

Digital Public Infrastructure, State Capacity, and Decentralisation: Rethinking Local Governance in India

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Abstract

India's approach to decentralised governance has evolved through a long process of institutional reforms, resulting in the constitutional recognition of Panchayati Raj Institutions and Urban Local Bodies, because of which a formal structure of decentralisation is now firmly in place across both rural and urban governance systems. There is a huge gap between the responsibilities allotted to the local bodies and their effective execution. The inefficiency of local governance is primarily driven by three factors: limited administrative capacities, lack of fiscal autonomy and fragmented institutional cooperation. Thus, the rise of Digital Public Infrastructure now adds a transformative new element to the governance debate. Systems based on digital identity, payments and data exchange have demonstrated their ability to improve public service delivery at larger scale. This paper therefore examines the relationship between decentralisation and state capacity by situating digital systems within the broader evolution of local governance. The core argument is that strengthening local governance needs a shift in focus from formal institutional structure to the development of functional capacity. However, its impact would depend on multiple factors such as access to digital systems, institutional readiness and broader administrative environment in which local bodies operate.

Keywords: Decentralisation, Local Governance, Panchayati Raj Institutions, Digital Public Infrastructure, State Capacity

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1. Introduction

The development of decentralised governance in India shows a continuous effort to balance democratic participation with administrative effectiveness in a large and diverse country; it is not only an administrative reform but also a democratic project aimed at strengthening participation at the local level, and an attempt to align governance structures with the social and regional diversity of the country. In the immediate period following independence, governance was broadly based on centralised planning models. Gradually, it became evident that these centralised models were not effective in addressing local wants in development needs, as the centralised planning systems were limited in their ability to grasp local knowledge and respond to contextual conditions. As a result, lot of inefficiencies and weak responsiveness in developmental programmes were observed. Therefore, to address these gaps, Balwatrai Mehta Committee was formed, which then recommended the creation of a structured local governance system. The committee primarily aimed to increase democratic participation and improve the quality and implementation of the development programs. However, in the coming years, other committees like the Ashok Mehta Committee and G.V.K Rao Committee again observed issues like decentralization. They found issues like the unmet responsibilities of institutions, proper administration, and coordination between government levels.

With the 73rd and 74th constitutional amendments, panchayati raj institutions and the urban local bodies were able to define their functional responsibilities. Those provisional changes also helped set up the State Finance Commissions to aid fiscal distribution and created a formal system for local governance. Even so, having a constitutional framework does not mean local institutions work well. A significant gap exists between the planned design of these systems and the execution of their responsibilities. In the last thirty years, the outcomes of decentralisation have been uneven. While political decentralisation has been relatively successful in improving representation and participation at the local level, it is not uniform across administrative and fiscal decentralisation. These variations reflect differences in political will, administrative capacity and governance priorities, and as a result, many local bodies continue to operate with limited autonomy. In many cases, responsibilities are assigned to local institutions without a corresponding strengthening of their capacity, creating an imbalance between what local bodies are entrusted with and what they are able to achieve.

The structural limitations of decentralised governance are visible in both rural and urban contexts; however, these constraints take different forms in Panchayati Raj Institutions and Urban Local Bodies. Panchayati Raj Institutions manage many development projects but have limited staff and skills. They also lack technical support. This is not restricted to shortage of people but also the lack of skill based training. Rural governance faces challenges in the implementation of the program and relies on higher levels of administration and, on the other hand, Urban Local Bodies face challenges such as growth in the population and demand for infrastructure development. Urban governance puts pressure on the system due to poor planning and coordination in the system. Financial shortages are the problems faced by both rural and urban governance, but the problem goes much deeper, and the problems faced by governance include planning, information management, and coordination between institutions. The concept of Digital Public Infrastructure provides a new dimension in the concept of governance. It shifts the paradigm from program-based to systems-based governance, thereby developing digital systems in all sectors. In this regard, the digital systems developed in India, such as Aadhaar and the Unified Payments Interface, provide evidence of the efficiency and transparency in public services. Although the role of digital systems in local governance has not yet been explored, it has the potential to provide assistance in the areas of welfare services and financial services. However, it is not sufficient to resolve the issues in local institutions. Although it has the potential to reduce information asymmetry as well as coordination across different levels of government, it depends on how it fits into the current process.

