



## Original Article

### Federalism, Urban Decentralisation and Citizen Participation

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#### Abstract:

*Federalism and urban decentralization play a crucial role in shaping governance structures and fostering citizen participation in decision-making processes. Federal systems provide a framework for power-sharing between different levels of government, enabling local authorities to address urban challenges with greater autonomy and responsiveness. Urban decentralization further strengthens this framework by devolving administrative, fiscal, and political powers to local governments, ensuring that urban policies are tailored to the specific needs of communities. Citizen participation, as a key component of decentralized governance, enhances transparency, accountability, and inclusivity by involving residents in policy formulation, implementation, and evaluation. This abstract explores the interconnections between federalism, decentralization, and citizen engagement, emphasizing their collective impact on improving service delivery, promoting local development, and fostering democratic governance in urban areas. Challenges such as resource constraints, capacity limitations, and political dynamics are also discussed, offering insights into strategies for effective urban governance within a federal structure. Participatory involvement of citizens in and accountability of local self-governance structures are almost totally absent in urban areas. The author discusses the work of a non-governmental organisation in which he is actively involved in attempting to create informal structures that seek to redress this shortcoming and offers a charter for more formally recognised structures that could be organised on a wider scale to give the urban dweller a voice.*

**Keywords:** Decentralization, Autonomy, Power-sharing, Constitutional framework, Fiscal federalism, public engagement, Urban planning, Policy coordination, Infrastructure development, Accountability, Deliberative democracy.

#### Introduction:

In an increasingly complex and interconnected world, the concepts of federalism, urban decentralisation, and citizen participation have gained significant importance in governance and public administration. **Federalism** refers to a system of governance in which power and responsibilities are constitutionally divided between a central authority and various subnational entities, such as states or provinces. This division allows for greater autonomy and flexibility in policymaking, ensuring that regional diversity and local needs are effectively addressed.

**Urban decentralisation**, a key aspect of federalism, involves the transfer of authority, resources, and responsibilities from central governments to local urban authorities, such as municipalities and city councils. This process aims to improve service delivery, enhance local economic development, and foster responsive governance by bringing decision-making closer to the people. It is particularly crucial in rapidly urbanizing societies, where cities face growing challenges related to infrastructure, housing, and environmental sustainability.

**Citizen participation** plays a critical role in both federalism and urban decentralisation by fostering democratic governance and enhancing accountability. It ensures that individuals and communities have a voice in decision-making processes, policy formulation, and implementation at various levels of government.



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Through participatory mechanisms such as public consultations, participatory budgeting, and digital governance platforms, citizens can contribute to shaping policies that directly impact their lives. Together, federalism, urban decentralisation, and citizen participation create a framework that promotes effective governance, empowers local communities, and strengthens democratic institutions. By decentralizing power and encouraging active civic engagement, governments can respond more efficiently to local needs, foster social inclusion, and drive sustainable development.

## Federalism

Federalism is a system of governance in which power is divided between a central authority and constituent political units (such as states or provinces). It allows different levels of government to function autonomously within their respective domains while collaborating on national issues. Key features of federalism include:

- **Division of powers** (e.g., legislative, executive, and judicial responsibilities shared between federal and state governments).
  - **Autonomy of sub-national governments** to make decisions in their areas of competence.
  - **A written constitution** that outlines the distribution of powers.
  - **Mechanisms for conflict resolution** between different levels of government.
- Examples of federal countries:** The United States, Canada, India, Germany, and Australia.
- Improved local governance and service delivery.
  - Greater responsiveness to local needs.
  - Enhanced accountability and transparency.
  - Encourages citizen participation.

## Challenges:

- Insufficient financial resources at the local level.
- Capacity constraints in local governance institutions.
- Potential for corruption and mismanagement.

### 3. Citizen Participation

Citizen participation refers to the involvement of individuals and communities in the decision-making processes of government and governance institutions. It is a cornerstone of democracy and decentralized governance.

## Forms of citizen participation include:

- **Direct participation:** Public consultations, referendums, town hall meetings.
- **Representative participation:** Voting in local elections, engaging with elected representatives.
- **Collaborative participation:** Partnerships between government and civil society organizations.
- **Federal structures** can facilitate decentralization, providing a legal and institutional framework for empowering local governments.
- **Urban decentralization** can enhance citizen participation by bringing decision-making closer to the people.
- **Effective citizen participation** ensures decentralized urban governance is responsive and inclusive, improving service delivery and social equity.

## Benefits of citizen participation:

- Enhances transparency and accountability.
- Leads to more inclusive and representative decision-making.
- Strengthens trust in government institutions.
- Promotes local ownership and sustainability of development initiatives.

## Challenges:

- Lack of awareness or interest among citizens.
- Bureaucratic resistance to citizen involvement.
- Inequality in access to participation opportunities (due to social, economic, or technological barriers).

