the assured fiscal devolution from the Union Government under article 280(3) (b) stands out. Since 2015-16, grants-in-aid to *Panchayats* have increased threefold. Following the recommendations of the 15th Finance Commission, these transfers expanded further, with less significant conditionalities. It may be safely argued that enhanced fiscal transfers from the Union Government to *Panchayats*, in the multi-order federal structure, rejuvenate other fiscal institutions, including State Finance Commissions, thereby strengthening *Panchayats*. However, *Panchayats* still have a substantial journey ahead to fully realize the objectives outlined in the 73rd Constitutional Amendment.

### Analysis of States

**Karnataka** tops the chart in the Devolution Index, as well as in the key sub-indices of 'Finances' and 'Accountability' as clear from the table and graph. Overall

analysis of indicators demonstrates the State's commendable performance across nearly all identified metrics. Karnataka delegates a significant number of functions to *Panchayats* while assigning them substantial roles in vertical schemes designed by the Union government. The State is among the front runners in releasing and utilising the grants-in-aid of the 15th Finance Commission in time. On account of the State Finance Commission recommendations the money is released to *Panchayats* in a timely manner. *Panchayats* in the State enjoy maximum power to levy taxes and non-taxes. The State has topped in the 'Accountability' dimension as well with the highest score in the indicator of 'Social Audit' and 'Gram Sabha'. Under the 'Functionaries' dimension, the State has one of the maximum number of *Panchayat* officials working as per the sanctioned positions prescribed by the State. In the 'Capacity Building' dimension, the State comes in top ten States having training institutions both at State and *Panchayat* levels. It may also be recollected that the State had received awards in the past under devolution index, for creating the environment for the *Panchayats* to function as institutions of self-government. Overall, the *gram Panchayat* system in Karnataka serves as a vital institution for promoting local self-governance, participatory democracy, and sustainable development in rural areas.

**Kerala** follows Karnataka in the Devolution Index. Kerala occupies first place in 'Framework', second position in 'Accountability' and 'Finances' and ranked third in the dimension of 'Functionaries'. Functioning of *Panchayats* in the State is considered highly transparent. The State

has tried to devolve most of its functions to *Panchayats* and at the same time has maintained a transparent system of transferring money under the *Panchayat's* window. The institution of state finance commission in Kerala has emerged to be the most effective in the recent past. *Panchayats* in Kerala utilise funds adequately and share the top slot as far as the indicator related to 'fund utilisation' is concerned. Under the dimension of 'Accountability', the State has one of the best 'Transparency and Anti-Corruption' and '*Panchayat* Assessment and Incentives' mechanisms. The state has adequate actual staff for the effective functioning of *Panchayats* as found from the study. The state is good in training *Panchayat* officials due to adequacy in training institutions for capacity building of the resources.

**Tamil Nadu** is ranked third in the overall index. According to the study, the State has the highest score in the 'Functions' dimension, second in 'Capacity Building' and 'Functionaries' and third in 'Finances'. In the State, the involvement of *Panchayats* in the schemes has the highest level of engagement by *Panchayats* in comparison to its counterparts. *Panchayat* officials at local level are accountable to *Panchayats*. In the dimension of 'Capacity Building', the State is good in assessing the need and conducting training for *Panchayats'* representatives and officials. The state of Tamil Nadu seems to perform well in the indicator of 'training institutions'

**Maharashtra** stands at fourth position in the Devolution Index, second in the key dimension of 'framework' and at the third in Accountability. Overall indicator analysis shows that the State has performed decently in almost all indicators identified



in the study. The State is among the front runners in releasing the 15th Finance Commission grant in time. *Panchayats* in the State enjoy maximum power to levy taxes and non-taxes. *Panchayats* in Maharashtra utilise funds adequately and share the top slot with their counterparts as far as the indicator related to expenditure is concerned. The State ranked at third position in the 'Accountability' dimension with a good score in the indicator of 'transparency and anti-corruption'. Under the 'Functionaries' dimension, the State keeps the maximum number of actual staff in comparison to the sanctioned staff. It may be recollected that Maharashtra has a historical background of strong legal and policy framework. It may be noted that a comprehensive Act for *Zilla* (district) *Parishad* and *Panchayat* Samiti was enacted way back in 1966. A separate Act is in place for *Gram Panchayats*. Time to time amendment has been made. Development cadre at *zilla parishad* level executes these elaborated legal provisions.

The performance of Uttar Pradesh has been remarkable in the overall index and is ranked fifth and scored well in the dimension of 'Accountability'. *Panchayats* in the State have released and have even spent the released grant by the 15th Finance Commission in time. The State has also introduced 'Initiatives related to Finance, Accounts and Budget'. The State of Uttar Pradesh is making efforts

towards accountability mechanism and ranks fourth position in this dimension and has the highest score in the indicator of 'Accounting and Audit'. Under the 'Functionaries' dimension, the State has tried to fill the posts of *Panchayat* secretary by recruiting the resources through exams in the recent past. The State has adequate staff for the functioning of *Panchayats*.

