STATE REGULATION OF FINANCIAL MANAGEMENT IN RELIGIOUS INSTITUTIONS: CONSTITUTIONAL BOUNDARIES, JUDICIAL TRENDS, AND THE NEED FOR A BALANCED GOVERNANCE FRAMEWORK

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Abstract

Religious institutions in India administer substantial financial resources through donations, endowments, offerings, and charitable activities, making financial governance a significant aspect of institutional administration. At the same time, Articles 25 and 26 of the Constitution of India guarantee religious freedom and denominational autonomy, creating an ongoing constitutional debate regarding the permissible extent of state intervention in financial affairs. This study examines the constitutional and legal foundations of state regulation of financial management in religious institutions, with particular emphasis on the distinction between protected religious functions and secular administrative activities. Adopting a doctrinal research methodology, the paper analyses constitutional provisions, relevant statutory enactments, landmark constitutional and judicial decisions, government reports, audit reports, official statistical data, contemporary scholarly literature, and selected state regulatory frameworks governing religious endowments and institutional finances. A comparative assessment of regulatory models adopted in Tamil Nadu, Andhra Pradesh, Telangana, Odisha, Gujarat, and Maharashtra, supported by official government data and institutional reports, is undertaken to evaluate differing approaches to financial oversight and institutional autonomy. The study identifies key challenges within the existing framework, including regulatory inconsistency, accountability deficits, administrative inefficiencies, inadequate transparency mechanisms, and tensions between governmental supervision and religious self-governance. Drawing upon constitutional principles, statutory frameworks, judicial precedents, and comparative analysis, the paper proposes a balanced financial governance framework based on proportional regulation, independent auditing, enhanced transparency, digital financial disclosure, and institutional accountability. It argues that effective financial governance can be achieved without compromising constitutionally protected religious autonomy, thereby ensuring both public accountability and the preservation of religious freedom. The study contributes to the growing discourse on the constitutional limits of state regulation and the future of financial governance in religious institutions in India.

Keywords: Religious Institutions, Financial Governance, Religious Autonomy, State Regulation, Religious Endowments, Constitutional Law, Accountability, Articles 25 and 26, Religious Freedom, Financial Accountability.

2. INTRODUCTION

2.1 Background of the Study

Religious institutions have historically played a significant role in the social, cultural, educational, and charitable life of India. Temples, mosques, churches, gurudwaras, monasteries, and other religious establishments receive substantial financial contributions through donations, offerings, endowments, grants, and income generated from institutional assets. These resources are often utilised not only for religious purposes but also for charitable, educational, healthcare, and community welfare activities. Consequently, the financial administration of religious institutions has emerged as an important aspect of institutional governance and public accountability. The growing financial significance of religious institutions has attracted increasing attention from policymakers, regulatory authorities, and constitutional scholars. According to the Tamil Nadu Hindu Religious and Charitable Endowments (HR&CE) Department Policy Note 2023–24, more than 44,000 temples and religious institutions are administered under the Department. Similarly, major religious institutions such as the Tirumala Tirupati Devasthanams (TTD) and the Shri Mata Vaishno Devi Shrine Board receive substantial annual revenues through donations and offerings. Institutional annual reports further demonstrate the growing scale of religious financial administration in India. Annual reports of the Tirumala Tirupati Devasthanams (TTD) and the Shri Mata Vaishno Devi Shrine Board indicate the increasing importance of structured accounting systems, statutory audits, digital donation management, and transparent utilisation of religious funds. These developments reflect a broader shift towards modern financial governance within religious institutions. Government reports, audit observations, and institutional annual reports have repeatedly highlighted the importance of transparency, accountability, and effective financial governance in the administration of religious endowments and charitable assets. The increasing scale of financial transactions within religious institutions has therefore intensified concerns regarding financial management, auditing mechanisms, and protection of endowed properties. The constitutional framework of India guarantees religious freedom through Articles 25 and 26, which protect both individual religious liberty and the autonomy of religious denominations in managing their affairs. At the same time, the Constitution permits the State to regulate secular and administrative matters associated with religious institutions. Judicial interpretation has consistently distinguished between matters that are essentially religious and those that are secular in nature, thereby allowing governmental regulation of administrative and financial activities while safeguarding constitutionally protected religious practices. Landmark decisions such as Commissioner, Hindu Religious Endowments v. Sri Lakshmindra Thirtha Swamiar (1954), Ratilal Panachand Gandhi v. State of Bombay (1954), and Sri Venkataramana Devaru v. State of Mysore (1958) have played a crucial role in defining the constitutional boundaries of such regulation. In recent years, growing concerns regarding transparency, accountability, financial mismanagement, and governance deficiencies within certain religious institutions have intensified debates concerning the appropriate extent of state oversight. Simultaneously, concerns have been raised regarding excessive governmental intervention and its potential impact on religious autonomy and denominational self-governance. Contemporary scholarship on religious freedom and constitutional governance has further highlighted the need to balance regulatory objectives with the protection of fundamental rights (Fox, 2023; Shah, 2021; Tripathi & Kumar, 2022). These developments have renewed interest in examining whether existing legal and regulatory frameworks adequately reconcile the competing demands of accountability and religious freedom. Against this background, the present study examines the constitutional foundations, judicial approaches, statutory frameworks, and regulatory mechanisms governing the financial administration of religious institutions in India. It seeks to evaluate whether existing regulatory models effectively balance institutional autonomy with financial accountability and explores the need for a more balanced governance framework consistent with constitutional principles.

Illustrative Government and Institutional Reports on Financial Governance of Religious Institutions

Institution / Authority	Report Year	Key Governance Feature
Tamil Nadu HR&CE Department	2023–24	Administration of more than 44,000 temples and religious institutions under a structured regulatory framework
Tirumala Tirupati Devasthanams (TTD)	2023–24	Annual audited financial reporting, digital donation management, and institutional transparency mechanisms
Shri Mata Vaishno Devi Shrine Board	2023–24	Statutory audit procedures, financial disclosure practices, and accountability mechanisms for utilisation of donations

Source: Tamil Nadu HR&CE Department Policy Note 2023–24; Tirumala Tirupati Devasthanams Annual Report 2023–24; Shri Mata Vaishno Devi Shrine Board Annual Report 2023–24.

2.2 Statement of the Problem

The financial regulation of religious institutions remains one of the most contested issues in Indian constitutional law. While governmental oversight is generally justified on the grounds of ensuring transparency, preventing mismanagement, protecting endowment properties, and safeguarding public interest, concerns frequently arise regarding the extent to which such intervention may affect the autonomy guaranteed to religious denominations under Articles 25 and 26 of the Constitution. A further challenge arises from the absence of a uniform regulatory framework across states. Different states have adopted varying models of supervision, resulting in significant differences in the degree of governmental involvement, auditing requirements, administrative control, and institutional autonomy. Such variations create inconsistencies in governance standards and raise questions regarding the constitutional legitimacy and effectiveness of existing regulatory mechanisms. The increasing scale of financial transactions, growing public expectations of accountability, and evolving judicial interpretations have further complicated the relationship between state regulation and religious self-governance. Consequently, there exists a need for a comprehensive examination of the constitutional basis of financial regulation, judicial trends, and state regulatory models in order to determine whether the current framework adequately balances accountability with religious autonomy.

2.3 Research Objectives

1. To examine the constitutional framework governing financial administration of religious institutions.
2. To analyse the extent of state regulatory authority over religious finances.
3. To evaluate judicial interpretations concerning religious and secular activities.
4. To assess selected state-level regulatory models.
5. To propose measures for balancing religious autonomy with financial accountability.

