



# **Democratic Decentralization and corruption: An Exploratory and Descriptive analysis in Indian Context**

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## **Conceptual framework of Decentralization -**

Many developing and transitional countries have experimented with decentralization to varying degree depending on the type of decentralization and the political situation in the country. In the majority of developing countries, decentralization reforms have been proposed as a response to the failures of highly centralized states. It is argued and claimed that being closer to people, local authorities can more easily identify people's needs and thus supply the appropriate form and level of public services (Oates, 1972). Besides, it is further argued that decentralization reforms can help the central state gain legitimacy and have been seen as a strategy for maintaining political stability. They provide an institutional mechanism to bring opposition groups into a formal bargaining process.

The economic arguments in favour of decentralization are mainly centred on the issue of allocative efficiency. Oates (1972) argued the decentralization can increase the efficiency and responsiveness of the government. Additional arguments in favour of decentralization reforms note that are likely to be willing to pay local taxes where the amounts they contribute can be related more directly to services received (Westergaard,1995). Due to various positive outcomes and advantages, the decentralization is widely lauded as a key component of good governance and development.

## **Objective and Methodology of study -**

Focusing on the case of India, this article is an attempt to study and explores the link between decentralization and corruption in light of the ongoing debate on whether decentralization reduces or facilitates/promotes corruption.

The research design employed in this study is a combination of exploratory and descriptive. The exploratory approach attempts to seek preliminary understanding of a topic and try to find and describe deeply about the relationships between decentralization and corruption in India. This method is very flexible in the search for new ideas and information. study also used descriptive approach to describe precisely and systematically the state of decentralization and its impact on corruption. The study is based on existing literature on the subject which involves examining what has already been written on the subject and also providing fresh insights into solving the problem.

There are mainly three forms of decentralization . These are political, administrative and fiscal decentralization. Political decentralization implies directly elected local governments thereby making elected officials accountable to citizens(Litvack,1999). Administrative decentralization refers to the transfer of responsibility for planning, financing and managing certain public functions from the central government .Fiscal decentralization is the assignment as of expenditure and mobilisation functions to sub-national levels of government.

## **Conceptual framework of Democratic Decentralization in India -**

In the past few decades there is an increasing realization that genuine decentralization leads to development. It is also felt that decentralization of power to the local units of government and management is one of best ways of empowering people, promoting public participation and increasing efficiency. According to Human Development Report (1993), "where decentralization has been taken place, it has often been fairly successful in encouraging local participation increasing accountability of local officials,

reducing the costs and increasing efficiency. Decentralization can help to mobilize resources, introduce locally and regionally diverse solutions and promote equitable growth by bringing the poor into mainstream development" (Reddy, 2003).

The real meaning and significance of democratic decentralization can be understood in the light of the prevailing social, economic and political conditions which determine the purpose and pattern of the democratic process. India has greater diversities in terms of culture, languages, caste groups and economic stratification apart from authoritarian political tradition. Side by side, the demands for eradication of poverty, disease and ignorance are increasing in alarming proportion and require massive efforts. This challenging task emphasizes economic priorities and the need to increase public participation to fulfill the rising expectations of the vast masses. At the same time, aspirations aroused by political freedom require widening of the base for political participation. With a view to containing the forces of divisiveness, the emerging trend is tilting the balance towards decentralization. Thus, a true image of pattern of democratic decentralization, both a conceptual and operational level, can better be visualized in contextual terms where the objective and motivation of the political leadership provides a true perspective for understanding the process and problems of decentralization (Narain, 1981). However, the real test is not decentralization of political agencies or institutions, but the effective decentralization of responsibilities, powers and prestige or status. Presumably, genuine decentralization involves a significant measure of de-concentration, delegation or devolution, conferring of real powers on local authorities. Decentralization also implies clear understanding of socio- cultural and legal factors.

Thus the pattern of decentralization as evolving in India involves both the delegation or de-concentration and devolution or transfer of political and administrative powers. Hence the degree of democratization and decentralization is determined by the politico-Economic objective and the operational procedures designed to regulate the administrative mechanism which has the potential power to eradicate corruption.

### **Conceptual framework of Corruption -**

There is no consensus on definition of corruption between scholars. It defined variously by different scholars depending on the legal, social and political interpretations. In simple words corruption is the asking, receiving or agreeing to receive, giving, promising or offering of any gratification as an inducement or reward to a person to do or not to do any act, with a corrupt intention. Transparency International defines 'corruption as behavior on the part of officials in the public sector, whether politicians or civil servants, in which they improperly and unlawfully enrich themselves, or those close to them, by the misuse of the public power entrusted to them. This would include embezzlement of funds, theft of corporate or public property as well as corrupt practices such as bribery, extortion or influence peddling'. The World Bank tend to restrict corruption to the abuse of public office for private gain. In the political realm, it undermines democracy and good governance by subverting formal processes. Corruption in elections and in legislative bodies reduces accountability and representation in policymaking; corruption in the judiciary suspends the rule of law; and corruption in public administration results in the unequal provision of services. More generally, corruption erodes the institutional capacity of government as procedures are disregarded, resources are siphoned off, and officials are hired or promoted without regard to performance. Corruption, according to Pope (2000), is the 'misuse of public power, office and authority for private gain through bribery, extortion, influence peddling, nepotism, fraud, speed- money or embezzlement.'