In this paper, the relationship between decentralization, institutional capacity, and digital systems in India is explored. It is based on an attempt to understand the actual functioning of local governance rather than its formal design. It is asserted that the actual functioning of Panchayati Raj Institutions and Urban Local Bodies is not only dependent on the actual powers conferred on such institutions but also on the systems and processes that facilitate their actual functioning. In this paper, three important aspects that are brought together are historical aspects related to decentralization, actual operational aspects related to local institutions, and aspects related to digital systems. It is asserted that there is a need to look at improving institutional capacity and understand that this is actually dependent on improving governance systems and processes rather than structural changes.

2. Conceptual Framework: Decentralisation, State Capacity, and Digital Public Infrastructure

The term related to local self-governance and institutional design in India is usually related to the discussion of the role of Panchayati Raj institutions and urban local bodies. The term is seldom related to the actual functioning of such systems. It is important to note that de jure and de facto authority are critical terms related to this. In this context, it is important to note that institutions may have de jure authority, but they may not have de facto authority. This is also the reason that decentralisation does not necessarily equate to better governance. Therefore, decentralisation is not only related to structure, but also to functioning.

Although State capacity is defined as “the capacity of public institutions to discharge their responsibilities effectively in areas such as policy-making, resource management, and accountability”; however, at the local level, it is quite uneven. This is because they usually lack the technical and administrative skills that lead to fragmented information systems. In such situations, they usually depend on other departments for technical support. This leads to a reduction in their decision-making capacity. Urban Local Bodies also face difficulties in handling regulations and infrastructure in growing urban centers. These problems highlight that governance is not only about money. This includes information management and coordination systems. In such situations, Digital Public Infrastructure is seen to be quite helpful. This is because it becomes the “enabler of governance.” It is a basic layer that enables identity verification, financial transfers, and information sharing. Aadhaar and Unified Payment Interface in India represent the best example of how digital systems can enhance efficiency and transparency. In the context of decentralized governance, digital systems can be used to address specific operational challenges. They can reduce information asymmetries between different levels of governance, improve administrative efficiencies, and enhance traceability and monitoring of public expenditure. While digital systems can be effective in addressing governance challenges, it is essential to understand that they do not necessarily resolve governance issues. The effectiveness of digital systems is determined by how they fit into existing institutional arrangements and whether institutions have the capacity to effectively utilize such systems.

Decentralization and Digital Public Infrastructure support each other. Decentralization enables decision-making and provides local bodies with a way of working. Digital Public Infrastructure provides tools that enable local bodies to work better. But this is only possible if all the other functions are aligned. If they don't, then the digital functions may not work well. But when they are in alignment and integrated with each other, the state becomes stronger because they can work in harmony and make decisions based on evidence. To get a better understanding of the relationship between the two functions, it is necessary to get a better understanding of the functions of the various parts of the governance system. Panchayati Raj Institutions and Urban Local Bodies have different but complementary functions. Digital Public Infrastructure works as a cross-cutting infrastructure that complements the functions and by understanding the above elements in more detail, a better clarity can be obtained about the working of decentralised governance.

Table 1: Dimensions of Local governance

Dimension	Panchayati Raj Institutions (PRI)	Urban Local Bodies (ULB)	Digital Public Infrastructure (DPI)
Primary Role	Rural local governance and development implementation	Urban governance and service delivery	Foundational digital systems enabling governance
Institutional Basis	73rd Constitutional Amendment	74th Constitutional Amendment	Policy-driven technological architecture
Core Functions	Welfare delivery, rural development programmes, local dispute resolution	Urban planning, infrastructure, sanitation, service provision	Identity verification, payments, data exchange
Key Constraints	Limited administrative capacity, dependence on line departments	Rapid urbanisation, infrastructural stress, coordination challenges	Uneven adoption, digital literacy gaps, integration issues

Nature of Capacity Gap	Execution and technical support limitations	Planning and service delivery complexity	Institutional readiness and interoperability
Potential Contribution	Local participation and contextual governance	Efficient urban management	Enhancing transparency, coordination, and efficiency across both PRI and ULB

This framework allows for a more integrated understanding of decentralised governance by situating Digital Public Infrastructure within the operational realities of local institutions. Rather than treating PRI, ULB, and DPI as separate domains, it highlights their interdependence and the need for alignment between institutional design and technological systems.

