

Original Article

PANCHAYATI RAJ INSTITUTIONS IN INDIA: CHALLENGES AND OPPORTUNITIES FOR EFFECTIVE DEMOCRATIC DECENTRALISATION

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ABSTRACT

Panchayati Raj Institutions (PRIs) form the constitutional foundation of rural local self-government in India. The 73rd Constitutional Amendment Act, 1992 mandated a three-tier structure, regular elections, reservation for Scheduled Castes, Scheduled Tribes and women, and State Finance Commissions, and listed 29 subjects in the Eleventh Schedule for possible devolution. More than three decades later, a persistent gap separates this constitutional design from the authority Panchayats actually exercise. Through a qualitative, analytical review of constitutional provisions, recent official reports and peer-reviewed scholarship, and using the framework of functions, funds and functionaries together with a sociological perspective on local power, this paper finds that devolution has improved only modestly: the national devolution score rose from 39.9 per cent in 2013–14 to 43.9 per cent in 2021–22, while own tax revenue forms roughly 1 per cent of Panchayat revenue receipts and grants more than 95 per cent. Staff shortages, unequal participation shaped by caste, class and gender, weak Gram Sabhas and fragmented accountability further constrain performance. The paper also identifies opportunities, including activity mapping, own-revenue reform, deliberative Gram Sabhas, digital transparency tools, the Panchayat Advancement Index and sustained capacity building. It argues that PRIs can become genuine institutions of self-government only when constitutional recognition is matched by fiscal autonomy, administrative capacity and inclusive participation.

Keywords: Panchayati Raj Institutions, Democratic Decentralisation, 73rd Constitutional Amendment, Fiscal Devolution, Gram Sabha, Local Governance, Rural Development

INTRODUCTION

Democracy acquires substance when citizens can influence the decisions that shape their everyday lives. In rural India, where most citizens still live, Panchayati Raj Institutions (PRIs) are the tier of government closest to the people. India has more than 2.55 lakh Gram Panchayats [Ministry of Panchayati Raj. \(2025b\)](#), and in November 2025 more than 24 lakh elected representatives held office in PRIs [Ministry of Panchayati Raj. \(2025c\)](#). These bodies are expected to identify local needs, prepare development plans, implement public programmes and advance social justice.

The idea of village self-government has a long history in Indian political thought. Mahatma Gandhi saw gram swaraj as the foundation of a decentralised democracy, whereas B. R. Ambedkar warned the Constituent Assembly that the Indian village could be "a sink of localism, a den of ignorance, narrow-mindedness and communalism" [Ambedkar \(1948\)](#). The Constitution initially placed village Panchayats only among the Directive Principles of State Policy (Article 40). The Balwantrai Mehta Committee recommended

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a three-tier structure in 1957, and later committees debated its design, but Panchayats remained dependent on the political will of State governments. The 73rd Constitutional Amendment Act, 1992, which came into force on 24 April 1993, changed this by inserting Part IX into the Constitution and giving Panchayats constitutional status [Government of India. \(1992\)](#).

Constitutional status, however, did not automatically confer power. Article 243G states that State legislatures "may" endow Panchayats with powers and authority, leaving the extent of devolution to each State. The result has been wide variation across States and a persistent gap between the responsibilities Panchayats are expected to carry and the resources they control [Joshi & Narwani \(2002\)](#), [Second Administrative Reforms Commission. \(2007\)](#). This gap, and the ways in which it might be narrowed, is the subject of this paper.

The paper pursues three objectives: (i) to outline the constitutional and institutional framework of PRIs; (ii) to analyse the major challenges that limit their effectiveness, using recent official data; and (iii) to identify opportunities and policy directions for strengthening them as institutions of self-government.

REVIEW OF LITERATURE AND THEORETICAL FRAMEWORK

The theoretical case for decentralisation rests on the argument that local governments are better informed about local preferences and can therefore match public services to local needs more efficiently than distant authorities [Oates \(1972\)](#). [Bardhan \(2002\)](#) accepts the potential gains but cautions that decentralisation in developing countries may be undermined by weak local capacity, limited fiscal autonomy and the "capture" of local institutions by elites. The comparative studies brought together by [Bardhan and Mookherjee \(2006\)](#) reinforce this point: the outcomes of decentralisation depend less on formal design than on how power, money and accountability are actually distributed.