The meaning of corruption shifts with the speaker and the various definitions seem to emphasize that corruption mainly takes place in the public arena thereby excluding the private sector and this in itself is a deficiency. researchers distinguish political corruption from business corruption, while political corruption necessarily involves politicians or bureaucrats, business corruption does not. State capture on the other hand refers to the collusion by private actors with public officials or politicians for their mutual, private benefit while patronage refers to using official position to provide assistance to clients having the same geographical, ethnic or cultural origin so that they receive preferential treatment in their dealings with the public sector including public sector employment. From above description it can be assumed that there is no single universally accepted definition and therefore corruption is frequently employed as a generic label for any sort of failure on the part of politics or politicians.

## Debate on Decentralization and Corruption -

The debate whether decentralization reduces or fosters corruption still continues because the linkages of decentralization to accountability and corruption are complex and context-specific. While some authors argue that there is a positive relation between decentralization and corruption, others claim that decentralization, in fact, leads to a reduction in the level of corruption. Many are of the opinion that decentralization reduces corruption in two ways: firstly, because of political accountability where citizens in a local area can decide whether to re-elect a government (Seabright,1996); secondly, decentralization reduces corruption through so-called 'competitive jurisdictions where one local government will not be extortionate in order to prevent people and businesses from moving to other, better governed areas. Kolstad and Fjeldstad (2006) opine that being close to or part of the community is not sufficient for local governments to be accountable. Decentralization by itself is not a sufficient condition to reduce corruption or poverty. In the same vein, Jean-Paul Faguet (1997) argues that decentralization can open the door for local elites to play a disproportionate role in planning and managements of projects. This study presented two perspectives to the debate on the link between decentralization and corruption. The first perspective being that decentralization reduces corruption, while the second is that decentralization leads to increased opportunities for corruption. However, the question of whether or not decentralization reduces corruption remains open and subject to further research.

### Is Decentralization Reduces Corruption?

Among many advantages of decentralization, reduction of corruption is being one of them. There are many researchers and scholars who argue that decentralization increases the accountability of the bureaucrats to the people and thereby reduces the level of corruption (Fisman, R. and Gatti, R. 2002). Similarly, there are a number of empirical studies that provide support for the positive influence of decentralization in controlling corruption. The ability of decentralization to reduce opportunities for corruption has been based on the potential for greater accountability when decision- making is closer to the people. The argument here is that voters in smaller jurisdictions in decentralized are better informed and are able to focus on the performance of a specific region, which improves accountability. The division of responsibilities due to decentralization allows for easier attribution of credit or blame, and the smaller size of communities facilitates the coordination of voting strategies. In short, decentralization brings decision-making closer to those are affected. Crook and Manor in their studies in India have found that decentralization has a positive influence on corruption. They established that decentralization lead to decline in corruption because enhance transparency.

### Is Decentralization facilitate Corruption?

Several empirical studies consider political decentralization as a source of corruption. If local vested interests are powerful, in the absence of local accountability decentralization increases corruption and social fragmentation (Bardhan, 1998.). Prud'homme (1995) observes that corruption is more at the local level due to two important reasons; firstly, officials have more discretionary powers than national decision makers; and secondly local bureaucrats and politicians are likely to be more subject to pressing demands from local interest groups whose money and votes count in matters such as taxation or authorisations. Prud'homme further observes that if corruption is more widespread at the local level then decentralization automatically increases the overall level of corruption. Tanzi (1995) was of the view that corruption may be more common at the local level. Some comparative studies even reached the conclusion that, in total, more decentralization means, in fact, more corruption.

### Decentralization as a means to reduce Corruption in India -

It is believed that the transfer of responsibilities and resources from the centre to the other levels of governments will reduce corruption. The implementation of decentralization reforms in any country must be accompanied by the measures like accountability, transparency, devolution and anticorruption agencies etc. to check the phenomenon of corruption. The government of India has repeatedly placed decentralization programmes at the core of its governance reform agenda since independence in 1947. With the enactment of 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, the process of decentralization has further

increased in all areas of social and public policy. This reform towards democratic decentralization has been driven by the need to deepen the process of democracy by giving citizens a greater say in matters which impact more on their daily lives. This has been referred to as bringing government to the 'doorsteps' of the people or grass roots' democracy. Social Audit, accountability, anti-corruption agencies and devolution of power are the variables to study relationship between corruption and decentralization in India.