2.4 Research Questions

1. To what extent can the State regulate the finances of religious institutions?
2. How have courts distinguished religious matters from secular administrative functions?
3. Are existing regulatory mechanisms constitutionally justified?
4. What reforms may strengthen financial accountability while preserving religious autonomy?

2.5 Research Methodology

This study adopts a doctrinal legal research methodology. It relies upon constitutional provisions, statutory enactments, judicial decisions, government reports, audit reports, official statistical data, policy documents, scholarly literature, and contemporary academic studies relating to religious freedom, constitutional governance, and financial administration of religious institutions. The research further employs a comparative analytical approach to examine selected state regulatory frameworks governing religious endowments and institutional finances. Through an analysis of constitutional principles, statutory provisions, judicial precedents, government records, and comparative regulatory models, the study evaluates the legality and effectiveness of existing mechanisms of financial oversight.

2.6 Scope and Limitations

The study focuses on the constitutional and legal dimensions of financial regulation of religious institutions in India, particularly within the framework of Articles 25 and 26 of the Constitution. It examines judicial developments, state regulatory models, and governance mechanisms relating to religious endowments and institutional finances. The study is limited to doctrinal and comparative legal analysis and does not undertake empirical investigation, field surveys, or quantitative assessment of financial data relating to individual religious institutions.

3. LITERATURE REVIEW AND RESEARCH GAP

3.1 Review of Existing Literature

The relationship between religious freedom and state regulation has attracted significant scholarly attention in recent years, particularly in constitutional democracies characterised by religious diversity. Contemporary scholarship has examined the constitutional limits of governmental intervention in religious affairs and the extent to which regulatory measures may coexist with religious autonomy. Fox (2023) argues that constitutional protections relating to religion continue to play a crucial role in determining the legitimacy of state action affecting religious institutions. Similarly, Shah (2021) highlights the challenges faced by modern constitutional systems in balancing religious freedom with public accountability and regulatory objectives. Within the Indian context, recent studies have focused on the interpretation of Articles 25 and 26 of the Constitution and the evolving judicial approach towards religious autonomy. Tripathi and Kumar (2022) observe that constitutional courts increasingly seek to reconcile religious liberty with legitimate state interests through doctrines that distinguish protected religious practices from secular administrative functions. Upadhyay (2022) further analyses the Essential Religious Practices Doctrine and notes that judicial interpretation has become a decisive factor in determining the permissible scope of state regulation. The existing literature also examines the broader concepts of constitutional secularism and governance of religious institutions. Ahmed (2021) and Chandra (2021) contend that the Indian constitutional framework does not mandate complete separation between religion and the State but instead permits regulatory intervention in secular matters associated with religious institutions. Mahajan (2020) similarly argues that regulatory oversight may be constitutionally justified where it serves legitimate public interests such as accountability, transparency, and prevention of mismanagement. Recent scholarship has additionally explored the growing importance of institutional accountability and governance mechanisms. Hall (2024) notes that contemporary debates concerning religious institutions increasingly involve questions of transparency, administrative efficiency, and public trust.

International studies on religious governance have likewise emphasised the importance of financial accountability, auditing systems, and regulatory supervision in institutions managing substantial public resources (Cesari, 2025). Judicial scholarship continues to draw heavily upon landmark constitutional decisions such as *Commissioner, Hindu Religious Endowments v. Sri Lakshmindra Thirtha Swamiar* (1954), *Sri Venkataramana Devaru v. State of Mysore* (1958), and *Ratilal Panachand Gandhi v. State of Bombay* (1954). These decisions established the foundational distinction between matters of religion and secular administration, thereby providing the constitutional basis for state regulation of financial and administrative activities while protecting religious autonomy. In addition to academic scholarship, government reports, audit observations, and institutional annual reports have increasingly contributed to discussions concerning financial governance in religious institutions. Reports of State Endowment Departments, Hindu Religious and Charitable Endowments (HR&CE) authorities, Waqf Boards, and audit agencies have highlighted recurring concerns relating to financial accountability, protection of endowed properties, transparency in fund utilisation, and administrative efficiency. These reports provide valuable empirical insights into the practical challenges associated with the regulation and management of religious endowments.

3.2 Research Gap

A review of the existing literature reveals that most studies examine either religious freedom, constitutional secularism, or state regulation of religion as independent themes. While substantial scholarship exists on Articles 25 and 26 and the judicial interpretation of religious autonomy, relatively limited attention has been devoted to financial governance as a distinct constitutional issue. Existing studies frequently discuss administrative regulation in general terms but rarely analyse the constitutional legitimacy of financial oversight mechanisms governing religious institutions. Furthermore, comparative assessments of state-level regulatory frameworks remain limited. Although different states have adopted varying models of supervision, auditing, and administrative control, there is little scholarship evaluating these models collectively to determine whether they adequately balance financial accountability with religious autonomy. The growing scale of financial transactions within religious institutions, coupled with increasing demands for transparency and public accountability, further underscores the need for focused research in this area. Accordingly, the present study seeks to fill this gap by undertaking a comprehensive doctrinal and comparative analysis of the constitutional foundations, judicial approaches, and state regulatory models governing the financial administration of religious institutions in India. Unlike previous studies that primarily focus on religious freedom or administrative regulation in isolation, this research examines financial governance as a distinct constitutional concern and proposes a balanced framework that seeks to reconcile institutional autonomy with accountability requirements. Moreover, existing studies rarely undertake a combined examination of constitutional provisions, statutory frameworks, judicial precedents, and government accountability mechanisms governing the financial administration of religious institutions. This limitation has resulted in a fragmented understanding of the constitutional and regulatory dimensions of religious financial governance.

4. CONSTITUTIONAL FRAMEWORK GOVERNING RELIGIOUS INSTITUTIONS

The constitutional framework governing religious institutions in India is primarily derived from Articles 25 and 26 of the Constitution, which collectively seek to protect religious freedom while permitting reasonable regulatory intervention by the State. These provisions reflect the Indian model of secularism, which does not mandate a strict separation between religion and the State but instead allows limited governmental involvement in matters affecting public welfare, social reform, and institutional governance. Article 25 guarantees freedom of conscience and the right freely to profess, practice, and propagate religion, subject to public order, morality, health, and other provisions of Part III of the Constitution. The provision protects individual religious liberty while simultaneously recognising that religious practices may be subject to reasonable restrictions where larger constitutional interests are involved. Judicial interpretation has consistently emphasised that not every activity associated with religion enjoys constitutional protection. Rather, protection extends primarily to those practices that are regarded as essential or integral to a particular religion. Article 26 complements Article 25 by granting religious denominations the right to establish and maintain institutions for religious and charitable purposes, manage their own affairs in matters of religion, own and acquire movable and immovable property, and administer such property in accordance with law. The constitutional guarantee of denominational autonomy seeks to preserve institutional self-governance while recognising the authority of the State to regulate secular and administrative matters associated with religious institutions. The scope of these constitutional protections was authoritatively interpreted by the Supreme Court in *Commissioner, Hindu Religious Endowments v. Sri Lakshmindra Thirtha Swamiar* (1954), commonly known as the *Shirur Mutt Case*. The Court held that matters of religion are protected under Article 26 and remain beyond the scope of governmental interference. At the same time, the Court recognised that the administration of property, management of finances, maintenance of accounts, and other secular functions associated with religious institutions may be regulated by law. The judgment established the foundational constitutional principle that distinguishes protected religious affairs from secular administrative activities and continues to govern the legality of state intervention in religious institutions. A similar approach was adopted in *Ratilal Panachand Gandhi v. State of Bombay* (1954), where the Supreme Court reaffirmed that religious denominations possess constitutional protection in matters relating to religion but remain subject to regulation concerning the administration of property and secular institutional functions. The decision further clarified that state regulation must not amount to indirect interference with constitutionally protected religious practices.

