

# DEVOLUTION INDEX REPORT 2024 - ECONOMY

**NEWS:** *The Ministry of Panchayati Raj has unveiled the report titled “Status of Devolution to Panchayats in States – An Indicative Evidence-Based Ranking”.*

## WHAT’S IN THE NEWS?

The report is prepared by **Indian Institute of Public Administration (IIPA), New Delhi.**

- It provides a comprehensive analysis of **how well Panchayats are equipped to fulfill their constitutional roles in each State.**
- It also highlights the **gaps and challenges** that need to be addressed for Panchayats to function as true institutions of local self-government.

## Meaning of Devolution

- Devolution refers to the transfer of financial resources, powers, and responsibilities from the central or state governments to the Panchayati Raj Institutions (PRIs).
- This process is aimed at empowering local self-governments to manage their own finances and make decisions related to local development and governance.

## Importance of Devolution in Panchayat Finance

- **Empowerment:** Enhances the financial independence of Panchayats, enabling them to address local issues effectively.
- **Local Development:** Ensures that funds are used for projects that directly benefit the community.
- **Democratic Governance:** Promotes participatory decision-making and accountability at the grassroots level.

## Key Findings

### 1. Increase in Devolution:

- The proportion of devolution to rural local bodies has increased from **39.9% in 2013-14 to 43.9% in 2021-22**, indicating a gradual yet positive trend in decentralization efforts.

### 2. Capacity Enhancement & Functionaries:

- There have been notable improvements in **capacity enhancement**, rising from **44% in 2013-14 to 54.6% in 2021-22**, signifying better institutional support and training for Panchayats.
- Similarly, the percentage of improvement in **functionaries** (staff and personnel support) has increased from **39.6% to 50.9%**, highlighting strengthened human resources in local governance.

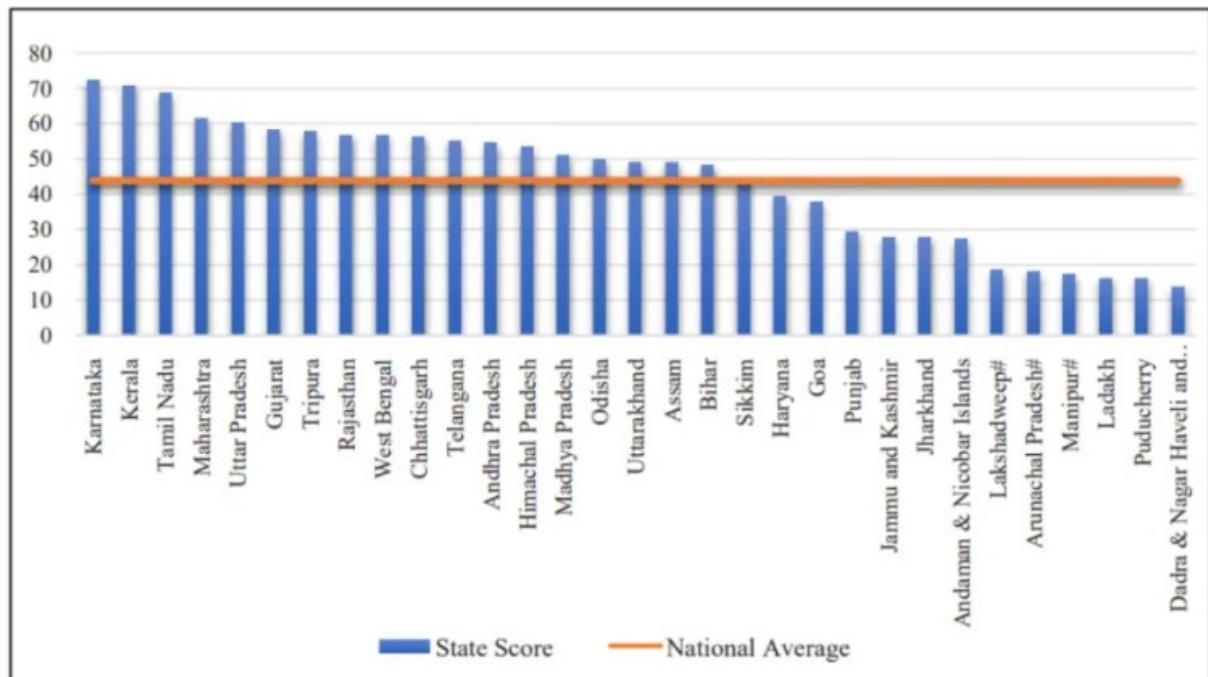
### 3. Top Performers in Devolution Rankings:

- **Karnataka** has emerged as the top-performing state in devolution, showcasing exemplary practices in financial management, accountability, and governance.
- **Kerala and Tamil Nadu** secured the second and third positions, respectively, reflecting their strong constitutional framework and functional devolution mechanisms.
- **Uttar Pradesh** demonstrated remarkable progress, moving from **15th position to 5th place**, primarily due to significant reforms in its accountability framework and governance structure.

#### 4. State-Specific Success Stories:

- **Uttar Pradesh:**
  - Implemented transparency initiatives and anti-corruption measures, leading to an improved **accountability framework** in local governance.
- **Tripura:**
  - Rose from **13th to 7th position** in devolution rankings due to notable advancements in **revenue generation and fiscal management** of Panchayats.

**Figure 2: Devolution Index of Panchayats**



#### **Devolution Index: State Rankings**

The states have been ranked based on six core dimensions of devolution, determining the effectiveness of Panchayati Raj Institutions (PRIs).