### **Social Audit -**

Social Audit is the effective mechanism to combat corruption. Gram Sabha is the important unit for social audit in the new Panchayati raj system. The Gram Sabha, under the new Panchayat Act, exercises the power to supervise and monitor the function of Gram Panchayat and its examines the annual statement of accounts and audit reports. Thus, among other things, one of the most important functions of Gram Sabha is auditing. Under this system, the people have the right to know details of projects, documents, procedures of its execution, estimates, its monitoring, technical expenditures and evaluation. The provision of issuing the 'completion certificate' by the Gram Sabha for all village level development activities and yellow board to be painted outside every panchayat unit indicating the work done in that year along with amount sanctioned, amount spent and date of completion are some of the measures of the social auditing. Besides, the social auditing gives the people of every village inter alia, the right to seek clarification from the President/Pradhan and elected members of the Gram Panchayat about any activity, scheme, income and expenditure of the Gram Panchayat. Both ongoing and completed works were brought under the ambit of social audit. It was also made mandatory for the concerned programme officer to submit a certificate of the ongoing and completed works the audit period to the social audit team in advance. The social audit, therefore, enhances transparency and accountability at the local level and helps in identifying gaps and leakages in programme or project implementation which further reduce corruption at village level.

### **Accountability -**

Mechanism of accountability can serve as strategic entry points for improving the effectiveness of local governance through devolution. Accountability is the degree, to which local governments have to explain or justify what they have done or failed to do. Effective political, administrative and financial accountability mechanisms at the local government level compel local officials to focus on results, seek clear objectives, develop effective strategies, and monitor and report on performances. The absence of accountability among the officials and representatives at local level leads to corruption. The 73 Constitutional Amendment Act (1992) has provisions for the participation of citizens in the planning through Gram Sabha. Gram Sabha in India now serves as a principal mechanism for transparency and accountability. The citizens decide everything at the meeting of Gram Sabha to maintain transparency in the functioning of local institutions. Gram Sabha now made mandatory to indicate the names of the selected poor beneficiaries in the sanction orders, work commencement order and cross-checked in the social audit as well. Second important mechanism of accountability that exists at all levels of the panchayat is the formation of vigilance committees. The members of a vigilance committee in the state like Sikkim visits the place of work, closely monitor the progress of work and sign the certificate of completion only after proper verification of work. Elections provide citizens with the opportunity to vote out of office and power individuals or governments that are not, or have not been accountable or that are underperforming. Elections in India are considered as the mechanism to hold government accountable.

### **Anti-corruption agencies -**

Indian government established bodies devoted entirely to investigating corrupt acts and preparing evidence for prosecution. Central Bureau of Investigation (CBI), Central Vigilance Commission (CVC) and Enforcement Directorate (ED) are some of the important anti-corruption agencies in India. All these anti-corruption agencies serve as watchdogs for governments and to combat corruption through enforcement of existing regulations, the punishment of violators and raising the awareness of citizens. They also foster the support in combating corruption.

### **Devolution of power -**



Devolution of powers and resources to elected local government is the key ingredient of democracy and good governance. The genuine decentralization means complete devolution of powers and resources to the governments at the local level. This devolution measure help to bring public services closer to people who have more opportunities to participate. Devolution enhances the opportunities for participation by all citizens, as well as the civil society in governance processes. This includes participation in development planning; participation in and participation in monitoring the implementation of public-funded projects, programmes and activities. It further enhances productive efficiency by promoting accountability in the management of public affairs, including public finances, reducing corruption, and improving cost recovery. The close proximity of local policy makers and bureaucrats to citizens enables the public to monitor, and to hold to account local government officials.

### Conclusions-

The objectives of the decentralization process in the developing countries are generally focused on improving efficiency, equity, accessibility and quality of the services supplied as well as of the degree to which they cover the local needs. In addition, decentralization is also promoted for the reason that it would reduce corruption in administration, especially due to bringing the decisional act closer to the directly affected community. The growing trend toward decentralization is attributed not only to the discontent expressed for the centralised modes of governance but also to the perception that monolithic idolatry of the state generates high levels of corruption, mal-governance, malfeasance of resources and lack of accountability. Decentralization is therefore regarded as the general solution for development problems, among which corruption is one of them. The experience in Indian states shows that decentralization has the potential to reduce corruption and increase accountability. There are however many preconditions for decentralization that necessitate to combat corruption, among them are real devolution, accountability, social auditing, anticorruption agencies etc. The corruption can be controlled only by genuine decentralization with devolution of powers and responsibilities, accountable and transparent governance. Decentralization plays a key role in reducing corruption and strengthening accountability because administrators/politician may be easier to monitor and control at the local level than at the central level.

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