4.1 Statutory Framework Governing Financial Administration of Religious Institutions

In addition to the constitutional protections contained in Articles 25 and 26, the financial administration of religious institutions in India is governed by several statutory enactments at both the central and state levels. The Religious Endowments Act, 1863 marked one of the earliest legislative attempts to regulate the administration of religious endowments by transferring management responsibilities from governmental authorities to local trustees and committees. Subsequently, the Charitable Endowments Act, 1890 introduced mechanisms for the protection and supervision of charitable properties and endowed assets.

In the contemporary period, the Waqf Act, 1995 governs the administration and financial management of waqf properties and establishes statutory mechanisms for supervision, auditing, and protection of endowed assets. Similarly, various states have enacted specialised legislation governing Hindu religious institutions. Prominent examples include the Tamil Nadu Hindu Religious and Charitable Endowments Act, 1959, the Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments Act, 1987, the Odisha Hindu Religious Endowments Act, 1951, and the Bombay Public Trusts Act, 1950 applicable in Maharashtra and Gujarat. These enactments generally provide for maintenance of accounts, auditing requirements, trustee supervision, budgetary controls, and protection of institutional properties.

The statutory framework demonstrates that while matters of faith and religious practice remain constitutionally protected, financial administration, management of endowed properties, accounting procedures, and institutional governance are recognised as secular functions capable of legislative regulation. Consequently, these statutes constitute an important legal foundation for contemporary systems of financial accountability and regulatory oversight in religious institutions.

Table 1: Major Statutory Frameworks Governing Religious Institutions

Statute	Year	Primary Objective
Religious Endowments Act	1863	Administration of religious endowments
Charitable Endowments Act	1890	Protection of charitable properties
Bombay Public Trusts Act	1950	Regulation of public religious and charitable trusts
Odisha Hindu Religious Endowments Act	1951	Supervision of Hindu religious institutions
Tamil Nadu HR&CE Act	1959	Administration and financial oversight of temples
Andhra Pradesh Endowments Act	1987	Regulation of religious institutions and endowments
Waqf Act	1995	Administration and protection of waqf properties

The principle was subsequently reinforced in *Sri Venkataramana Devaru v. State of Mysore* (1958), where the Supreme Court emphasised that constitutional rights relating to religion must be interpreted harmoniously with broader constitutional objectives. The Court recognised that reasonable regulatory measures may be justified where they serve legitimate public interests while preserving the essential autonomy of religious denominations. Judicial developments have also contributed to the emergence of the Essential Religious Practices Doctrine, which has become a central mechanism for determining whether a particular activity falls within the protected sphere of religion. As noted by Upadhyay (2022), courts increasingly rely upon this doctrine to distinguish religious practices from secular activities capable of regulation. While the doctrine has attracted both support and criticism, it continues to influence judicial assessment of state intervention in religious institutions. Contemporary scholarship similarly recognises that constitutional secularism in India permits regulatory oversight in matters involving transparency, accountability, and governance without undermining religious freedom (Ahmed, 2021; Chandra, 2021; Mahajan, 2020). Recent studies further suggest that financial administration, auditing, management of endowment properties, and utilisation of institutional resources are predominantly secular functions that may legitimately be subjected to regulatory supervision, provided such oversight remains proportionate and does not intrude into matters of faith or religious doctrine (Fox, 2023; Tripathi & Kumar, 2022).

Table 1A: Constitutional Position on Religious and Secular Activities

Constitutional Aspect	Nature of Protection	Scope of State Regulation
Religious Beliefs and Faith	Fully Protected	No direct interference
Rituals and Essential Religious Practices	Constitutionally Protected	Limited regulation only under constitutional restrictions
Management of Religious Affairs	Protected under Article 26	Subject to judicial scrutiny
Administration of Property	Secular Function	Permissible regulation
Financial Management and Auditing	Secular Function	Extensive regulatory oversight permissible
Utilisation of Endowment Funds	Secular Function	Subject to statutory control and accountability measures

Accordingly, the constitutional framework governing religious institutions in India is based upon a carefully constructed balance between religious autonomy and regulatory accountability. While Articles 25 and 26 provide robust protection to matters of religion and denominational self-governance, judicial interpretation has consistently recognised the authority of the State to regulate secular aspects of institutional administration, including financial management and governance.

This distinction forms the constitutional basis for contemporary regulatory frameworks governing religious institutions and remains central to debates concerning financial accountability and religious freedom.

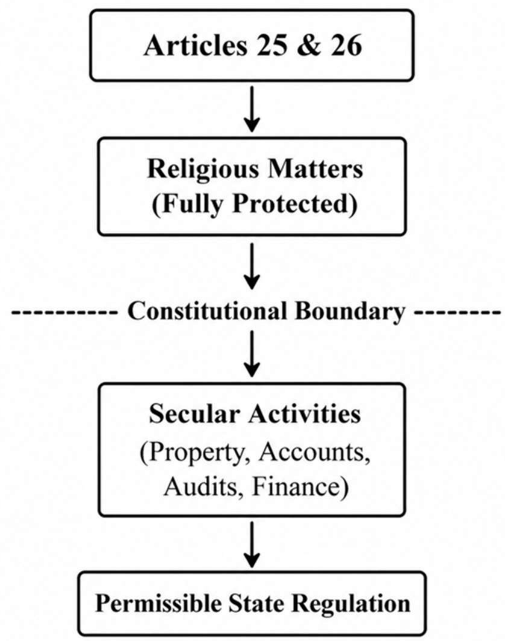

Figure 1: Constitutional Boundary of State Regulation

5. EVOLUTION OF STATE REGULATION OF RELIGIOUS ENDOWMENTS

The regulation of religious endowments in India has undergone a gradual evolution shaped by colonial administrative policies, constitutional developments, judicial interpretation, and post-independence legislative reforms. Religious institutions have historically managed substantial properties, donations, and endowments dedicated to religious, charitable, and social purposes. Consequently, concerns relating to financial accountability, protection of endowed property, and prevention of mismanagement have long influenced governmental approaches towards religious administration.

5.1 Colonial Foundations of Endowment Regulation

The origins of formal state regulation can be traced to the colonial period, during which the British administration introduced legislative measures aimed at supervising the management of religious and charitable endowments. Initially, colonial authorities exercised direct control over several religious institutions; however, such involvement generated criticism on the ground that governmental authorities should not interfere excessively in religious affairs.

To address these concerns, the Religious Endowments Act, 1863 was enacted to transfer management responsibilities from government officials to local trustees and committees while retaining limited supervisory mechanisms. Subsequently, the Charitable Endowments Act, 1890 provided additional legal mechanisms for the administration and protection of charitable properties. These enactments laid the foundation for later regulatory frameworks by recognising the need for institutional accountability while attempting to minimise direct governmental involvement in religious affairs.

The colonial regulatory model primarily focused on safeguarding endowed properties, preventing financial mismanagement, and ensuring that resources dedicated for religious and charitable purposes were utilised in accordance with donor intentions. Although these laws did not establish comprehensive financial governance systems, they introduced the principle that secular aspects of religious administration could be subjected to legal supervision.

5.2 Post-Independence Constitutional Developments

Following independence, the adoption of the Constitution of India significantly influenced the regulation of religious institutions. Articles 25 and 26 guaranteed religious freedom and denominational autonomy while simultaneously permitting state regulation of secular and administrative matters. This constitutional framework required legislators and courts to distinguish protected religious activities from secular functions such as property management, financial administration, and institutional governance.