Indian scholarship has documented both the promise and the limits of the 73rd Amendment. [Mathew \(1994\)](#) presented the amendment as the beginning of a movement for grassroots democracy, while [Joshi and Narwani \(2002\)](#) showed how unevenly States translated it into practice. [Chakrabarty and Pandey \(2008\)](#) situate Panchayats within the wider structure of Indian government, in which State bureaucracies retain considerable control over local affairs. Kerala's People's Campaign for Decentralised Planning, launched in 1996, is the most widely studied exception. [Isaac and Franke \(2000\)](#) describe how the State transferred a substantial share of plan funds to local bodies and mobilised citizens in planning, and [Heller et al. \(2007\)](#) found that the campaign broadened participation, including among marginalised groups, and improved the delivery of local public goods.

Research on Gram Sabhas and reservation has examined whether local democracy is socially inclusive. Using survey data from South India, [Besley et al. \(2005\)](#) found that villages holding Gram Sabha meetings were better at directing welfare benefits towards landless and illiterate households. [Rao and Sanyal \(2010\)](#) showed that Gram Sabhas can become spaces in which poor citizens claim dignity through public discussion. The random reservation of council leadership for women altered the types of public goods that councils provided [Chattopadhyay and Duflo \(2004\)](#) and, over time, reduced voters' bias against women leaders [Beaman et al. \(2009\)](#).

This paper draws on two complementary lenses. The first is the "3Fs" framework of functions, funds and functionaries, widely used in Indian policy discussion [Second Administrative Reforms Commission. \(2007\)](#). It holds that Panchayats can be effective only when the functions assigned to them are matched by adequate funds and staff. The second is a sociological lens that treats local institutions as embedded in existing hierarchies of caste, class and gender. Much existing research is either State-specific or predates the data on devolution, finances and digital governance released between 2024 and 2026; this paper brings those data into dialogue with the established literature.

METHODOLOGY

The study adopts a qualitative, descriptive-analytical design based entirely on secondary sources. Three types of material were examined: (a) the constitutional text of Part IX (Articles 243–243O) and the Eleventh Schedule; (b) official reports and data, principally the MoPR report on the status of devolution to Panchayats [Ministry of Panchayati Raj. \(2025a\)](#), the Panchayat Advancement Index baseline [Ministry of Panchayati Raj. \(2025b\)](#), a parliamentary reply on elected representatives (MoPR, 2025c), the Reserve Bank of India study of Panchayat finances [Reserve Bank of India. \(2024\)](#) and the report of the [Fifteenth Finance Commission. \(2020\)](#), and (c) peer-reviewed books and articles on decentralisation and local democracy. Sources were selected for their relevance, credibility and recency. The material was analysed thematically, with themes organised around the 3Fs and two further dimensions drawn from the literature: participation and accountability.

The study does not draw on primary fieldwork; national averages conceal large differences between and within States, and official data differ in coverage and reference period. The findings should therefore be read as an analytical synthesis that can guide, rather than replace, empirical field research.

CONSTITUTIONAL AND INSTITUTIONAL FRAMEWORK

Part IX establishes Panchayats at the village, intermediate and district levels, although States with a population not exceeding 20 lakh may dispense with the intermediate tier. Table 1 summarises the provisions most relevant to this paper.

Table 1

Table 1 Selected Provisions of Part IX of the Constitution		
Article	Provision	Implication for PRIs
243A	Gram Sabha of all registered voters in a village, with powers determined by State law	Creates a forum for direct citizen participation
243B	Panchayats at village, intermediate and district levels	Establishes a uniform multi-tier structure
243D	Reservation for SCs and STs in proportion to population; not less than one-third of seats and chairpersons' posts for women	Mandates social inclusion in representation
243E	Five-year term; elections before expiry, or within six months of dissolution	Secures the continuity of elected bodies
243G; Eleventh Schedule	State legislature may devolve powers on 29 listed subjects	Makes the scope of devolution discretionary
243H	State may authorise Panchayats to levy taxes, duties and fees, and may provide grants	Makes the fiscal base dependent on the State
243I	State Finance Commission every five years	Provides for rule-based transfers
243K	State Election Commission	Ensures independent conduct of elections

Source: Compiled from the Constitution (Seventy-third Amendment) Act, 1992 [Government of India. \(1992\)](#).

The framework combines mandatory and discretionary elements. Elections, reservation and the finance and election commissions are compulsory; the transfer of functions, taxation powers and staff is not. This structure explains why PRIs have become democratically stable, with regular elections now the norm in most States, while remaining administratively and fiscally weak.

MAJOR CHALLENGES

INCOMPLETE DEVOLUTION OF FUNCTIONS

The most fundamental challenge is the distance between constitutional recognition and effective authority. The MoPR's devolution assessment, conducted by the Indian Institute of Public Administration, scores States on six dimensions: framework, functions, finances, functionaries, capacity enhancement and accountability. The national score rose only from 39.9 per cent in 2013–14 to 43.9 per cent in 2021–22 [Ministry of Panchayati Raj. \(2025a\)](#). The improvement came mainly from finances, functionaries and capacity enhancement; the score for functions actually declined. Variation between States is wide: Karnataka ranked first with a score of 72.23, followed by Kerala (70.59) and Tamil Nadu (68.38), while several States scored far lower.

