India's 'Great Stagnation' in State Capacity: The Blind Spot in Every Reform Charter

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News context: A current governance debate asks whether administrative capacity has kept pace with economic growth. Pratap Bhanu Mehta's analysis of 20 November 2026 argues that India's State capacity has stagnated and needs a place at the centre of reform agendas.[1]

Exam context: Governance, civil services reform and local self-government form a core Mains area for UPSC/State PCS. "State capacity" has become a central theme of academic and policy debate in recent years, making it equally useful for the Essay paper and the interview.

General Studies (GS-II): Governance: transparency, accountability, citizen-centric administration; role of civil services; 73rd/74th Constitutional Amendments, local bodies
General Studies (GS-III): Economic development: development management, implementation of government programmes
Prelims: Public employment data, 73rd/74th Amendments, Mission Karmayogi, the PRS "State of State Finances" report



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Introduction

When the story of India's development is written, the last two decades may well be marked as a "Great Stagnation", but the stagnation is not economic; it lies in the capacity of the state. This is Pratap Bhanu Mehta's argument, who notes that the fact has been documented in staggering detail, from Devesh Kapur's pioneering work on state capacity to the work of the two most storied bureaucrats currently in government, T V Somanathan and Gulzar Natarajan.[1]

Main Body

What state capacity means

State capacity refers to the state's ability to design policies and implement them effectively on the ground, timely delivery of justice, running schools and hospitals, maintaining law and order, enforcing contracts, and regulation. Even as the size of the economy and the mandate of the state have grown, this capacity has not kept pace in India.

The stagnation in numbers

According to Arvind Subramanian and Devesh Kapur's book "A Sixth of Humanity", total public employment in India peaked at 3.84 per cent in 1981 and is currently just above 2 per cent of the population, the lowest in Asia.[1][2] On judges, famously, India has only 1.1 per hundred thousand of the population.[1]

Malapportionment and a weak local tier

The Indian state is not merely small; it is hugely malapportioned. In successful countries like China and the US, about two-thirds of government employees work for local government, roughly five times India's share; in India, local government accounts for less than 12 per cent of total government employment.[1][2] Yet most development is delivered at the local level. For instance, the column notes, the total number of municipal employees paid by the state in Andhra Pradesh is just 26,000, and the total across all Gram Sachivalayas is only 82,000.[1]

The chronic problem of vacancies

Recruitment falls short even against vacant posts, and the lower the tier of government, the worse the shortage. Citing a recent survey, the column states that Gurugram has a 27 per cent shortfall in the district commissioner's office; in many states this routinely rises to 40 per cent.[1]

Causes of the stagnation

Mehta finds the stagnation overdetermined: the post-liberalisation ideology of the "small state", which treats spending on the state as expenditure rather than investment; centralisation and the unconscionable neglect of local government; the explanation offered by Somanathan, Natarajan and Karthik Muralidharan: state wages being considerably higher than private-sector wages, the government accepts low staffing with higher wages; and the instinctive fiscal conservatism of politicians, under which recruitment freezes become a covert way to rein in expenditure, making serious HR planning impossible.[1]

Consequences

A scarcity of personnel itself creates forms of discretionary power and rents; even without rents, selective enforcement creates appearances of injustice. In Maharashtra, for example, the number of food safety officers needed for consistent enforcement across all eateries would be at least triple the current staff. Aditya Dasgupta and Devesh Kapur's paper "The Political Economy of Bureaucratic Overload" shows that officials with fewer resources are worse at implementing programmes. PRS's new "State of State Finances" report chronicles how much states are still underspending. Personnel scarcity also skews the architecture of development: the mania for cash transfers is as much a reflection of the state's incapacity as of electoral largesse.[1]

The way forward

The column suggests treating proper expenditure on the state as investment; attaching an administrative assessment to every scheme, regulation and function; and building a serious HR strategy for the state, including the design of examinations and recruitment. In this direction, the government's Mission Karmayogi (approved on 2 September 2020) is a

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notable step, aiming to shift capacity building from a "rule-based" to a "role-based" approach, though the larger problems (numbers, structure and the empowerment of the local tier) remain.[3]

Conclusion

The real bottleneck in India's development story is now not the market but the capacity of the state. The missing link in every reform charter is the political will to see the state as an investment and to give it people, structure and purpose. Unless "spending on the state is investment" becomes common sense, escaping the Great Stagnation will remain difficult.

Mains practice question

Question: "India's Great Stagnation is not economic; it is a stagnation of state capacity." Critically examine this statement, discussing the principal causes of the stagnation in the capacity of the Indian state and suggesting remedies. (15 marks, 250 words)

Answer outline:

1. **Introduction**
   Define state capacity briefly and present Mehta's argument that economic growth has not been matched by administrative capacity.

2. **Main Body**
   Evidence of stagnation: public employment figures (1981: 3.84%, now ~2%), 1.1 judges per lakh, weak local tier (Andhra Pradesh example), vacancies (Gurugram 27%); causes: small-state ideology, centralisation, the wage-staffing trade-off, fiscal conservatism; consequences: discretionary power, selective enforcement, poor implementation, the cash-transfer bias; remedies: treating state expenditure as investment, an HR strategy, local empowerment, steps like Mission Karmayogi.

3. **Conclusion**
   Conclude that state capacity will set the next frontier of development; placing reinvestment in the state at the centre of the reform agenda is essential.

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Sources:

[1] Pratap Bhanu Mehta, "Missing in reform charters: India's Great Stagnation in state capacity", 20 November 2026, https://indianexpress.com/article/opinion/columns/pratap-bhanu-mehta-writes-missing-in-reform-charters-indias-great-stagnation-in-state-capacity-10970498/

[2] Foreign Affairs, review by Yamini Aiyar, "A Sixth of Humanity" (Kapur and Subramanian), https://www.foreignaffairs.com/reviews/cracks-india-model-aiyar

[3] Mission Karmayogi, Department of Personnel & Training, Government of India, https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1650633&lang=2&reg=3

Frequently asked questions

What do the public-employment figures for India show?

According to the book 'A Sixth of Humanity' (Arvind Subramanian and Devesh Kapur), total public employment peaked at 3.84 per cent of the population in 1981 and is now just above 2 per cent, described as the lowest in Asia. India has only 1.1 judges per hundred thousand population. Source (https://indianexpress.com/article/opinion/columns/pratap-bhanu-mehta-writes-missing-in-reform-charters-indias-great-stagnation-in-state-capacity-10970498/)

How does the local-government share of public employment compare?

In China and the United States about two-thirds of government employees work for local governments, whereas in India local government accounts for less than 12 per cent of total government employment, even though most development is delivered locally. Source (https://www.foreignaffairs.com/reviews/cracks-india-model-aiyar)

What is Mission Karmayogi and when was it approved?

Mission Karmayogi, approved on 2 September 2020, aims to shift civil-service capacity building from a 'rule-based' to a 'role-based' approach. The analysis notes that the larger problems of numbers, structure and empowerment of the local tier remain. Source (https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1650633&lang=2&reg=3)

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