In response, several states enacted legislation governing religious endowments and institutional administration. These laws introduced mechanisms relating to maintenance of accounts, auditing procedures, budget preparation, trustee supervision, financial reporting, and protection of institutional assets. The primary objective was to ensure transparency and accountability while preserving the autonomy of religious institutions in matters of faith and worship.

5.3 Expansion of State Regulatory Frameworks

The post-independence period witnessed the emergence of specialised statutory frameworks for the administration of religious institutions. States such as Tamil Nadu, Andhra Pradesh, Telangana, and Odisha adopted dedicated endowment laws establishing regulatory authorities responsible for overseeing financial administration and institutional governance. These frameworks empowered endowment departments to supervise accounting practices, audit institutional finances, monitor utilisation of donations, and protect endowment properties from misuse or encroachment.

In addition, the enactment of the Waqf Act, 1995 strengthened the statutory framework governing Muslim religious endowments by establishing mechanisms for registration, supervision, auditing, and protection of waqf properties. The Act significantly expanded regulatory oversight over waqf administration and introduced institutional safeguards intended to improve accountability and prevent mismanagement of endowed assets.

At the same time, states such as Gujarat and Maharashtra adopted comparatively less interventionist approaches by relying largely on public trust regulatory frameworks. These models generally provided religious institutions with greater managerial autonomy while maintaining accountability through registration requirements, financial reporting obligations, and periodic audits.

5.4 Judicial Contribution to Regulatory Evolution

Judicial decisions have played a crucial role in shaping the evolution of state regulation. The Supreme Court in *Commissioner, Hindu Religious Endowments v. Sri Lakshmindra Thirtha Swamiar* (1954) established the constitutional distinction between religious affairs and secular administration, thereby providing the legal basis for financial regulation. Subsequent decisions including *Ratilal Panachand Gandhi v. State of Bombay* (1954) and *Sri Venkataramana Devaru v. State of Mysore* (1958) further clarified that while religious practices enjoy constitutional protection, activities relating to administration, finance, and management may be regulated in the public interest.

These judicial principles continue to influence contemporary regulatory frameworks and have enabled courts to uphold financial oversight measures, provided such regulation remains confined to secular administration and does not interfere with essential religious practices.

Subsequent decisions such as A.S. Narayana Deekshitulu v. State of Andhra Pradesh (1996) further reinforced the principle that secular aspects of temple administration and financial management may be subjected to legislative regulation without violating constitutional guarantees of religious freedom.

5.5 Contemporary Trends in Financial Governance

Recent debates concerning religious institutions increasingly focus on transparency, digital governance, financial accountability, and public confidence. Contemporary scholarship has highlighted the growing importance of independent audits, disclosure of financial information, trustee accountability, and technological integration in the management of religious endowments (Fox, 2023; Hall, 2024; Cesari, 2025). As religious institutions manage increasingly complex financial resources, demands for effective governance mechanisms have become more prominent.

The evolution of state regulation therefore reflects a continuing effort to reconcile constitutional guarantees of religious freedom with the legitimate need for accountability, transparency, and responsible financial administration. While the regulatory approaches adopted by different states vary considerably, the overarching objective remains the creation of governance mechanisms capable of protecting both institutional autonomy and public trust.

Table 2: Historical Evolution of Religious Endowment Regulation

Period	Major Development	Significance
1863	Religious Endowments Act	Reduced direct state control
1890	Charitable Endowments Act	Protection of endowed properties
1950–1960	Constitutional interpretation by Supreme Court	Religious–secular distinction established
1960–2000	State Endowment Acts	Financial supervision expanded
2000–Present	Transparency & accountability reforms	Digital governance and audits

Table 2A: Illustrative Growth of Regulatory Oversight of Religious Institutions

Institution/Framework	Regulatory Feature	Governance Objective
Tamil Nadu HR&CE Department	Administration of 44,000+ religious institutions	Financial accountability and property protection
Tirumala Tirupati Devasthanams	Periodic audits and annual reporting	Transparency in utilisation of donations
Shri Mata Vaishno Devi Shrine Board	Statutory financial oversight mechanisms	Public accountability and governance
Waqf Boards	Registration and audit requirements under Waqf Act, 1995	Protection of waqf properties and financial supervision

6. STATE MECHANISMS FOR FINANCIAL MANAGEMENT AND OVERSIGHT

State governments in India have developed a variety of statutory mechanisms to regulate the financial administration of religious institutions and endowments. These mechanisms are primarily implemented through state-specific endowment laws, public trust legislation, and administrative bodies entrusted with overseeing the management of religious properties, donations, and institutional assets. Although the degree of governmental involvement differs across jurisdictions, the underlying objective remains the promotion of transparency, accountability, and responsible administration of resources dedicated to religious and charitable purposes.

6.1 Statutory Framework for Financial Oversight

Most state regulatory frameworks impose legal obligations upon religious institutions concerning the maintenance of accounts, preparation of budgets, auditing of financial records, and submission of periodic reports to designated authorities. Such measures are intended to ensure that funds received through donations, offerings, grants, and endowments are utilised in accordance with their intended religious and charitable purposes.

State legislation generally empowers regulatory authorities to examine financial records, verify compliance with statutory obligations, investigate allegations of financial irregularities, and take corrective action where necessary. These provisions reflect the recognition that religious institutions often manage substantial financial resources that require effective governance and accountability mechanisms.

6.2 Administrative Mechanisms of Financial Control

Several states have established specialised administrative bodies to supervise religious endowments and institutional finances. Departments responsible for religious endowments are typically authorised to monitor financial transactions, review institutional accounts, oversee trustee conduct, and ensure compliance with legal requirements.

Common administrative mechanisms include:

- Maintenance of audited financial accounts.
- Annual budget preparation and approval.
- Periodic financial inspections.
- Supervision of trustee administration.
- Monitoring of utilisation of donations and endowment funds.
- Protection and management of endowed properties.
- Investigation of complaints relating to financial mismanagement.

These mechanisms are intended to reduce the risk of fraud, misuse of funds, unauthorised alienation of institutional assets, and administrative inefficiency.

6.3 Financial Accountability and Transparency Measures

Contemporary governance frameworks increasingly emphasise transparency as a central component of institutional accountability. Recent scholarship highlights the growing importance of disclosure mechanisms, independent auditing procedures, and public access to financial information in strengthening public confidence in religious institutions (Fox, 2023; Hall, 2024).

Financial accountability measures commonly include:

Table 3: Key Financial Oversight Mechanisms

Mechanism	Purpose
Maintenance of Accounts	Ensures proper recording of financial transactions
Periodic Audits	Detects irregularities and promotes accountability
Budgetary Controls	Regulates expenditure and financial planning
Financial Reporting	Enhances transparency and public trust
Trustee Supervision	Prevents misuse of authority
Property Management Oversight	Protects endowed assets and institutional property
Compliance Monitoring	Ensures adherence to statutory requirements

The increasing adoption of digital governance tools and electronic record management systems has further strengthened accountability by improving accessibility, efficiency, and monitoring capabilities.