In practice, Panchayats are often asked to implement schemes designed by the Union or State governments while key decisions on design, beneficiary norms and spending remain with line departments. Parallel bodies created under particular schemes can also bypass elected Panchayats. Under these conditions, Panchayats function more as implementing agencies than as governments that set priorities for their communities.

FISCAL DEPENDENCE

Finance is the critical constraint. The RBI's study of Panchayat finances found that own tax revenue made up only about 1 per cent of total revenue receipts between 2020–21 and 2022–23, while grants from the Union and State governments accounted for more than 95 per cent [Reserve Bank of India. \(2024\)](#). In 2022–23, own tax revenue averaged only about ₹21,000 per Panchayat.

Transfers have grown, and the [Fifteenth Finance Commission. \(2020\)](#) recommended grants of ₹2,36,805 crore to rural local bodies for 2021–26, but much of this money is tied to specified purposes.

Dependence on grants has three consequences. It limits the ability of Panchayats to respond to locally identified priorities; it makes planning vulnerable to delays and uncertainty in the release of funds; and it weakens accountability, because Panchayats answer upward to the governments that fund them rather than to the residents they serve. Panchayats are also often reluctant to levy property taxes and fees on their own neighbours, and property assessments are frequently outdated.

SHORTAGE OF FUNCTIONARIES AND TECHNICAL CAPACITY

Panchayats need secretaries, accountants, engineers and data operators to prepare budgets, maintain accounts, execute works and operate digital systems. In several States a single secretary serves more than one Panchayat, and technical staff are drawn from block offices. The devolution assessment shows that the functionaries dimension improved but remains highly uneven; Punjab, for example, scored only 8.2 ([Ministry of Panchayati Raj. \(2025a\)](#)). Where support staff are lacking, elected representatives, many of them serving their first term, depend on officials outside the Panchayat, which shifts effective control back to the bureaucracy.

SOCIAL HIERARCHY AND ELITE CAPTURE

Local government is not automatically inclusive simply because it is local. Ambedkar's warning about village hierarchies remains relevant: caste, class, gender and landholding shape who speaks in meetings, whose needs are prioritised and who benefits from public works. [Bardhan \(2002\)](#) describes how local elites can capture decentralised institutions where inequality is high and information is unevenly distributed. Reservation has brought Scheduled Caste, Scheduled Tribe and women representatives into office on a large scale, and research shows that such representation can change policy priorities [Chattopadhyay and Duflo \(2004\)](#) and public attitudes [Beaman et al. \(2009\)](#). Presence, however, does not guarantee power. Representatives from marginalised groups may face resistance, limited access to information and pressure from dominant local interests.

WEAK GRAM SABHAS

The Gram Sabha is intended to be the cornerstone of local democracy, but in many villages its meetings are irregular, poorly publicised and sparsely attended. Inconvenient timings, low awareness and the dominance of influential groups reduce the participation of women, labourers and marginalised communities. Where residents lack clear information about budgets, decisions and completed works, the Gram Sabha cannot perform its role of public scrutiny. The evidence that functioning Gram Sabhas improve the targeting of welfare benefits [Besley et al. \(2005\)](#) shows what is lost when they are reduced to a formality.

COORDINATION AND ACCOUNTABILITY GAPS

Panchayats work alongside line departments, other tiers of local government and legislators' development funds, and overlapping responsibilities delay projects and blur accountability. Planning links between the village, block and district levels are often weak, and District Planning Committees function unevenly. Delays in holding Panchayat elections in some States, during which appointed administrators replace elected bodies, further erode the constitutional promise of continuous local democracy under Article 243E. Table 2 brings together key indicators that illustrate these challenges.

Table 2

Table 2 Selected indicators of devolution, finances and performance of PRIs		
Indicator	Value	Source
Gram Panchayats in India	2,55,699	MoPR (2025b)
Elected representatives in PRIs (25 November 2025)	24,24,108, of whom 12,06,013 (49.75%) are women	MoPR (2025c)
National devolution score, 2013–14 and 2021–22	39.9% and 43.9%	MoPR (2025a)
Highest-ranked State on devolution (score)	Karnataka (72.23)	MoPR (2025a)
Own tax revenue as a share of Panchayat revenue receipts, 2020–21 to 2022–23	About 1%	RBI (2024)
Grants as a share of Panchayat revenue receipts, 2020–21 to 2022–23	More than 95%	RBI (2024)

Fifteenth Finance Commission grants to rural local bodies, 2021–26	₹2,36,805 crore	Fifteenth Finance Commission (2020)
Gram Panchayats rated "Front Runner" in the PAI baseline, 2022–23	699 of 2,16,285 assessed (0.3%)	MoPR (2025b)

Note: PAI = Panchayat Advancement Index. No Gram Panchayat reached the highest ("Achiever") category in the baseline assessment.