3. Evolution of Decentralisation and Persistent Capacity Gaps

The process of decentralisation in India has been argued to be an evolutionary process with a series of institutional interventions over time. The process of governance in the initial years after independence was dominated by the process of centralised planning. During these initial years, the main aim was to strengthen the administrative reach from the centre. However, with the passage of time, it was increasingly felt that the approach of centralised planning was not sufficient to meet the local needs in the country. One of the first institutional interventions in the context of decentralisation was made through the Balwantrai Mehta Committee. One of the key recommendations made through this committee was to develop a framework for local governance with the aim to enhance participation as well as implementation. Although the recommendations made through the committee were an important move in the context of decentralisation, the implementation of these recommendations varied across states. As a result, local institutions did not develop in a uniform or sustained manner during this period. This uneven evolution limited the long-term impact of early decentralisation efforts, thus, by the late 1970s and 1980s, it became

clear that earlier reforms had not achieved their intended outcomes and so, concerns emerged regarding the stability and effectiveness of local institutions.

The Ashok Mehta Committee revisited the structure of decentralised governance. It emphasised the need for stronger political support for local institutions and also called for clearer functional roles, especially at the intermediate level of governance (Government of India, 1978). Around the same time, the G.V.K. Rao Committee examined issues related to development administration, by highlighting a growing disconnect between administrative systems and local institutions (Government of India, 1985). The committee observed that the implementations of the programmes were not uniform across departments. Despite this shift, subsequent reforms continued to depend on decisions taken at the state level. As noted, the constitutional amendments brought about a significant change in the structural nature of local governance. A formal recognition by the 73rd and 74th amendments was provided to Panchayati Raj Institutions and Urban Local Bodies, through establishment of a more stable governance framework. The amendments introduced provisions for regular elections at the local level and identified

functional domains for local institutions. Mechanisms such as State Finance Commissions were created to support fiscal decentralisation (Government of India, 1992a; Government of India, 1992b). These changes reduced the uncertainty that had previously surrounded the local bodies and constitutionally protecting them. However, the amendments did not fully resolve how powers would be exercised in practice. The transfer of functions, funds, and functionaries have continued to vary across states. In many cases, local institutions do not have full control over the areas for which they are formally responsible, creating a gap between formal authority and actual decision-making power (Oommen, 2008; World Bank, 2004). In the post-constitutional period, the main challenge is not the absence of a governance framework, instead, the difficulty lies in the limited ability of institutions to carry out their responsibilities effectively. Panchayati Raj Institutions are often responsible for implementing multiple development schemes, however, they operate with restricted administrative support and to technical expertise, reducing their ability to implement programmes efficiently (Mathew, 2003). As Mohanty observes, Urban Local Bodies face a different set of challenges, where rapid urbanisation has increased the scale and complexity of service delivery and this has made coordination across sectors more difficult (Mohanty et al., 2007). Financial constraints are not the sole issues in governance in both rural and urban areas. Lack of

proper systems for planning, monitoring, and execution is a challenge that affects decentralised governance. There is a gap in decentralised governance, which can be described by three dimensions. These dimensions are interdependent. One of these dimensions is related to administrative capacity. There is a scarcity of trained staff in local bodies, and they are without adequate institutional support systems. This affects their independent functioning. Fiscal space is another dimension. Local bodies are dependent on higher levels of government for financial support. This affects their decision-making. The third dimension is related to coordination. There is a high possibility of overlapping responsibilities of government departments and local bodies. This creates ambiguity in decision-making.