Table 3A: Illustrative Financial Governance Practices in Selected Religious Institutions

Institution	Governance Mechanism	Objective
Tamil Nadu HR&CE Institutions	Statutory audits, budget approval, property monitoring	Financial accountability and transparency
Tirumala Tirupati Devasthanams (TTD)	Annual reports, external audits, digital donation systems	Public trust and financial oversight
Shri Mata Vaishno Devi Shrine Board	Statutory financial reporting and audit mechanisms	Transparent utilisation of donations

Waqf Boards	Registration, accounting and audit requirements under the Waqf Act, 1995	Protection of endowed assets and financial supervision

6.4 Justifications for State Intervention

The constitutional justification for financial regulation is primarily based upon the distinction between religious affairs and secular administration. Courts have repeatedly recognised that activities relating to financial management, auditing, accounting, and administration of institutional property constitute secular functions capable of regulation by law. Consequently, state intervention is generally justified on several grounds:

1. Prevention of financial mismanagement and corruption.
2. Protection of donor interests and charitable objectives.
3. Preservation of endowment properties and institutional assets.
4. Promotion of transparency and public accountability.
5. Ensuring compliance with statutory and fiduciary obligations.

These objectives reflect broader governance principles aimed at safeguarding institutional integrity without interfering with matters of faith or religious doctrine.

6.5 Constitutional Limits of Regulatory Oversight

Despite the legitimacy of financial regulation, constitutional limitations remain significant. Articles 25 and 26 protect religious freedom and denominational autonomy, thereby restricting the extent to which governmental authorities may intervene in religious affairs. The Supreme Court in the *Shirur Mutt Case* established that while secular administrative matters may be regulated, essential religious practices remain beyond the scope of state control.

Accordingly, the constitutional validity of financial oversight mechanisms depends upon maintaining a clear distinction between permissible regulation of secular functions and impermissible interference with religious affairs. Regulatory authorities may supervise accounting practices, auditing procedures, property management, and utilisation of funds, but they cannot dictate matters relating to faith, doctrine, worship, or essential religious practices.

The constitutional position has also been reinforced in decisions such as Ratilal Panachand Gandhi v. State of Bombay (1954) and A.S. Narayana Deekshitulu v. State of Andhra Pradesh (1996), where the Supreme Court recognised the distinction between protected religious practices and secular administrative functions capable of legislative regulation.

6.6 Emerging Trends in Religious Financial Governance

Recent developments indicate a growing shift towards modern governance practices within religious institutions. Scholars have increasingly advocated for independent audit systems, digital disclosure of financial information, professional management structures, and enhanced trustee accountability mechanisms (Cesari, 2025; Hall, 2024). Such measures seek to strengthen public confidence while reducing the need for extensive governmental intervention.

The evolution of these mechanisms demonstrates that effective financial governance is increasingly viewed not merely as a regulatory requirement but as an essential component of institutional legitimacy and public trust. Consequently, contemporary oversight models seek to balance accountability with autonomy by promoting transparency, efficiency, and responsible stewardship of religious resources.

Recent government reports and audit observations have also emphasised the importance of digital accounting systems, timely audits, transparent disclosure of financial information, and professional management practices for improving institutional accountability.

7. JUDICIAL APPROACH TO FINANCIAL REGULATION OF RELIGIOUS INSTITUTIONS

The judiciary has played a central role in defining the constitutional boundaries of state regulation over the financial administration of religious institutions. Through a series of landmark decisions, Indian courts have consistently sought to balance the constitutional guarantee of religious freedom with the legitimate need for financial accountability and effective institutional governance. Judicial interpretation has established that while matters of religion enjoy constitutional protection under Articles 25 and 26, secular and administrative activities—including financial management, accounting, auditing, and property administration—may be subjected to reasonable regulatory oversight.

This distinction between protected religious functions and secular administrative activities has become the cornerstone of constitutional adjudication concerning religious institutions.

7.1 The Shirur Mutt Principle

The Supreme Court's decision in *Commissioner, Hindu Religious Endowments v. Sri Lakshmindra Thirtha Swamiar* (1954), popularly known as the *Shirur Mutt Case*, remains the foundation of Indian jurisprudence concerning religious institutions. The Court held that Article 26 guarantees religious denominations the right to manage their own affairs in matters of religion. However, the administration of property, management of finances, maintenance of accounts, and other secular functions associated with religious institutions do not fall within the protected sphere of religious practice and may therefore be regulated by law.

This judgment established the constitutional basis for statutory provisions relating to audits, financial reporting, trustee supervision, and protection of endowment properties. The decision continues to serve as the principal authority supporting governmental regulation of financial administration while safeguarding religious autonomy.

7.2 Ratilal Gandhi and Protection of Religious Autonomy

In *Ratilal Panachand Gandhi v. State of Bombay* (1954), the Supreme Court further clarified the relationship between religious freedom and state regulation. The Court recognised that religious denominations possess constitutional rights relating to faith, worship, and religious management. However, these rights do not exclude the authority of the State to regulate property administration and financial management in the interests of accountability and proper governance.

The judgment reinforced the principle that regulation of secular administration does not necessarily amount to interference with religion, provided that such regulation does not affect essential religious practices.

7.3 Balancing Rights and Public Interest

The decision in *Sri Venkataramana Devaru v. State of Mysore* (1958) highlighted the necessity of balancing religious autonomy with broader constitutional objectives. The Court recognised that constitutional rights are not absolute and may be subject to reasonable limitations where public welfare, social reform, or legitimate regulatory interests are involved.

This principle has particular relevance in matters concerning financial governance, where state authorities often justify oversight mechanisms on grounds of transparency, accountability, and protection of institutional resources.

7.4 Essential Religious Practices Doctrine

A significant development in Indian constitutional jurisprudence has been the emergence of the Essential Religious Practices Doctrine. Under this approach, courts determine whether a particular activity constitutes an essential component of religious practice or a secular administrative function. Activities found to be essential to religion receive constitutional protection, whereas secular activities may be subjected to legislative regulation.

Recent scholarship suggests that the doctrine continues to influence judicial reasoning in cases involving religious governance and institutional administration (Upadhyay, 2022; Tripathi & Kumar, 2022). Although the doctrine has attracted criticism for requiring judicial assessment of religious practices, it remains an important mechanism for resolving disputes concerning the constitutional limits of state intervention.

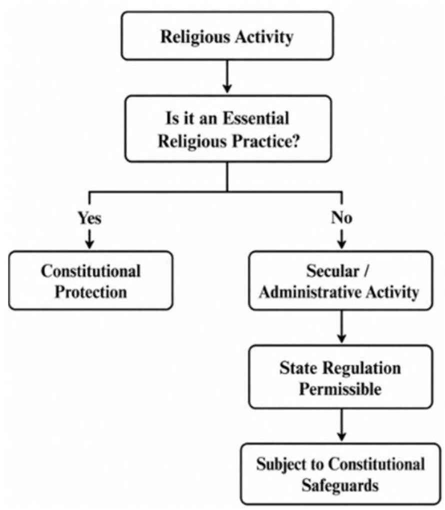

Figure 2: Judicial Test for Financial Regulation

7.5 A.S. Narayana Deekshitulu v. State of Andhra Pradesh (1996)

In A.S. Narayana Deekshitulu v. State of Andhra Pradesh, the Supreme Court examined the extent to which the State may regulate the secular administration of religious institutions. The Court held that while religious beliefs and essential practices remain constitutionally protected, activities relating to administration, management, and service conditions may be subjected to legislative regulation. The decision reinforced the principle that financial administration and institutional governance constitute secular matters capable of state supervision without violating Articles 25 and 26 of the Constitution.

7.6 Sri Adi Visheshwara of Kashi Vishwanath Temple v. State of Uttar Pradesh (1997)

In Sri Adi Visheshwara of Kashi Vishwanath Temple v. State of Uttar Pradesh, the Supreme Court upheld legislative measures relating to the management and administration of temple affairs. The Court observed that statutory regulation aimed at ensuring proper administration, transparency, and protection of temple properties does not necessarily infringe religious freedom. The decision further strengthened the distinction between protected religious practices and secular administrative functions.

