

Research Article**Devolution of Power: Why Panchayats Struggle to Become Real Governments****Dr. D. Yedukondalu**

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Corresponding Author: Dr. D. Yedukondalu**Abstract**

The 73rd Constitutional Amendment represented a landmark effort to deepen democratic governance in India by constitutionally recognising Panchayati Raj Institutions (PRIs) as a third tier of government. By mandating regular elections, reserving seats for women and disadvantaged groups, and assigning a broad range of developmental responsibilities under the Eleventh Schedule, the amendment sought to bring governance closer to citizens and make local governments central actors in rural development. In principle, this reform was intended to shift decision-making authority, resources, and accountability away from higher levels of government and toward locally elected institutions. Yet, more than three decades after its enactment, the promise of meaningful devolution remains only partially realised. In practice, Panchayats continue to operate primarily as implementing agencies for State and Central government programmes rather than as autonomous governments with independent policy space. Their role is often limited to executing schemes designed elsewhere, with restricted discretion over planning, budgeting, and prioritisation. This persistent gap between constitutional status and functional authority raises important questions about the nature and depth of decentralisation in India. This article examines why the devolution envisaged by the 73rd Amendment has remained incomplete by analysing the disconnect between constitutional intent and operational reality. It focuses on the uneven transfer of functions, finances, and functionaries, the continued dominance of State governments in local decision-making, and the capacity limitations that constrain Panchayat performance. It also situates these institutional weaknesses within a broader political economy framework, highlighting how bureaucratic resistance, State-level political incentives, and entrenched power structures shape the implementation of decentralisation reforms.

Keywords: Panchayati Raj; decentralisation; devolution of power; local governance; fiscal decentralisation.

1. Introduction

Decentralisation is widely regarded as a cornerstone of democratic governance, particularly in large and socially diverse countries. By relocating authority closer to citizens, decentralisation is expected to enhance democratic participation, improve allocative efficiency, increase administrative responsiveness, and ensure that public services are better aligned with local needs. The theoretical appeal of decentralisation lies in its promise to correct the limitations of centralised planning--information asymmetry, bureaucratic rigidity, and weak accountability--by empowering local governments that are more familiar with ground realities.

In India, this normative vision of decentralised governance received constitutional recognition through the 73rd Constitutional Amendment Act of 1992. The amendment marked a decisive shift from Panchayati Raj as a discretionary policy initiative to Panchayats as constitutionally mandated institutions of self-government. It sought to institutionalise grassroots democracy by mandating regular elections, reserving seats for Scheduled Castes, Scheduled Tribes, and women, and establishing a three-tier structure of rural local governments. Most importantly, the Eleventh Schedule listed 29 subjects intended to fall within the functional domain of Panchayats, signalling an intention to transfer substantive responsibilities for local development and service delivery.

At least in constitutional design, the 73rd Amendment represented a radical departure from India's historically centralised and bureaucratically driven development model. It envisaged Panchayats not merely as implementing agencies, but as autonomous political institutions capable of planning, budgeting, and executing development programmes in accordance with local priorities. By linking decentralisation with social inclusion, the amendment also aimed to democratise power structures at the village level and create new spaces for marginalised groups in governance.

Despite this ambitious constitutional framework, the actual functioning of Panchayats presents a far more constrained picture. More than three decades after the amendment, Panchayats in most States continue to operate with limited autonomy. Their dependence on State governments for financial resources, administrative personnel, and policy direction remains pervasive. Decisions regarding development priorities, scheme design, and expenditure norms are largely taken at higher levels of government, leaving Panchayats with minimal discretion. In practice, they function primarily as the terminal nodes of a vertically organised administrative system rather than as independent tiers of government.

This persistent gap between constitutional intent and operational reality raises critical questions about the nature of decentralisation in India. If Panchayats possess constitutional status, electoral legitimacy, and a defined list of functions, why have they failed to emerge as effective self-governing institutions? Why has political decentralisation through elections not been matched by fiscal and administrative decentralisation? More fundamentally, what explains the resilience of State-level control in the face of a constitutional mandate for devolution?