Table 2: Phase wise Nature of Decentralisation

Phase	Time Period	Key Developments	Nature of Decentralisation	Dominant Capacity Gaps
Early Phase	1950s–1 970s	Initial PRI experiments, committee recommendations	Administrative focus	Weak institutional continuity, low political support
Reform Phase	1970s–1 980s	Ashok Mehta, G.V.K. Rao Committee	Political and administrative rethinking	Fragmented implementation, weak coordination
Constitutional Phase	1990s	73rd and 74th Amendments	Legal and institutional consolidation	Partial devolution, uneven state-level adoption
Implementation Phase	2000s onward s	Expansion of schemes, growing local responsibilities	Functional decentralisation	Capacity constraints, fiscal dependence

Digital Phase	2010s onward	Expansion of digital systems and DPI	Technology-supported governance	Integration gaps, uneven institutional readiness
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4. Digital Public Infrastructure and State Capacity

The debate on decentralised governance in India has, over time, been dominated by the question of resource availability. In this context, financial support to local-level institutions has been portrayed as a critical resource for effective governance. While it is true that financial support is critical to governance in any form, this view is limited. This is because defining governance problems in terms of resource availability misses the critical structural issues. In fact, as stated in India's Urban Crisis is a Governance Failure, Not a Funding One, problems related to urban governance are not caused by a lack of financial resources. In fact, they are caused by the inability of institutions to utilise existing resources effectively (Tiwari, 2025b). This is also true in relation to rural-level governance structures. In this context, Panchayati Raj institutions also experience limitations that cannot be explained in terms of resource availability. State capacity at the local level is defined by the ability of institutions to perform key governance functions. These functions include managing information, coordinating across administrative layers, and ensuring accountability in implementation. Effective governance requires systems that support these functions in a reliable and timely manner.

Institutions need systems that enable real-time decision-making because such systems reduce dependence on fragmented and manual administrative processes. In the absence of these systems, governance outcomes tend to be inconsistent, leading to the failure of well intentioned policies, at the stage of implementation. These limitations are particularly evident in specific areas of governance, such as beneficiary identification processes often face errors and exclusions, fund flow tracking mechanisms are frequently delayed or lack transparency, monitoring of service delivery is often incomplete and inconsistent. These challenges arise due to weak information systems, and are further linked to limited interoperability between departments and agencies (World Bank, 2021). Strengthening state capacity requires attention to the underlying infrastructure through which governance processes are carried out.

Digital Public Infrastructure becomes significant in this context as a foundational layer for governance. Since is not a sector-specific intervention but a cross-cutting system that supports multiple domains, it provides shared digital systems that can be used across different areas of governance. These systems support functions such as identity verification, financial transactions, and data exchange. Platforms such as Aadhaar and the Unified Payments Interface provides key examples of how digital systems can create standardised and interoperable frameworks. By improving both efficiency and transparency in administrative processes, their impact is now visible in sectors such as welfare delivery and financial inclusion with reduced leakages and improved accuracy of beneficiary targeting with direct benefit transfers at scale (Nilekani, 2018). These outcomes indicate the potential of digital systems to strengthen governance processes and their relevance for decentralised governance lies in their ability to support similar improvements in administrative functioning at the local level.

The Digital Public Infrastructure helps improve governance structure in three integral ways. It strengthens identification and verification processes by paving way for more reliable identification of beneficiaries, which improves targeting and reduces duplication in welfare programmes. It enhances financial management through digital platforms that enable transparent and traceable fund flows, thereby improving accountability in the use of public resources. Along with these, it also facilitates data sharing and coordination by enabling the exchange of information across departments, which supports more coordinated decision-making and reduces administrative fallacies. These aspects are highly relevant for Panchayati Raj Institutions and Urban Local Bodies, which might not have an integrated information management and coordination system.

The relationship between Digital Public Infrastructure and decentralized governance can only be understood with a balanced perspective that takes both aspects of its potential and limitations into account. While it can help in improving the state's capacity by improving the efficiency of governance processes, this is not immediate because it depends on how far the digital system is able to align with the existing functioning institutional processes and respond to local governance. In this context, Digital Public Infrastructure can be understood as a support system for improving the functioning of Panchayati Raj Institutions and Urban Local Bodies.

