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EDITORIAL ANALYSIS

Decentralisation Deficit: Why India's Panchayats Need Capacity, Not Just Representation

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Decentralisation Deficit: Why India's Panchayats Need Capacity, Not Just Representation

Business Standard 28 May 2026 **GS2**

BS Business Standard

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INTERVIEW ANGLE

"If 32 years of the 73rd Amendment have given India 32 lakh elected gram-panchayat members but still leave them with no real authority, training, or fiscal control, what does that reveal about the limits of "elections as decentralisation"?"

BUSINESS STANDARD

| Editorial Comment | May 28, 2026

A study of

1.2 MILLION WARD MEMBERS ACROSS 150,000 GRAM PANCHAYATS IN 13 STATES

finds that merely expanding elected representation has not improved welfare delivery, accountability or outcomes. Ward members lack **authority, training, fiscal control and administrative backing**. Despite **larger fiscal transfers recommended by the 16th Finance Commission**, panchayats still lack **financial autonomy and skilled staff**. The editorial argues that decentralisation needs **stronger state capacity, clearer powers and trained personnel** — not just more representatives.

THE ARGUMENT IN ONE LINE

India's local-government democracy has scaled representation but stalled on capacity — and the gap between elected ward members and the powers they actually exercise is the central anti-democratic feature of Indian federalism today.

THE CONSTITUTIONAL ARCHITECTURE — 73RD & 74TH AMENDMENTS

PROVISION	DETAIL
73rd Constitutional Amendment Act	April 24, 1993 — Panchayati Raj Institutions (PRIs) for rural areas
74th Constitutional Amendment Act	June 1, 1993 — Municipalities for urban areas
Article 243	Definition + Schedule XI (29 subjects for PRIs) + Schedule XII (18 subjects for ULBs)
Article 243G	Powers of panchayats — to be devolved by state legislatures
Article 243K	State Election Commission for PRI elections
Article 243I	State Finance Commission — every 5 years
PESA Act, 1996	Panchayats (Extension to Scheduled Areas) — for Schedule V areas
National Panchayati Raj Day	April 24 (anniversary of 73rd Amendment)

THE SCALE OF THE INDIAN PRI SYSTEM

TIER	NUMBER (APPROXIMATE)	ELECTED REPRESENTATIVES
Gram Panchayat (village)	~2.55 lakh	~30 lakh
Panchayat Samiti (block)	~6,700	~1.6 lakh
Zila Parishad (district)	~700	~25,000
Total	~2.63 lakh PRIs	~32 lakh elected reps

This is the **world's largest representative democracy at the local level** — yet operational capacity remains the binding constraint.

THE DECENTRALISATION DEFICIT — THREE MANIFESTATIONS

1. Authority Deficit

- **Schedule XI lists 29 subjects** intended for PRIs (Article 243G).
- **Most states have not devolved** all 29 — actual devolution patchy.

- **Parallel structures** (DRDA, parastatals, line-department officers) often retain control.
- **Devolution Index (Ministry of Panchayati Raj, 2024)** – wide inter-state variation; Karnataka, Kerala, MP, Sikkim, Tamil Nadu lead.

2. Fiscal Deficit

- **Own revenue of GPs** – typically <10% of expenditure.
- Reliance on **Central + State Finance Commission transfers**.
- **15th Finance Commission (FY 2020-26): ₹2.36 lakh crore** to PRIs over 5 years.
- **16th Finance Commission (FY 2026-31):** Recommendations finalised; larger transfers – but conditional on PRI accounting + auditing.

3. Capacity Deficit

- **Average panchayat staff strength:** 2-3 people; most without formal training.
- **Computerisation:** PRIA Soft / e-GramSwaraj in progress; data quality uneven.
- **Trained panchayat secretaries:** Shortage in most states.
- **Audit:** CAG covers selected states; most accounts unaudited or self-audited.

THE BS STUDY'S SPECIFIC FINDINGS

FINDING	DETAIL
Ward members lack functional authority	Decisions taken by sarpanch + line officers, ward members often consulted only formally
No formal induction training	Only a few states (Kerala, Karnataka) have systematic ward-member training
Fiscal opacity	Ward members often do not know panchayat budgets or expenditure heads
Welfare-delivery gap	Empowering ward members did not measurably improve PMAY-G, MGNREGS, Jal Jeevan Mission outcomes
Women's reservation paradox	50% women's reservation in some states; functional capacity not always commensurate with formal representation
SC/ST/OBC representation	High formal representation; substantive empowerment uneven

THE EDITORIAL'S SPECIFIC DEMAND

DEMAND	RATIONALE
State capacity, not just representation	More trained panchayat secretaries, accountants, auditors
Clearer powers	Genuine devolution of Schedule XI subjects
Financial autonomy	Own-revenue generation + predictable transfers + auditable accounts
Trained personnel	District panchayat-resource centres + state institutes of rural development
Performance-linked transfers	15th/16th FC's conditionalities to be enforced

COMPARATIVE — KERALA VS AVERAGE

Kerala's "People's Plan Campaign (1996)" remains the gold standard:

- **35-40% of state budget** decentralised to LSGIs (Local Self-Government Institutions).
- **Functional sub-committees** with real authority.
- **Mandatory Gram Sabha** twice a year.
- **Outcomes:** best human-development indicators in India, partly attributed to LSGI strength.