Addressing these questions is essential not only for evaluating the success of the 73rd Amendment, but also for understanding the broader political economy of governance reforms in India. The Panchayati Raj experience reveals that constitutional provisions alone are insufficient to transform entrenched power relations between States, bureaucracies, and local governments. Examining why Panchayats continue to function as implementing arms rather than autonomous governments provides deeper insights into the limits of decentralisation, the incentives of political and administrative actors, and the challenges of building genuine grassroots democracy in a federal system.

2. Review of Literature

The academic literature on decentralisation draws a clear conceptual distinction between deconcentration, delegation, and devolution, originally articulated in comparative public administration and development theory (Rondinelli, 1981; Manor, 1999). Deconcentration involves the redistribution of administrative responsibilities within the central or State bureaucracy, delegation refers to the transfer of specific functions to semi-autonomous agencies, while devolution implies the transfer of political authority, fiscal autonomy, and administrative control to elected local governments. Effective decentralisation, therefore, requires not merely the decentralisation of tasks but the redistribution of power and accountability.

In the Indian context, scholars broadly agree that despite constitutional reforms, decentralisation has remained closer to delegation or deconcentration than genuine devolution (Manor, 2001; Mathew & Mathew, 2003). Early assessments following the 73rd Constitutional Amendment were marked by optimism. Analysts viewed the constitutionalisation of Panchayati Raj as a transformative step capable of deepening democracy, enhancing participatory planning, and improving service delivery (Rao & Singh, 1998; Mathew, 1994). The introduction of mandatory elections, reservations for women and marginalised communities, and State Finance Commissions was seen as laying the institutional foundation for grassroots self-government.

However, as empirical studies accumulated, this early optimism gave way to more critical evaluations. Scholars began documenting the persistence of State dominance and bureaucratic control, arguing that constitutional provisions had not fundamentally altered intergovernmental power relations (Crook & Manor, 1998; Johnson, Deshingkar & Start, 2005). Panchayats were found to possess formal authority without corresponding operational autonomy, resulting in what several authors describe as "institutional decentralisation without functional empowerment" (Bardhan, 2002).

A central analytical framework in this literature is the emphasis on the "three Fs" -- functions, finances, and functionaries -- as the core determinants of effective decentralisation (Rao & Singh, 2005; Oommen, 2004). Studies consistently show that while States have formally devolved functions by mapping Eleventh Schedule subjects to Panchayats, the actual transfer of decision-making power has been partial, uneven, and reversible. Line departments often retain control over planning norms, technical approvals, and implementation guidelines, reducing Panchayats to coordinating or supervisory roles rather than autonomous decision-makers (World Bank, 2004).

Fiscal decentralisation has emerged as an even more significant constraint. Multiple studies highlight that Panchayats command limited own-source revenues, with taxation powers either narrowly defined or politically discouraged at the local level (Rao, 2013; Chakraborty, 2015). Dependence on intergovernmental transfers--particularly tied and scheme-based grants--has increased, reinforcing upward accountability to State and Union governments rather than downward accountability to citizens. State Finance Commissions, though constitutionally mandated, have often been delayed, under-resourced, or ignored, weakening the fiscal foundations of local self-government (Oommen, 2010).

The third dimension--functionaries--is widely regarded as the weakest link in India's decentralisation architecture. Empirical evidence shows that administrative staff working at the Panchayat level largely remain under the control of State line departments, both in terms of recruitment and disciplinary authority (Mathew & Moore, 2011). This dual control structure undermines the authority of elected representatives and weakens local accountability, as officials remain more responsive to departmental hierarchies than to Panchayat leadership. Several scholars argue that without control over personnel, Panchayats cannot function as genuine governments regardless of their formal powers (Manor, 2007).