5. Operational Challenges in Integrating Digital Public Infrastructure with Local Governance

Although Digital Public Infrastructure promises to strengthen decentralised governance, its inclusion into Urban Local Bodies and Panchayati Raj Institutions face operational challenges. These challenges are already existing in the local administration and its fragmented functional responsibilities across departments and the persistence of hierarchical approval systems, delaying programme implementation. Therefore, changes in administrative behavior and institutional practices is very crucial to effectively implement digital systems.

A central issue in the integration of Digital Public Infrastructure into decentralised governance is institutional readiness. Digital systems also assume the availability of trained manpower, basic infrastructure, and awareness of data-driven decision-making processes. In many Panchayati Raj Institutions, this may not be the case. In many cases, local authorities have to handle many responsibilities with minimal administrative support. This makes it difficult to implement digital systems that demand constant engagement and understanding. In the case of Urban Local Bodies, the challenges may also be similar, especially in smaller and medium-sized towns where the level of administration does not compare to the growing needs of urban administration. Nevertheless, it might be necessary to look at the challenges facing the nation in comparison to other nations. A good example of another nation to compare with might be Estonia, which might be considered one of the best examples of digital governance in the world. In Estonia, for example, it has been achieved through parallel development, which means that administrative processes and the adoption of digital technology have gone hand in hand. For example, through the use of X-Road technology, data is exchanged between institutions without duplication. However, it is important to note that this was not done in a short period but was a culmination of a series of investments in building capacities within institutions.

One of the challenges that is experienced in the Indian context is related to the integration of technology platforms with existing administration processes. In some instances, technology platforms are introduced as an additional requirement rather than replacing existing administration processes. This leads to a parallel system of administration where government officials are expected to work with parallel records. One of the challenges that is experienced in terms of

integrating Digital Public Infrastructure is related to data governance. Effective technology platforms are associated with robust processes in terms of data collection, storage, and usage. In some local institutions, there are noted challenges in terms of lacking adequate expertise. There are also gaps in the protocols relating to the management of data. This creates problems relating to ownership and responsibility, particularly where there is multi-agency working in the delivery of services. International best practice is also relevant in this area. Singapore has established effective institutional frameworks in the management of data, such that the flow of data is secure, standardized, and policy-driven (Smart Nation Singapore, 2020). This emphasizes the need for frameworks of data use alongside the use of digital systems.

The issue of inclusion is also an important factor in the effectiveness of the digital governance system. Though the digital system has the potential to increase the inclusion of people in the services provided by the government, it may also result in exclusion if the inclusion is not uniform. The issue of digital literacy is still a factor in the use of the digital system for governance. The connectivity factor is also an important factor that may hinder the effectiveness of the digital system in the future, particularly in the rural areas of India where the Panchayati Raj Institutions are implemented. The urban areas may also face the same problem in the informal settlements of the population, who may not have access to the digital system for governance. Moreover, international best practices reveal that digital technologies play an important role in improving governance results, but only within a robust institutional setting. In the context of India, therefore, the idea would not be to adopt international best practices in governance but to apply the underlying philosophy to our own context.

6. Pathways for Strengthening Local Governance through Digital Integration

The question now is not one of whether decentralisation should be deepened, but rather how it might be made to work more consistently. As argued by Elinor Ostrom (1990), institutional performance is not just a matter of formal design, but also the extent to which actors are able to manage their institutions in practice, and in the Indian context, this is particularly relevant to the Panchayati Raj Institutions and Urban Local Bodies, where there has not always been a corresponding improvement in administrative capabilities to go along with the increasing responsibilities (Government of India, 2007). Digital Public

Infrastructure, in such a context, is seen to have possibilities to support such capabilities, but not as an external layer to existing institutions.

