

Financial Decentralization and Rise in the Inclusiveness

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ABSTRACT

We knew back then on the eve of the new decade of 90s that India was ready to accelerate and take up the challenges of fast and rapid inclusive Indian economy. Not only was the moment appropriate for introduction of local government but also we did introduce some remarkable changes in the financial sector, *Financial Sector Reforms*, which furthered our cause to high limits. The rise in the indicators of social development along with the political consciousness enabled financial independence at the hands of local masses. There is no doubt that it took a long time for policymakers and think-tanks in India to accept the harsh reality of self-government, *originally propounded in the Modern History by 'Bapu'*, however, as it was expected, it turned out to be an eye-opener and inclusive.

Keywords: Inclusive Growth, Financial Decentralization, Panchayati Raj Institutions, Urban Local Bodies, Bottom-Up approach, Empowerment

INTRODUCTION

Definition and History: The rise in the indicators of social development along with the political consciousness enabled financial independence at the hands of local masses. The idea of redistribution of resources (vital) had been gaining currency in the International economics for a long time, however, it did take decent gap to be introduced and accepted in the Indian atmosphere. One needs to learn that on the eve of Independence, we were struggling with poverty, illiteracy and problems like unemployment which collectively pushed further the autonomous functioning and local government to more than 4 decades.

Finally, with many ups and downs including twice strategic economic crises along with embarrassing food insecurities, we managed to pull down the curtains heavily and introduced the *3rd Tier of Government, Local Government*. With the introduction came the talk of legitimacy and acceptance that was also fulfilled as we did introduce constitutional amendments and made *Panchayati Raj Institutions* and *Urban Local Bodies* parts of Indian Constitution. There is no doubt that it took a long time for policymakers and think-tanks in India to accept the harsh reality of self-government, *originally propounded in the Modern History by 'Bapu'*, however, as it was expected, it turned out to be an eye-opener and inclusive.

We knew back then on the eve of the new decade of 90s that India was ready to accelerate and take up the challenges of fast and rapid inclusive Indian economy. Not only was the moment appropriate for introduction of local government but also we did introduce some remarkable changes in the financial sector, *Financial Sector Reforms*, which furthered our cause to high limits.

Direct Impact (Bottom-Up approach): There were already slew of welfare programs running for the support of marginalized and downtrodden but it was time to empower them with a new element of *Atma-nirbharta*. The finance commissions back then had plans of supporting states through centre's tax devolution but financial decentralization towards local government gave them a new window of opportunity to allocate the resources wisely and effectively.



Without doubt, this move of decentralization of financial powers that included *more autonomy, more independence, more planning* and *more implementation*; all gave rise to visibility to people which hitherto had been secluded. The greater allocation of grants (*tied and untied*), powers to tax local activities, larger autonomy and empowerment transformed the image of rural governance wholly.

As it's said in the administration that there have been always a bias towards *top-down approach* or *trickle down theory*, however, the financial decentralization turned the cards for India's movement of self-governance. Statistics around the corner, too, appreciate the fact that people from the lower strata and rural masses with lesser opportunities of modern competence have effectively made use of the greater novel opportunity (autonomy).

It goes without saying that there has to be a lot of efforts in enhancing the scope of decentralization; social, political and economic, to bring more prosperity, inclusivity and development.

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