#### **Top 10 Performing States (Devolution Index Score > 55):**

1. **Karnataka**
2. **Kerala**
3. **Tamil Nadu**
4. **Maharashtra**
5. **Uttar Pradesh**
6. **Gujarat**
7. **Tripura**
8. **Rajasthan**
9. **West Bengal**
10. **Chhattisgarh**

#### **Medium Performers (Devolution Index Score Between 50-55):**

- **Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, and Odisha** were placed in this category, indicating moderate progress in devolution efforts.

## Six Dimensions of Devolution

1. **Framework (Kerala – Rank 1st)**
  - Kerala leads in establishing a **strong constitutional and legal framework** for Panchayati Raj, ensuring robust legislative backing for local governance.
2. **Functions (Tamil Nadu – Rank 1st)**
  - Tamil Nadu has been recognized as the best state in **functional devolution**, effectively defining and delegating clear roles and responsibilities to Panchayats.
3. **Finances (Karnataka – Rank 1st)**
  - Karnataka ranks highest in **financial devolution**, ensuring timely disbursement of funds and effective financial autonomy for rural local bodies.
4. **Functionaries (Gujarat – Rank 1st)**
  - Gujarat leads in **personnel management and capacity building**, ensuring trained professionals are available at the Panchayat level to execute governance functions efficiently.
5. **Capacity Enhancement (Telangana – Rank 1st)**
  - Telangana excels in **institutional strengthening, training programs, and skill development** initiatives for Panchayat functionaries.
6. **Accountability (Karnataka – Rank 1st)**
  - Karnataka has set new benchmarks in **transparency, grievance redressal mechanisms, and public accountability** in rural governance.

## Key Recommendations in the Report

1. **Monitor Fund Utilization**
  - A comprehensive **monitoring mechanism** should be developed to track how funds devolved to rural local bodies are utilized, ensuring accountability and preventing financial mismanagement.
2. **Empower Panchayats with Greater Autonomy**
  - Strengthening **decision-making power** at the Panchayat level is essential to enhance their role as centers of grassroots governance.
3. **Expand the Role of Panchayat Bhawans**
  - Panchayat offices should be **transformed into service hubs**, offering facilities such as:
    - Pensions and social security benefits
    - Issuance of birth and death certificates
    - Access to centrally sponsored schemes like **Ayushman Bharat** and rural development programs.

## Transformative Progress in Panchayati Raj

The report highlights significant strides made in **strengthening the Panchayati Raj system** over the past decade, including:

- **Digital Transformation:**
  - Adoption of **e-Governance platforms** for transparency in fund allocation, tracking expenditures, and administrative efficiency.
- **Improved Panchayat Infrastructure:**

- Development of **well-equipped Panchayat offices**, better access to **computers, internet connectivity**, and other digital tools.
- **Regular Panchayat Elections:**
  - Increased emphasis on conducting **timely elections** for local bodies, ensuring **democratic representation and participatory governance**.
- **Enhanced Accounting and Audit Mechanisms:**
  - Strengthening **financial oversight, auditing, and compliance mechanisms** to promote accountability in Panchayat fund management.

## Provisions Regarding Devolution of Finance to Panchayats in India

### 1. Constitutional Provisions:

- **Article 243H – Financial Powers of Panchayats:**
  - Empowers **State Legislatures** to authorize Panchayats to **levy, collect, and appropriate** taxes, duties, tolls, and fees.
  - Allows for **grants-in-aid** from the State Government to support Panchayat finances.
- **Article 243-I – State Finance Commission (SFC):**
  - Mandates that every **five years, a State Finance Commission (SFC)** must be constituted.
  - The SFC is responsible for recommending:
    - **Distribution of financial resources** between the State and Panchayats.
    - **Allocation of taxes, duties, and fees** collected by the State to Panchayats.
- **Article 280 – Finance Commission of India:**
  - The **Finance Commission of India** recommends **grants-in-aid** to states for the development of Panchayati Raj Institutions (PRIs).
  - The **15th Finance Commission allocated ₹4.36 lakh crore (2021-26)** for local bodies, including Panchayats.

### 2. Statutory Provisions:

- Each state has its own **Panchayati Raj Act**, defining:
  - Financial devolution and taxation policies.
  - Revenue sources such as **property tax, profession tax, vehicle tax, market fees, user charges, and service fees** to strengthen Panchayat finances.

## Major Concerns Regarding Devolution to Panchayats

1. **Limited Overall Progress in Devolution:**
  - The increase in **devolution from 39.9% to 43.9%** over eight years is **gradual but relatively slow**, requiring more accelerated reforms.
2. **Inter-State Disparities:**
  - States like **Karnataka, Kerala, and Tamil Nadu** have made significant progress, while others lag behind, leading to an **uneven development** in Panchayati Raj governance.
3. **Gaps in Functional Devolution:**
  - While **Tamil Nadu leads in functional devolution**, other states still struggle to **delegate clear powers and responsibilities** to Panchayats.
4. **Capacity Constraints & Institutional Weaknesses:**
  - Despite initiatives like **Rashtriya Gram Swaraj Abhiyan (RGSA)**, many Panchayats lack trained personnel, digital infrastructure, and financial expertise to manage resources efficiently.

#### 5. **Parallel Bodies Undermining Panchayats:**

- The existence of **parallel bodies with overlapping functions** in several states weakens the **decision-making authority of Panchayats**, reducing their effectiveness.

#### **Conclusion**

The report marks a significant milestone in **strengthening Panchayati Raj Institutions (PRIs)** and realizing the vision of **Gram Swaraj (self-reliant village republics)**. It not only highlights the achievements of high-performing states but also provides a **clear roadmap** for improving rural governance frameworks across India.

**Source:** <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2101678>