More recent literature shifts the analytical lens from institutional design to political economy explanations. Rather than attributing weak decentralisation to administrative capacity constraints alone, scholars argue that resistance to devolution is rooted in the strategic interests of State-level political elites and bureaucracies (Bardhan & Mookherjee, 2006). Empowered Panchayats are often perceived as political competitors capable of challenging entrenched patronage networks and redistributive control exercised by State governments. Consequently, decentralisation reforms are implemented selectively--granting visibility through elections while withholding substantive authority over resources and personnel.

This political economy perspective highlights a key contradiction in India's decentralisation experience: political decentralisation has advanced faster than fiscal and administrative decentralisation, creating institutions with electoral legitimacy but limited governing capacity. As a result, accountability remains predominantly upward--to State governments and bureaucracies--rather than downward to local citizens (Besley, Pande & Rao, 2012). Panchayats thus operate in a constrained institutional environment where constitutional status coexists with functional subordination.

Overall, the literature converges on the view that the failure of Panchayats to emerge as effective self-governing institutions is not accidental but structurally embedded. The Indian decentralisation project illustrates the limits of constitutional engineering in the absence of political will, fiscal autonomy, and administrative restructuring. This body of work provides a critical foundation for examining why Panchayats continue to function as implementing agencies rather than autonomous governments, despite strong constitutional backing.

3. Objectives of the Study

1. To examine the extent to which constitutional devolution to Panchayats has translated into real governing authority.
2. To analyse the institutional, fiscal, and administrative constraints that limit Panchayat autonomy.
3. To identify key reforms required to strengthen Panchayats as effective local governments.

4. Constitutional Vision and Institutional Design

The 73rd Constitutional Amendment Act, 1992 represented a landmark attempt to institutionalise decentralised governance in India by providing constitutional status to Panchayati Raj Institutions (PRIs). Prior to the amendment, Panchayats existed largely at the discretion of State governments, resulting in uneven structures, irregular elections, and frequent supersession. The amendment sought to correct these deficiencies by creating a uniform constitutional framework while formally recognising Panchayats as institutions of self-government under Article 243.

The amendment mandated a three-tier structure of Panchayats—village, intermediate, and district levels—along with regular elections conducted by State Election Commissions, reservations for Scheduled Castes, Scheduled Tribes, and women, and the establishment of State Finance Commissions (SFCs) to recommend revenue-sharing arrangements. At the district level, District Planning Committees (DPCs) were envisaged to consolidate rural and urban plans, thereby integrating decentralised planning within the broader development process. Together, these provisions reflected an explicit constitutional commitment to democratic deepening and participatory development.

A central component of this design was the Eleventh Schedule, which listed 29 subjects ranging from agriculture, irrigation, and minor forest produce to health, sanitation, housing, and poverty alleviation. The inclusion of these subjects signalled an intention to transfer responsibility for core areas of local development and service delivery to Panchayats. In principle, this marked a decisive move away from a centralised, top-down model of governance toward locally responsive planning and implementation.

However, the constitutional design deliberately avoided mandating full devolution. The amendment used enabling rather than obligatory language, leaving it to State legislatures to determine the extent to which functions, finances, and functionaries would be transferred. While Panchayats were granted constitutional recognition, States retained ultimate authority over functional assignment, fiscal transfers, and administrative control. This asymmetry—constitutional status without enforceable guarantees of authority—created substantial variation across States and opened space for minimalist compliance.

As a result, Panchayats were constitutionally empowered but structurally constrained from the outset. The absence of clear, justiciable obligations on States meant that decentralisation depended heavily on political will rather than constitutional compulsion. This foundational design choice explains why the promise of self-government has remained uneven and often shallow across India.

5. Incomplete Devolution of Functions, Finances, and Functionaries

The most immediate and persistent reason Panchayats struggle to function as real governments is the incomplete and uneven devolution of functions, finances, and functionaries—the “three Fs” that form the backbone of effective decentralisation.