The first area for intervention in the context of decentralised governance relates to administrative capacity. The ability to interact with digital systems at the local administrative levels continues to be uneven and reflects training and staff support levels. In fact, as Pritchett and Woolcock assert, “better governance outcomes are a result of an improvement in the ‘how’ of implementation, not the ‘what’ of design” (Pritchett and Woolcock, 2004). This also underlines the fact that training needs to be an ongoing process and not a one-shot activity. Panchayati Raj Institutions could benefit from technical support systems, and Urban Local Bodies, especially in smaller municipalities, could benefit from similar support in managing the increasing complexity of urban service delivery (Ahluwalia, 2019). In the absence of such support systems, digital systems are likely to remain underutilised and be relegated to mere compliance measures.

The second aspect of intervention is associated with the integration of digital technologies with existing administration processes. In such cases, the major issue is the existence of dual processes—manual and technological. This situation makes the administration process more costly rather than less costly. Studies on the adoption of digital governance have shown that the effectiveness of such processes is associated with the ability of the process to conform to existing institutional processes (Heeks, 2006). This implies that the adoption of technology has to be accompanied by the adoption of organizational changes. This can be exemplified by the Estonian experience in the adoption of technology. In Estonia, the integration of technology has been effective in the existence of legal frameworks (Margetts & Naumann, 2017).

The third dimension of intervention is associated with data governance. In the context of decentralised governance, there is a requirement for access to information. However, the local governments lack effective information systems, and this may hinder the decision-making process. This dimension is associated with the contribution of Douglass North, who highlights the importance of information systems in effective institutional performance (North, 1990). DPU can assist in the standardisation of information systems. However, it requires effective protocols, including standards for data quality, data sharing, and accountability (World Bank, 2021). There are also issues related to data privacy and abuse, which must be considered and adapted, especially

when it becomes more integral to governance processes.

Fiscal governance is yet another domain of intervention where, in addition to the availability of resources, there is a need to focus on their efficient management. Digital governance in this domain is likely to enhance financial governance by facilitating the tracking of resources and their expenditure in real time, thus improving transparency in financial management and expediting programme implementation (Reserve Bank of India, 2022). Digital governance, however, also poses issues of inclusiveness in governance, and this is where the benefits of Digital Public Infrastructure are to be understood in relation to access, which is limited in certain regions and among certain social groups in society. As Amartya Sen argues, development is to be understood in relation to capabilities, and this includes capabilities to access and make use of public resources (Sen, 1999). Digital systems should therefore be complemented by institutional mechanisms that ensure assisted access, particularly in areas with limited connectivity or low digital literacy (UNDP, 2020). Panchayati Raj Institutions can play a mediating role in this process by helping bridge the gap between citizens and digital platforms.

The success of Digital Public Infrastructure relies on a range of broader institutional factors. Governance results are determined by the consistency of institutional arrangements. Governance results are also determined by the consistency of role and responsibility definitions at different levels of government. (Fukuyama, 2013) In terms of the Indian context, there needs to be coordination at multiple levels of governance. This includes an alignment between rural and urban governance. Digital infrastructure can aid in coordination between different levels. However, digital infrastructure cannot replace coordination between institutions, as its success relies on being part of a coordinated institutional arrangement. This needs to be an arrangement which enables accountability, coordination, and collective action.

Table 3: Pathways for Strengthening PRI–ULB–DPI Alignment

Area of Intervention	Existing Challenge	Role of Digital Public Infrastructure	Expected Outcome
Administrative Capacity	Uneven skills, limited staffing	Continuous training, local support systems	Improved institutional functioning
Workflow Integration	Parallel manual and digital processes	End-to-end digital workflows	Reduced duplication and higher efficiency
Data Governance	Fragmented data systems	Standardisation and secure data exchange	Better coordination and decision-making
Fiscal Management	Delays and opacity in fund flows	Real-time tracking and digital payments	Greater transparency and accountability
Inclusion	Unequal digital access	Assisted access and hybrid delivery models	Broader and equitable service access
Institutional Alignment	Fragmented governance structures	Integrated digital platforms	Stronger coordination across levels

7. Conclusion and Policy Implications

Thus, this paper started off from the premise that the challenges faced by decentralized governance in India cannot be understood simply from an institutional perspective. This distinction was necessary in arriving at an understanding of the fact that even as the constitutional provisions have provided a formal role to Panchayati Raj Institutions as well as Urban Local Bodies, the ability of such institutions to perform remains a function of constraints faced in terms of administrative

ability, coordination, and information management. As has been highlighted in the broader literature, institutions derive their ability to function not merely from a formal perspective but from an ability to operationalize such a perspective in terms of operational ability. (Elinor Ostrom, 1990; Douglass North, 1990).