OPPORTUNITIES AND POLICY DIRECTIONS MATCHING FUNCTIONS WITH FUNDS AND FUNCTIONARIES

The most important opportunity is to align the responsibilities of Panchayats with the authority and resources needed to discharge them. Activity mapping, the clear assignment of each function and sub-function to a specific tier, can reduce overlap and clarify accountability, as the Second Administrative Reforms Commission (2007) recommended. Untied funds allow Panchayats to address local priorities, and the timely constitution of State Finance Commissions, with action on their recommendations, can make transfers more predictable. Panchayats can also expand their own revenue by updating property registers, rationalising fees and using the rural property records generated under the SVAMITVA scheme. Higher own revenue would strengthen the link between local taxation and local accountability.

DELIBERATIVE GRAM SABHAS AND PARTICIPATORY PLANNING

Regular, well-publicised and accessible Gram Sabha meetings can make local planning more responsive. Ward Sabhas and Mahila Sabhas held before the main meeting can give women and marginalised residents a space to frame their demands. The Gram Panchayat Development Plan, prepared through the annual People's Plan Campaign since 2018, provides an institutional basis for such participation. Kerala's experience shows that participatory planning is most effective when citizens' proposals are backed by real budgets [Heller et al. \(2007\)](#); [Isaac and Franke \(2000\)](#).

DIGITAL GOVERNANCE AND EVIDENCE-BASED PLANNING

Digital systems can make Panchayat functioning more transparent. eGramSwaraj supports planning, progress reporting, financial management and work-based accounting, while AuditOnline enables the online audit of Panchayat accounts. The Panchayat Advancement Index offers, for the first time, a baseline measure of Gram Panchayat performance across nine themes of the localised Sustainable Development Goals, using 435 local indicators [Ministry of Panchayati Raj. \(2025b\)](#). In the baseline, 61.2 per cent of the assessed Gram Panchayats were classified as "Aspirants" and only 0.3 per cent as "Front Runners", which reveals both the scale of the capacity gap and the value of measurement for targeting support. Digital tools, however, complement rather than replace public discussion, and without reliable connectivity and training they may widen the gap between better- and less-resourced Panchayats.

CAPACITY BUILDING AND PARTNERSHIPS

Sustained, practical training in local languages, under programmes such as the Rashtriya Gram Swaraj Abhiyan, can help elected representatives and staff with planning, budgeting, procurement, service delivery and social inclusion. Panchayats can also draw on partnerships with universities, self-help groups and voluntary organisations. Local colleges, in particular, can support Panchayats with surveys, data analysis and the documentation of local development needs, provided that decision-making remains with elected representatives and the Gram Sabha.

INCLUSIVE PARTICIPATION AND SOCIAL ACCOUNTABILITY

Strengthening PRIs also requires deliberate attention to inclusion. Meetings should be scheduled to suit women and agricultural workers, and representatives from marginalised groups should have direct access to officials and information. Social audits, which are mandatory under the Mahatma Gandhi National Rural Employment Guarantee Act, offer a model of community scrutiny of public works that can be extended to other programmes. The public display of budgets, beneficiary lists and work progress, on notice boards as well as online, can enable residents to hold their Panchayats to account.

CONCLUSION

Panchayati Raj Institutions have widened democratic representation in India on an unprecedented scale and created forums in which rural citizens can, in principle, shape local development. This paper has shown that their effectiveness remains constrained by a structural mismatch between responsibilities and resources. Devolution has advanced only modestly; Panchayats depend

almost entirely on grants; many lack adequate staff; and social hierarchies continue to shape participation and the distribution of benefits. These are not failures of local democracy as such, but consequences of a constitutional design that leaves the decisive transfers of power to State discretion.

The opportunities for reform are nonetheless substantial. Clear activity mapping, stronger own-revenue systems, deliberative Gram Sabhas, digital transparency, systematic performance measurement and sustained capacity building can together move Panchayats from implementing agencies towards genuine institutions of self-government. The experience of the better-performing States shows that such change is achievable. Future research should combine official data with field studies of Gram Sabha participation and Panchayat finances in particular districts, such as those of central Karnataka, to show how these national patterns play out locally. Panchayats will be most effective when residents can shape priorities and elected representatives have the authority, funds and staff to act on them.

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