As shown in the Table 3, Chhattisgarh, Gujarat, Karnataka, Kerala, Maharashtra, Rajasthan, Tamil Nadu, Telangana, Tripura, Uttar Pradesh and West Bengal with scores above 55, are categorized as 'high' in the overall Devolution Index showcasing commendable performance across all sub-indicators. This is followed by Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, and Odisha, which are rated as 'medium scoring' States with the score in between 50 and 55. Similarly, four other States are classified as 'low performers' in devolving power to *Panchayats* though these States, namely, Assam, Bihar, Sikkim, and Uttarakhand, surpass the national average, i.e., 43.89. However, twelve other States, which include Goa, Haryana, Jharkhand, Punjab and two northeastern States of Arunachal Pradesh, and Manipur, along with six union territories of Andaman & Nicobar Islands, Dadra & Nagar Haveli and Daman & Diu, Jammu and Kashmir, Ladakh, Lakshadweep, Puducherry, still lag below the national average of 43.89 and are regarded as aspirational.

**Table 3: Categorizing States/UTs on the basis of DI Scores***[Alphabetically arranged]*

Category of States	States
High > 55	Chhattisgarh, Gujarat, Karnataka, Kerala, Maharashtra, Rajasthan, Tamil Nadu, Telangana, Tripura, Uttar Pradesh and West Bengal
Medium > 50 & ≤ 55	Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, and Odisha
Low > 43.88 and ≤ 50	Assam, Bihar, Sikkim, and Uttarakhand
Very Low (below National Average of 43.89)	Andaman & Nicobar Islands, Arunachal Pradesh, Dadra & Nagar Haveli and Daman & Diu, Goa, Haryana, Jammu and Kashmir, Jharkhand, Ladakh, Lakshadweep, Manipur, Puducherry, and Punjab

"The IIPA report on Status of Devolution to Panchayats is well crafted and addresses most of the critical issues. The ranking of States on the Devolution Index aligns with the consensus among domain experts.

The report is progressive and addresses key issues. Recommendations such as establishing a Consolidated Fund of Local Government could lead to dramatic improvements in decentralized democracy and local public service delivery." — **VIJAY KELKAR**, Chairman, Thirteenth Finance Commission and former Finance Secretary, Government of India

"The conclusions in the book are credible and based on research and data, which can inspire confidence.

The third tier of our government is the centrepiece of our federal polity and enhancing the understanding of its challenges and opportunities would strengthen the architecture of this centrepiece. This book makes an enormous contribution towards this objective." — **N K SINGH**, Chairman, Fifteenth Finance Commission and President, Institute of Economic Growth

"With its nuanced methodology, the report quantifies devolution and assesses state-level performance across six key dimensions, including institutional frameworks, finances, and accountability. The report provides an evidence-based robust framework for assessing the progress of Panchayati Raj Institutions (PRI) and the overall health of decentralised governance in India by constructing a state-level Devolution Index."

— **V. ANANTHA NAGESWARAN**, Chief Economic Adviser

"Dr. Alok presents a very hopeful analysis which will interrupt the doomsayers in their tracks of sheer negative critique. However, as we know Professor Alok is no roseate analyst but asks hard and often uncomfortable questions. The conceptual questions are aplenty." — **UPENDRA BAXI**, Emeritus Professor of Law, University of Warwick and Delhi

"It is a very comprehensive report providing a quantitative comparison of performance of states on various dimensions in implementing the 73rd constitutional amendment. I hope it will help in generating a constructive and competitive spirit for promoting grassroot level democracy in India" — **MANOJ PANDA**, Member, Sixteenth Finance Commission and former Director, Institute of Economic Growth

"The dedication and rigorous effort put forth by Prof Alok of the IIPA, in collaboration with the Ministry of Panchayati Raj, deserve commendation for this significant contribution. This work not only serves as a valuable tool for policymakers but also reinforces the vital role of empowered PRIs in strengthening India's democratic fabric." — **R BALASUBRAMANIAM**, Member-HR, Capacity Building Commission, Government of India

"The ranking of the States on the Devolution Index seems to be broadly in conformity with what is widely recognized and accepted by experts. This report is progressive and touches on the most important aspects. The report can come handy even for the 16th Finance Commission"

— **SUNIL KUMAR**, Former Secretary to the Government of India, Ministry of Panchayati Raj.



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Ministry of  
Panchayati Raj



Indian Institute of  
Public Administration