Local government is the cornerstone of democracy and development in a given country. The global trend of local government has rapidly changed and has adopted principles of good governance in a practical sense in local institutional systems in the world. The Local government system in Sri Lanka has to be changed to match the global trend in the term "Good Governance". The universal nature of Local government helps to determine the shape and nature of the democratic political culture of the given society as a whole. The global objective of local government is to archive millennium goals by adopting principles of good governance in practice. Sri Lanka is a democratic country that has had her own local government system for a very long time. One of the main purposes of this local government system was to enhance democratic practices by adopting universal trends and deliver rapid and quality service for the ordinary citizens for their social wellbeing.

Yet, it is found that most of the local government institutions have not adopted good governance principles with regard to services in their institutional practices. The overall objective of this paper is to explore the main reasons behind this failure. This research focused on practices of good governance in the local sphere. The methodology used to gather facts and information is the secondary data approach. The main scholarly writings and interpretations and arguments have been reexamined in this paper.

There are many reasons for the failure of good governance in practice. Ideological complexities, party dominations have impacted on local government functions and services. Grass root social composition and elite domination has manipulated local institutional systems and their functions. A weak civil society has created a favorable environment for the pro-corruption bribes oriented local institutional system. In addition, the electoral system and the behavior of the elected people have negatively impacted on practices of good governance in the local government institutions in Sri Lanka.

**Key words:** Dilemma of Practices, Global Trends, Good Governance, Local Government Institutions