7.7 N. Adithayan v. Travancore Devaswom Board (2002)

The Supreme Court in N. Adithayan v. Travancore Devaswom Board emphasised that constitutional values and principles of equality may justify regulatory intervention in certain aspects of religious administration. Although the case primarily concerned access and participation in temple-related functions, the judgment reaffirmed that secular and administrative matters connected with religious institutions remain subject to constitutional scrutiny and regulation.

7.8 Contemporary Judicial Trends

Recent judicial decisions concerning temple administration boards, waqf governance, and management of religious endowments continue to affirm that financial accountability, auditing, budgeting, and protection of institutional assets are secular functions capable of statutory regulation, provided such regulation does not interfere with essential religious practices.

Contemporary judicial decisions generally continue to uphold the distinction established in *Shirur Mutt*. Courts have consistently recognised that budgeting, auditing, maintenance of accounts, management of donations, trustee supervision, and protection of institutional assets constitute secular activities capable of regulation. At the same time, judicial scrutiny ensures that regulatory measures do not intrude upon matters of faith, doctrine, ritual observance, or denominational self-governance.

Recent academic studies similarly indicate that constitutional courts increasingly favour a proportionality-based approach that permits reasonable financial oversight while preserving institutional autonomy (Fox, 2023; Ahmed, 2021; Chandra, 2021). This trend reflects an effort to reconcile accountability requirements with the constitutional commitment to religious freedom.

7.9 Judicial Assessment

The overall judicial approach demonstrates a consistent attempt to maintain equilibrium between religious autonomy and financial accountability. Courts have neither accepted complete governmental control over religious institutions nor endorsed absolute institutional independence. Instead, the prevailing constitutional position permits regulation of secular financial administration while preserving the autonomy of religious institutions in matters of faith and worship.

Consequently, Indian judicial jurisprudence supports a model of limited but effective regulatory oversight, whereby state intervention is constitutionally permissible only to the extent necessary to ensure transparency, accountability, and proper administration of religious endowments without undermining constitutionally protected religious freedoms.

8. COMPARATIVE ANALYSIS OF STATE REGULATORY MODELS

The regulation of religious institutions in India is primarily governed by state-specific legislation, resulting in significant variations in the extent of governmental oversight, financial supervision, and institutional autonomy. Although the common objectives of these regulatory frameworks include financial accountability, protection of endowment properties, and prevention of mismanagement, states have adopted different approaches reflecting historical, administrative, and legislative considerations. A comparative analysis of these models provides valuable insight into the constitutional challenges associated with balancing regulatory oversight and religious self-governance.

8.1 Tamil Nadu: Extensive Regulatory Oversight

Tamil Nadu represents one of the most comprehensive models of state supervision. Under the Hindu Religious and Charitable Endowments (HR&CE) framework, governmental authorities exercise substantial control over administrative and financial matters, including audits, budgetary approvals, trustee appointments, and management of institutional assets. This model offers strong safeguards against financial mismanagement and facilitates greater accountability. However, critics argue that extensive governmental involvement may raise concerns regarding institutional autonomy and the constitutional limits of state intervention.

According to the Tamil Nadu HR&CE Department Policy Note 2023–24, the Department administers more than 44,000 temples and religious institutions. The extensive scale of administration has contributed to the development of detailed auditing, accounting, and asset-management mechanisms, making Tamil Nadu one of the most heavily regulated models of religious governance in India.

Strengths

- Strong financial accountability.
- Comprehensive audit mechanisms.

- Protection of endowment properties.

Challenges

- Risk of excessive administrative control.
- Potential concerns regarding denominational autonomy.

8.2 Andhra Pradesh and Telangana: Hybrid Regulatory Models

Andhra Pradesh and Telangana have adopted regulatory frameworks that combine administrative supervision with institutional participation. Endowment Departments are empowered to monitor financial transactions, oversee management practices, and ensure statutory compliance. These models seek to maintain accountability while allowing religious institutions a greater degree of operational flexibility than the Tamil Nadu framework.

Major institutions such as the Tirumala Tirupati Devasthanams (TTD) operate within the broader regulatory framework of Andhra Pradesh and have adopted extensive financial reporting, auditing, and digital governance practices. These developments illustrate the increasing emphasis on transparency and accountability within hybrid regulatory models.

Strengths

- Balanced financial monitoring.
- Protection against misuse of institutional resources.
- Moderate administrative intervention.

Challenges

- Variations in implementation.
- Dependence on administrative efficiency.

8.3 Odisha: Moderate Supervisory Framework

The Odisha Hindu Religious Endowments Act, 1951 reflects a comparatively moderate approach to regulation. While statutory authorities possess powers relating to audits, financial supervision, and institutional administration, the framework generally allows religious institutions to retain a higher degree of managerial discretion than heavily regulated states.

Strengths

- Preservation of institutional autonomy.
- Statutory accountability measures.

Challenges

- Limited monitoring capacity.
- Potential inconsistencies in enforcement.

8.4 Gujarat and Maharashtra: Trust-Based Governance Models

Gujarat and Maharashtra primarily regulate religious institutions through public trust legislation rather than specialised endowment departments. These models emphasise trustee responsibility, statutory reporting, and periodic audits while allowing institutions substantial managerial independence. Financial accountability is achieved through trust law mechanisms rather than direct governmental administration.

Strengths

- Greater institutional autonomy.

- Reduced governmental interference.
- Encouragement of self-governance.

Challenges

- Dependence on internal governance structures.
- Greater risk where trustee accountability mechanisms are weak.

8.5 Comparative Constitutional Assessment

The comparative analysis reveals that stronger regulatory frameworks generally provide greater financial accountability but may generate constitutional concerns regarding excessive governmental involvement. Conversely, trust-based models better preserve institutional autonomy but rely heavily on internal governance mechanisms and effective trustee oversight.

Recent scholarship suggests that neither complete governmental control nor unrestricted institutional independence provides an ideal solution (Fox, 2023; Hall, 2024; Cesari, 2025). Instead, effective governance appears to require a balanced framework combining independent audits, transparent reporting mechanisms, limited regulatory intervention, and respect for religious autonomy.

Table 4: Comparative Evaluation of State Models

State Model	Accountability	Transparency	Institutional Autonomy
Tamil Nadu	High	High	Low
Andhra Pradesh	Moderate to High	Moderate to High	Moderate
Telangana	Moderate to High	Moderate to High	Moderate
Odisha	Moderate	Moderate	Moderate to High
Maharashtra	Moderate	Moderate	High
Gujarat	Moderate	Moderate	High

Table 4A: Illustrative Regulatory Characteristics of Selected State Models

State	Principal Legislation	Regulatory Approach
Tamil Nadu	Tamil Nadu HR&CE Act, 1959	Extensive state supervision
Andhra Pradesh	Andhra Pradesh Endowments Act, 1987	Hybrid regulatory model
Telangana	Telangana Endowments Framework	Hybrid regulatory model
Odisha	Odisha Hindu Religious Endowments Act, 1951	Moderate supervision
Maharashtra	Bombay Public Trusts Act, 1950	Trust-based regulation
Gujarat	Bombay Public Trusts Act, 1950	Trust-based regulation

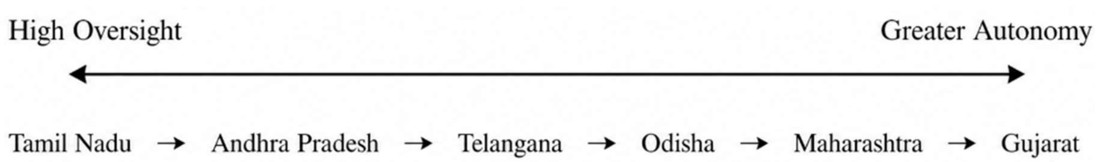

Figure 3: Spectrum of Regulatory Oversight

8.6 Findings from the Comparative Analysis

The comparative assessment demonstrates that there is no uniform national model governing the financial administration of religious institutions in India. States have adopted differing approaches based on historical experience, legislative priorities, and administrative considerations. While extensive oversight frameworks may strengthen accountability and transparency, they also increase the possibility of constitutional disputes concerning religious autonomy. Conversely, greater institutional independence may preserve self-governance but requires robust internal accountability systems.