Decentralization refers to the transfer of administrative, planning, management, and resource generation responsibilities from a central superordinate government authority to subordinate government and nongovernment agencies. To realize the cardinal goals of decentralization and community participation in rural development requires invigoration of the local community's role in resource mobilization, demanding accountability from local leaders, participating in planning, and choosing leaders without manipulation from the local elite and central government. Thus, participation must translate into effective representation and empowerment before benefits for all can be realized to spearhead poverty reduction. Likewise, tackling rural development in predominantly agricultural economies requires participation to link to agricultural production, increased employment, and household incomes.

Urban development is the responsibility of the second-tier state level according to the Constitution of India. Therefore, the central government can issue directives on urban matters, but it does not have the power to legislate. Only state governments in India have the power to legislate on urban development. Despite being a state subject, it was the central government in New Delhi that initiated and supported most of the urban development programmes, especially those under the Five-Year Plans. The 74th CAA, 1992 conferred constitutional status on urban local bodies (ULBs), such as municipalities, which were provided with elected councils, and constituted the third-tier of government, the other two being the central government and the government of each state of the union. This Act also allowed for participation of women and weaker sections of society through reservation of seats – one-third for women, and for the scheduled castes and tribes in proportion to their demographic weight in the population of the corresponding constituency; and transferred, to the ULBs, the responsibility for urban development – in particular, of providing urban infrastructure and services, and mobilising the required financial resources through taxes, levying of users' costs and the attracting of private national and foreign investments.

Article 243Q of the 74th CAA has stipulated the criteria for three types of ULBs. They are (1) municipal corporation for a larger urban area; (2) municipal councils for a smaller urban area and (3) Nagar panchayat for an area in transition from rural to urban. It lists five criteria for constituting ULBs, namely, the population of the area, the density of the population therein, the revenue generated for local administration, the percentage of employment in non-agricultural activities and the economic importance. For the first time, thus more comprehensive parameters were laid down for declaration of municipal areas. However, specific quantitative criteria were not specified in the 74th CAA for “larger urban area” and “smaller urban area”. Article 243 Q of the 74th CAA 1992 on the Constitution of Municipalities reads

(1) there shall be constituted in every State,

(a) anagram panchayat (by whatever name called) for a transitional area, an area in transition from a rural area to an urban area;

(b) a municipal council for a smaller urban area; and

(c) a municipal corporation for a larger urban area, in accordance with the provisions of this part: Provided that a municipality under this clause may not be constituted in such urban area or part thereof as the governor may, having regard to the size of the area and the municipal services being provided or proposed to be provided by an industrial establishment in that area and such other factors as she/he may deem fit, by public notification, specify to be an industrial township.

(2) In this article, “a transitional area”, “a smaller urban area” or “a larger urban area” means such area as the governor may, having regard to the population of the area, the density of the population therein, the revenue generated for local administration, the percentage of employment in non-agricultural activities, the economic importance or such other factors as she/he may deem fit, specify by public notification for the purposes of this part. As per the 12th Schedule of the 74th CAA, 18 new tasks were added to the functional domain of ULBs

This signifies the need to position Indian cities as drivers of the structural transformation of the Indian economy. It requires enhancement and upgradation of infrastructure which calls for active support by State Governments and the Central Government. Our Constitution provides a clear mandate for Democratic Decentralisation not only through the Directive Principles of State Policy but more specifically through the 73rd and 74th Amendments of the Constitution which seek to create an institutional framework for ushering in grassroot democracy through the medium of genuinely self-governing local bodies in both urban and rural areas of the country. However, despite the constitutional mandate, the growth of self-governing local bodies as the third tier of governance in the country has been uneven and slow, with the third-tier governments in India playing a frontline role in combating the pandemic by implementing containment strategies, healthcare, their finances have come under severe strain, forcing them to cut down expenditures and mobilise funding from various sources. What is the Structure of Urban Local Government in India? The Urban Local Government consists of eight types of Urban local bodies.

### **Municipal Corporation:**

Municipal corporations are usually found in big cities such as Bangalore, Delhi, Mumbai, Kolkata, etc.

**Municipality:** The smaller cities tend to have the provision of municipalities. The Municipalities are often called upon by other names such as the municipal council, municipal committee, municipal board, etc. Notified Area Committee: Notified area committees are set up for the fast-developing towns and the towns lacking the basic amenities. All the members of the notified area committee are nominated by the state government. Town Area Committee: The town area committee is found in the small towns. It has minimal authority such as street lighting, drainage roads, and conservancy.

**Cantonment Board:** It is usually set up for a civilian population living in the cantonment area. It is created and run by the central government.