Most other states have not replicated this depth.

WHAT'S WORKING

INNOVATION	WHERE	WHAT IT DOES
e-GramSwaraj + PRIA Soft	Pan-India MoPR platform	Digital accounting, scheme convergence
Gram Panchayat Development Plans (GPDPs)	All states	Bottom-up planning with line-dept convergence
Mission Antyodaya	Census-style PRI ranking	Performance benchmarking
Karnataka's panchayat awards	State-level	Performance recognition
Sansad Adarsh Gram Yojana (SAGY)	MP-adopted villages	Concentrated convergence
AMRUT 2.0 + Smart Cities	Urban analogue	Urban-local capacity

WHAT'S NOT WORKING

- **State Finance Commissions** — many delayed or not constituted on schedule (Article 243I requires every 5 years).
- **Audit coverage** — patchy.
- **District Planning Committees (Article 243ZD)** — exist on paper; not functional in most states.
- **PESA in Scheduled Areas** — slow implementation in Jharkhand, Chhattisgarh, MP, Odisha.

COMPARATIVE ANCHOR

COUNTRY	LOCAL GOVERNMENT SHARE OF TOTAL PUBLIC EXPENDITURE
Denmark	~63%
Switzerland	~46%
USA	~25%
South Africa	~22%
India	~3% (PRIs + ULBs combined)

India's local-government share is **structurally low** — both compared to federal peers and to its own constitutional aspiration.

WIDER SIGNIFICANCE

- **Democratic depth** — local government is where democracy is felt; weakness here undermines the national project.
- **Development outcomes** — Kerala vs national average gap shows the dividend of functional decentralisation.
- **Federalism** — local government is the third tier, not optional.
- **Inclusion** — women, SC/ST, OBC representation is meaningful only with substantive authority.
- **Climate adaptation** — local government is the first responder for floods, droughts, heatwaves — capacity here is climate capacity.

COUNTER-ARGUMENTS

COUNTER	SUBSTANCE
Capacity is hard	True; but 32 years of incrementalism shows the slow approach isn't enough
Federalism limit	State governments are reluctant to devolve; this is the constitutional fault line
Cost	Strengthening 2.6 lakh PRIs requires sustained spend; long-term ROI is high but not immediate
Politicisation	Decentralisation can entrench local elites; safeguards needed

WAY FORWARD

- **Centrally-Sponsored Scheme for Panchayat Capacity** — dedicated funding for staff + training.
- **All-India PRI Secretary Cadre** — analogue to IAS at local level.
- **Mandatory State Finance Commission audit** by CAG.
- **District Planning Committee operationalisation** in all states (Article 243ZD).
- **PESA implementation** in all Schedule V areas with statutory oversight.
- **Performance-based transfers** scaled up.
- **Citizen budget transparency** — every PRI publishes annual statement.
- **Linkage with NEP 2020** — civic-and-democracy education in schools.

UPSC RELEVANCE

GS Paper 2 – Polity & Governance:

- Functions and responsibilities of the Union and the States, issues and challenges pertaining to the federal structure.
- Devolution of powers and finances up to local levels and challenges therein.
- Government policies and interventions for development.
- Welfare schemes for vulnerable sections.

Analytical hooks for Mains:

- 73rd Amendment – assessment after 33 years (1993-2026).
- Decentralisation as state-capacity question.
- Kerala's People's Plan Campaign – replicability.

FACTS CORNER

73rd Constitutional Amendment Act: April 24, 1993 (PRIs); National Panchayati Raj Day.

74th Constitutional Amendment Act: June 1, 1993 (ULBs).

Schedule XI: 29 subjects for PRIs (Article 243G).

Schedule XII: 18 subjects for ULBs (Article 243W).

PESA Act: 1996 (Schedule V areas).

Total PRIs in India: ~2.63 lakh; total elected representatives ~32 lakh.

15th Finance Commission (FY 2020-26): ₹2.36 lakh crore to PRIs.

16th Finance Commission: Constituted December 31, 2023; Chair: Arvind Panagariya; recommendations period FY 2026-31.

State Finance Commission: Article 243I – every 5 years.

District Planning Committee: Article 243ZD.

Kerala People's Plan Campaign: Launched 1996 – 35-40% of state budget decentralised.

India's local-government share of total public expenditure: ~3% (PRIs + ULBs combined).

e-GramSwaraj + PRIA Soft: Ministry of Panchayati Raj digital platform.

Editorial source: Business Standard, May 28, 2026 | Cross-link: Daily May 28 – HLCDC committee on demographic changes

Source: Decentralisation Deficit: Why India's Panchayats Need Capacity, Not Just Representation —
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