Accordingly, the diversity of state models highlights the need for a balanced governance framework capable of ensuring financial transparency and accountability without undermining constitutionally protected religious freedoms. The comparative findings provide an important foundation for the development of such a framework, which is examined in the subsequent sections of this study.

9. CHALLENGES AND GAPS IN THE EXISTING REGULATORY FRAMEWORK

Despite the existence of statutory mechanisms governing the financial administration of religious institutions, several structural, legal, and administrative challenges continue to affect the effectiveness of the current regulatory framework. While state intervention seeks to promote accountability and prevent financial mismanagement, practical implementation often reveals significant inconsistencies in governance standards, oversight mechanisms, and institutional capacity. These challenges have generated continuing debates regarding the constitutional legitimacy and effectiveness of existing regulatory models.

9.1 Absence of a Uniform Regulatory Framework

One of the most significant challenges is the absence of a uniform national framework governing the financial administration of religious institutions. Since regulation is largely governed by state-specific legislation, substantial variations exist in audit requirements, reporting obligations, trustee supervision, and administrative control. Consequently, religious institutions operating in different states are subjected to different standards of accountability and regulatory oversight.

Such inconsistencies create uncertainty regarding governance expectations and may undermine the objective of ensuring equal standards of transparency and accountability across jurisdictions.

9.2 Tension Between Religious Autonomy and State Oversight

A recurring constitutional challenge involves balancing religious autonomy with governmental supervision. Articles 25 and 26 protect denominational self-governance and religious freedom, while state authorities seek to regulate secular administrative functions in the public interest. Determining the precise boundary between legitimate regulation and excessive interference remains a complex constitutional issue.

While inadequate oversight may expose institutions to financial irregularities, excessive governmental involvement may raise concerns regarding encroachment upon constitutionally protected rights. The absence of clearly defined regulatory thresholds frequently results in legal disputes and constitutional challenges.

9.3 Variations in Oversight Mechanisms

The comparative analysis of state regulatory models demonstrates substantial differences in the nature and intensity of financial supervision. Some states maintain extensive administrative control through specialised endowment departments, whereas others rely primarily upon trust-based regulatory mechanisms. These variations often produce unequal levels of transparency, accountability, and institutional autonomy.

As a result, similarly situated institutions may be subjected to significantly different regulatory obligations depending upon the state in which they operate.

9.4 Professional Capacity and Administrative Limitations

Many religious institutions continue to face challenges relating to professional financial management and administrative capacity. In several instances, trustees and administrators may lack specialised expertise in accounting, budgeting, auditing, and compliance management. This may result in inadequate record maintenance, delayed reporting, and inefficient utilisation of institutional resources. Audit observations and government reports relating to religious endowments have repeatedly highlighted deficiencies in record-keeping, delayed audits, property management issues, and weaknesses in financial monitoring mechanisms. The increasing complexity of financial transactions further requires greater professionalisation of governance structures and adoption of modern financial management practices.

Audit observations relating to religious endowments have frequently identified issues concerning incomplete financial records, delays in audit compliance, encroachment of endowed properties, and weaknesses in monitoring mechanisms.

These findings indicate the continuing need for stronger governance structures, professional financial management, and improved transparency mechanisms within religious institutions.

9.5 Inadequate Transparency and Public Accountability

Transparency remains a persistent concern within the administration of religious institutions. Although statutory provisions often require maintenance of accounts and periodic audits, public accessibility to financial information remains limited in many jurisdictions. The absence of standardised disclosure practices may reduce public confidence and make independent evaluation of institutional governance difficult.

Recent scholarship increasingly emphasises that transparency mechanisms, including digital disclosure of accounts and publicly accessible audit reports, are essential components of modern governance frameworks (Fox, 2023; Hall, 2024; Cesari, 2025).

In several jurisdictions, audit findings and annual financial statements are not readily accessible to the public, thereby limiting external scrutiny and reducing opportunities for independent assessment of institutional governance.

9.6 Technological and Digital Governance Gaps

The growing volume of financial transactions handled by religious institutions has highlighted the importance of technological integration. However, many institutions continue to rely upon traditional administrative systems characterised by manual record-keeping and fragmented reporting procedures. Such practices may increase administrative inefficiencies and reduce the effectiveness of financial monitoring.

The adoption of digital accounting systems, electronic audit platforms, and online disclosure mechanisms remains uneven across states, creating further disparities in governance standards.

9.7 Emerging Governance Concerns

Contemporary governance debates have increasingly focused on trustee accountability, institutional transparency, conflict-of-interest concerns, and protection of endowment assets. As religious institutions continue to manage substantial financial resources, public expectations regarding accountability and responsible governance have significantly increased. Existing regulatory frameworks often struggle to address these emerging challenges comprehensively.

Furthermore, the growing interaction between constitutional rights, public accountability, and administrative regulation has created new governance questions that existing legislation may not fully address.

Concerns relating to encroachment of endowed properties, delayed completion of statutory audits, conflict-of-interest situations, and inadequate disclosure of financial information have also emerged as recurring governance challenges in several regulatory jurisdictions.

9.8 Assessment of the Existing Framework

The foregoing analysis demonstrates that while the current regulatory framework has contributed significantly to the promotion of financial accountability, important gaps continue to persist.

Variations in state-level regulation, limited administrative capacity, inadequate transparency measures, and unresolved constitutional tensions collectively affect the effectiveness of financial governance mechanisms.

Accordingly, meaningful reform requires the development of governance structures that strengthen accountability, transparency, and institutional efficiency while simultaneously respecting the constitutional autonomy guaranteed to religious institutions. Addressing these challenges is essential for maintaining public confidence, protecting institutional resources, and ensuring the long-term sustainability of religious endowments.

10. TOWARDS A BALANCED FRAMEWORK OF FINANCIAL GOVERNANCE

The preceding analysis demonstrates that neither extensive governmental control nor complete institutional independence provides an optimal solution for the financial governance of religious institutions. Excessive state intervention may undermine constitutionally protected religious autonomy, whereas inadequate oversight may expose institutions to financial mismanagement, lack of transparency, and weakened public confidence. Consequently, there is a need for a balanced governance framework capable of reconciling accountability requirements with the constitutional guarantees contained in Articles 25 and 26 of the Constitution of India.

Drawing upon constitutional principles, judicial precedents, comparative state practices, and contemporary governance scholarship, this study proposes a **Five-Pillar Balanced Financial Governance Framework** for religious institutions. The proposed model seeks to strengthen accountability and transparency while preserving institutional self-governance and religious freedom.

10.1 The Five-Pillar Balanced Governance Framework

Pillar I: Protection of Religious Autonomy

The first pillar recognises that matters relating to faith, worship, doctrine, and essential religious practices must remain beyond the scope of governmental interference. Consistent with the constitutional principles established in *Shirur Mutt* and subsequent judicial decisions, regulatory intervention should be confined to secular administrative and financial matters.