At the same time, evidence from India's urban governance experience supports this argument. Urban Local Bodies continue to face structural challenges in terms of staffing, autonomy, and planning. There are gaps in terms of elected representation, fiscal autonomy, and institutional coordination. This affects their ability to cope with emerging demands. While the argument that failures in governance stem from a lack of financial resources may not entirely capture the issue, as such an argument may tend to oversimplify a complex issue, as discussed in India's Urban Crisis Is a Governance Failure, Not a Funding One, the issue may not be one of funding but one of functioning.

In this context, the notion of Digital Public Infrastructures reflects an important shift in the way in which the question of state capacity might be addressed. This reflects an important shift in the way in which state capacity might be addressed, as digital systems in areas such as identity management, payments, and data exchange are not limited to specific sectors and reflect a foundational approach to governance that could potentially be applied across multiple sectors. The importance of such systems lies in their potential to enhance traceability, reduce information asymmetry, and enhance coordination between multiple layers of government. These are important attributes in a highly fragmented administrative environment. However, as has been demonstrated within this paper, such systems are only effective to the extent that they can be integrated into existing systems. In this context, the experience with digital governance interventions globally reflects that technology, in and of itself, is not sufficient to address limitations and that such interventions are only effective to the extent that they can be aligned with administrative incentives.

The discussion also underscores the need to reframe the debate on decentralisation. Thus, while there is a tendency to blame governance failures on a lack of adequate financial resources, this overlooks the crucial importance of institutional issues. This is, in effect, a failure to grasp how institutions really work, a position consistent with arguments put forward in the state capability literature, which underscore the importance of implementation in determining outcomes, rather

than commitments (Lant Pritchett and Michael Woolcock, 2004). Thus, in the context of India, this implies that improving Panchayati Raj Institutions and Urban Local Bodies requires a focus on administrative processes, human resources, and accountability.

From a policy perspective, three broad implications emerge, which are a direct result of the above analysis. Firstly, any investment in digital technologies needs to be complemented by a parallel investment in administrative capacities. This is vital to ensure that local authorities are able to use digital technologies. Without such an investment, any investment in technology would be unlikely to yield results. Secondly, there needs to be a greater level of integration in institutions. Digital technologies need to be integrated within the broader administrative processes. The experience of governance reforms has been such that unless there is a comprehensive integration of technology, inefficiencies are likely to be reproduced rather than resolved (Heeks, 2006). Thirdly, and perhaps most importantly, any development in digital governance needs to be attentive to issues of inclusion. As Amartya Sen (1999) points out, development needs to be seen in terms of capabilities. This includes the ability to access public services.

Lastly, the relationship between decentralisation and Digital Public Infrastructure has wider implications for a broader rethinking of state capacity in India. There is a need to build stronger local governance institutions, which not only entails reforming institutions but also entails building institutions that facilitate coordination and accountability. As discussed in *Strong ULBs Key to Future-Proof Cities*, the long-term resilience of Indian cities will depend on the strength of local institutions in managing growth, providing services, and adapting to emerging challenges (Tiwari, 2025). The role of Digital Public Infrastructure in this process cannot be undermined, but it will only succeed if it is embedded in a cohesive system of governance.

Thus, in conclusion, the future of decentralised governance in India is not one which is built on the dichotomy between institutional reform and technological innovation, but one which is built on the interdependence of the two. Therefore, the development of better institutions such as the Panchayati Raj Institutions and the Urban Local Bodies will entail the shift from formal to functional authority, and the Digital Public Infrastructures will have to perform their role in this process.

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