Functional devolution has been largely formal rather than substantive. Although States have mapped Eleventh Schedule subjects to Panchayats on paper, key decision-making powers over planning, programme design, technical approvals, and expenditure norms frequently remain with State line departments. In many cases, Panchayats are assigned only residual or supportive roles, such as beneficiary identification or scheme monitoring, while strategic control is exercised at higher levels. This limits Panchayats’ ability to set local priorities or innovate in service delivery, reducing them to implementation agencies within a vertically integrated administrative system.

Fiscal devolution has been even more constrained. Panchayats possess limited own-source revenue powers, and local taxation remains narrow, politically sensitive, and weakly enforced. As a result, Panchayat finances depend heavily on transfers from State and Central governments. Moreover, a large proportion of these transfers are tied or scheme-based, with detailed guidelines that restrict local discretion. Such fiscal dependence undermines accountability: Panchayats become more responsive to funding authorities than to local citizens. Although State Finance Commissions are constitutionally mandated to recommend revenue sharing, their reports are often delayed, partially implemented, or ignored, further weakening the fiscal autonomy of local governments.

Administrative devolution, particularly control over functionaries, remains the weakest link. Most staff working at the Panchayat level continue to be recruited, transferred, and disciplined by State line departments. This dual control structure erodes the authority of elected Panchayat representatives and weakens local accountability. When officials are primarily accountable to departmental hierarchies rather than to Panchayats, local governments lack the means to enforce performance, coordinate service delivery, or align administrative action with local priorities. Without control over personnel, Panchayats cannot function as autonomous governing institutions regardless of their formal powers.

Taken together, the incomplete transfer of the three Fs produces a situation in which Panchayats possess responsibility without authority, and accountability without control.

6. Capacity Constraints and Political Economy Barriers

Even where some degree of formal devolution exists, capacity constraints significantly limit the effectiveness of Panchayats. Many local governments lack technical expertise in planning, budgeting, procurement, and financial management. Training systems are fragmented, and institutional support structures vary widely across States. Weak digital infrastructure, inadequate staffing, and limited access to professional expertise further constrain local administrative capacity, particularly in poorer and remote regions.

However, capacity limitations alone do not fully explain the persistence of weak decentralisation. Political economy factors play a decisive and often underappreciated role. State-level political elites frequently perceive empowered Panchayats as competitors for political influence, resources, and patronage. Decentralisation threatens established power structures by redistributing authority downward and enabling new local leaders to emerge.

Consequently, States may comply with the procedural aspects of decentralisation—such as elections—while resisting substantive transfers of power.

Bureaucratic resistance further reinforces this pattern. Line departments often view decentralisation as a loss of control over budgets, personnel, and policy domains. As a result, administrative systems are designed to preserve upward accountability and central oversight. At the local level, social hierarchies and elite capture can distort participatory processes, sometimes reinforcing existing inequalities. These local distortions are then used by higher authorities as justification for limiting devolution, creating a self-reinforcing cycle: limited powers lead to weak performance, which is cited as evidence against further decentralisation.

7. Conclusion

Panchayats struggle to function as real governments not because the constitutional vision of decentralisation is inherently flawed, but because it remains only partially and selectively realised. The gap between formal constitutional status and actual governing authority reflects incomplete devolution of functions, constrained fiscal autonomy, lack of administrative control, and sustained political resistance from higher levels of government.

As long as Panchayats lack predictable and untied financial resources, meaningful control over staff, and genuine decision-making authority, they will continue to operate primarily as implementing agencies rather than autonomous governments. Strengthening Panchayati Raj therefore requires moving beyond symbolic decentralisation toward genuine devolution. This entails clearly assigning functions, strengthening State Finance Commissions, expanding own-source revenues, placing local functionaries under Panchayat control, and investing in sustained capacity building. Without such reforms, decentralisation in India will remain more rhetorical than real, limiting the transformative potential of grassroots democracy and undermining the constitutional promise of local self-government.

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