Pillar II: Independent Financial Accountability

Religious institutions should be subjected to periodic independent audits conducted by qualified and impartial professionals. Independent auditing promotes financial integrity, reduces opportunities for misuse of resources, and enhances institutional credibility among devotees, donors, and stakeholders.

Such audits should be conducted in accordance with statutory requirements and, where applicable, be made publicly accessible through annual reports and digital disclosure platforms in order to enhance transparency and public confidence.

Pillar III: Transparency Through Digital Disclosure

Modern governance increasingly requires public transparency. Religious institutions managing substantial financial resources should adopt digital disclosure systems providing access to annual reports, audited accounts, major expenditures, and utilisation of donations. Such measures can strengthen public confidence while reducing dependence upon intrusive governmental supervision.

Pillar IV: Institutional Capacity and Professional Management

Effective governance requires competent administration. Training programmes for trustees, administrators, and financial officers should be encouraged to improve compliance with accounting standards, budgeting practices, audit requirements, and statutory obligations. Professional management structures can significantly enhance financial efficiency and accountability.

Pillar V: Proportionate Regulatory Oversight

Regulatory intervention should be guided by the principle of proportionality. State authorities should intervene only where there is evidence of financial irregularity, misuse of institutional resources, breach of statutory obligations, or significant public interest concerns. Such an approach preserves institutional autonomy while ensuring accountability where genuinely required.

Table 5: Proposed Five-Pillar Framework for Balanced Financial Governance

Pillar	Proposed Measure	Expected Outcome
Religious Autonomy	Protection of faith, worship, and essential religious practices	Preservation of constitutional freedoms
Independent Accountability	Periodic external audits	Greater transparency and financial integrity
Digital Transparency	Online disclosure of accounts and reports	Improved public access and trust
Institutional Capacity	Professional training and governance reforms	Better financial administration
Proportionate Oversight	Limited intervention based on necessity and legality	Balance between autonomy and accountability

10.2 Governance Principles Underlying the Proposed Framework

The proposed framework is based upon four interconnected governance principles:

1. **Transparency** – ensuring public access to relevant financial information.
2. **Accountability** – promoting responsible utilisation of institutional resources.
3. **Autonomy** – preserving constitutionally protected religious self-governance.
4. **Proportionality** – restricting governmental intervention to situations where it is necessary and legally justified.

These principles collectively seek to establish a governance structure that protects both public interest and religious freedom.

10.3 Comparative Advantages of the Proposed Model

Unlike highly interventionist regulatory frameworks, the proposed model avoids excessive governmental control over religious institutions. At the same time, it provides stronger accountability mechanisms than models relying exclusively upon internal management structures. By combining independent auditing, digital transparency, professional administration, and proportionate oversight, the framework seeks to address many of the deficiencies identified in existing state regulatory models.

Recent scholarship increasingly supports governance approaches based upon transparency, institutional accountability, and limited but effective regulatory supervision (Fox, 2023; Hall, 2024; Cesari, 2025). The proposed framework aligns with these developments while remaining consistent with constitutional principles established by the judiciary.

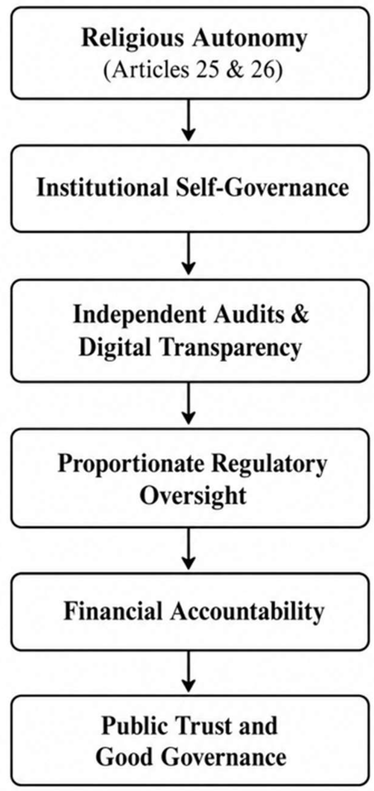

Figure 4: Balanced Governance Model

10.4 Policy Implications

The adoption of a balanced governance framework has important policy implications. Legislators may consider introducing uniform minimum standards relating to audits, financial reporting, and transparency while allowing flexibility in institutional administration. Regulatory authorities may focus upon compliance monitoring and corrective intervention rather than routine administrative control. Religious institutions, in turn, may strengthen internal governance systems through professional management and digital accountability measures.

Accordingly, a balanced framework of financial governance offers a constitutionally sustainable approach capable of reconciling religious autonomy with the growing demands for transparency, accountability, and responsible stewardship of religious resources.

Policymakers may also consider strengthening coordination between Endowment Departments, audit authorities, and religious institutions through standardised reporting formats, digital compliance mechanisms, and periodic governance reviews. Such measures may reduce regulatory inconsistencies while promoting uniform standards of financial accountability.

CONCLUSION

The financial governance of religious institutions represents one of the most complex intersections between constitutional freedom and regulatory accountability in contemporary India. Religious institutions play a significant social, cultural, charitable, and spiritual role while simultaneously managing substantial financial resources through donations, endowments, offerings, and institutional assets. This dual character necessitates a legal framework that protects religious autonomy while ensuring responsible financial administration.

The study examined the constitutional foundations governing religious institutions through Articles 25 and 26 of the Constitution of India and analysed the judicial principles that distinguish protected religious affairs from secular administrative activities. Landmark decisions such as Shirur Mutt, Ratilal Panachand Gandhi, Sri Venkataramana Devaru, A.S. Narayana Deekshitulu, and Sri Adi Visheshwara demonstrate the judiciary's consistent effort to maintain a balance between religious freedom and legitimate regulatory oversight. Judicial interpretation has established that while matters of faith and essential religious practice remain constitutionally protected, activities relating to financial administration, property management, auditing, and institutional governance may be subjected to reasonable regulation.

The comparative assessment of state regulatory models further revealed significant variations in governance structures across India. States such as Tamil Nadu adopt extensive oversight mechanisms, whereas Gujarat and Maharashtra rely more heavily upon trust-based governance frameworks. These differences illustrate the absence of a uniform national approach and highlight the continuing challenge of balancing accountability with institutional autonomy.

The study also identified several shortcomings within the existing regulatory framework, including inconsistent governance standards, varying levels of oversight, limited professional financial expertise, inadequate transparency mechanisms, and unresolved constitutional tensions concerning the permissible scope of state intervention. The growing scale and complexity of financial transactions within religious institutions further emphasise the need for modern governance practices based upon accountability, transparency, and technological integration.

The analysis of statutory frameworks, government reports, audit observations, and comparative state practices further revealed the growing importance of financial accountability in religious governance. The study demonstrated that contemporary challenges relating to transparency, protection of endowed properties, auditing mechanisms, and institutional management increasingly require a balanced regulatory approach supported by effective governance structures and modern accountability mechanisms.

To address these concerns, the study proposed a Five-Pillar Balanced Financial Governance Framework founded upon the principles of religious autonomy, independent accountability, digital transparency, institutional capacity building, and proportionate regulatory oversight. The framework seeks to preserve constitutional freedoms while strengthening public confidence and ensuring responsible stewardship of religious resources.

In conclusion, the future of financial governance in religious institutions should not be characterised by a choice between unrestricted autonomy and excessive governmental control. Rather, a constitutionally sustainable model requires limited yet effective regulation of secular financial administration, supported by transparency, accountability, and institutional self-governance. Such an approach offers the most viable means of protecting both religious freedom and public trust in the administration of religious endowments in India.

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