**Township:** Township is another form of urban government to provide basic facilities to the staff and workers living in the colonies established near the plant. It has no elected members and is merely an extension of the bureaucratic



structure. Port Trust Port trusts are established in the port areas such as Mumbai, Chennai, Kolkata, etc. It manages and takes care of the port. It also provides basic civic amenities to the people living in that area.

### **Special Purpose Agency:**

These agencies undertake the designated activities or specific functions belonging to the municipal corporations or municipalities. What are the Problems Faced by Urban Local Bodies?

**Financial Paucity:** Financial stringency has become the biggest hurdle in good governance at ground level.

### **Dependence on Intergovernmental Transfers:**

The Urban local government heavily depends on the state governments for getting grants-in-aid out of the consolidated fund of state.

### **Acute Share in Revenue:**

Generally, their source of income is inadequate as compared to their functions. Their chief sources of income are the varied types of taxes. However, taxes collected by the urban bodies are not sufficient to cover the expenses of the services provided. Though they can impose certain new taxes, the elected members of these local bodies hesitate in doing so for fear of displeasing their electorate.

### **Unplanned Urbanisation:**

In absence of proper planning, the Municipal Services find it difficult to cope with the increasing needs of the population, both qualitatively and quantitatively. The administrative machinery of local bodies is insufficient. Judicious use of land is not being made, colonies are set up without proper facilities such as schools, parks and hospitals, the growth of slums is not checked, traffic congestion. This also leads to urban poverty, unemployment, and ecological degradation.

### **Excessive Control of State Government:**

The State Government takes control of the Urban local bodies which are legislative, administrative, judicial, and financial keeps urban municipal governments subordinate units rather than functioning as institutions of self-governance. Municipalities need to balance their budgets, by law, and any municipal borrowing has to be approved by the state government. Unlike the Centre and the States, no distinction is made between revenue expenditure and capital expenditure at the Urban Local Government level.

### **Multiplicity of Agencies:**

Formation of single purpose agencies under the direct supervision of the state government and without any accountability towards urban local government. The municipal bodies must contribute to the budget to these agencies while having no control over them.

**Example:** State Transport Corporation, State Electricity Board, Water Supply Department etc. Low level of People's

**Participation:** Despite a relatively higher level of literacy and educational standard, city dwellers do not take adequate interest in the functioning of the urban government bodies. The multiplicity of special purpose agencies and other urban bodies confuses the public about their role boundaries. How can We Empower Urban Local Governments?

**Making Urban Local Bodies Financially Independent:** For the ULB to be independent and financially secure, fiscal decentralisation is very crucial.

### **Strengthening Municipal Revenue:**

All Finance Commissions have recognized the need to augment property tax revenue to improve municipal finances.

**Especially:** The 12th Finance Commission encouraged the use of the Geographical Information System (GIS) and digitization to improve property tax administration. The 13th Finance Commission mandated the setting up of the State Property Tax Board as one of the conditions necessary for performance grant eligibility of states. The aim of the State Property Tax Board is to help municipal corporations and municipal councils put in place a transparent and efficient property tax regime. The 14th Finance Commission recommended that municipalities be enabled to levy vacant land tax.

### **Better Financial Database:**

Lack of maintenance and audit of accounts at the local level leaves no verifiable financial data for municipalities leading to a denial of performance grants. Both the 13th and the 14th Finance Commissions included better data availability as a conditionality for accessing performance grants.

### **Ensuring Active Citizen Participation:**

For transparency and accountability in the governance process, there needs to be active citizen participation. To ensure this, ULBs can create functional, decentralised platforms such as area sab has and ward committees, which facilitate discussion and deliberation between elected representatives and citizens.



## Creating Citizen Grievance

### Redressal Mechanism:

ULBs can establish a technology-enabled platform to register complaints, which will make city governments responsive to the needs of citizens. Through this mechanism, citizens should also be allowed to provide feedback and close complaints. Addressing these structural and architectural problems of urban governance will ensure effective service delivery in cities, improving the quality of life for its citizens.

The analysis of development dynamics in the 1990s shows that there has been an all-round decline in the growth of employment. Income growth and incidence of poverty have been extremely uneven across states. Thus, a slowing down in the rate of urbanisation and concentrations of demographic growth in developed states seem to be the logical outcome. The process of urbanisation has also become exclusionary in nature, as only a few large cities with a strong economic base are able to raise resources for development, leaving out small and medium towns. Enhances democratic governance and accountability. Ensures policies align with community needs and aspirations. Builds trust between government and citizens. Encourages civic responsibility and social cohesion.

### Conclusion:

Federalism, urban decentralisation, and citizen participation are crucial elements of effective governance. When implemented effectively, they contribute to more responsive, accountable, and inclusive governance structures. Strong institutional frameworks, adequate resources, and an informed citizenry are essential to maximizing the benefits of these governance models.

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