

# Two Hundred and Fifty-Thousand Democracies

## A Review of Village Government in India

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## Abstract

In 1992, the 73rd Amendment to the Indian Constitution created 250,000 village democracies (called Gram Panchayats) covering 800 million citizens. It mandated regular elections, deliberative spaces, and political reservations for women and disadvantaged castes. The unprecedented variation in democratic experience that emerged from this has resulted in a large body of research that provides insights into the intersection between democracy, governance, and development. This paper reviews this literature, showing that India's democratic trajectory has been shaped by four broad forces: a 3,000 year tradition of debate and deliberation, colonial policies, the contrasting ideologies of

central players in the formation of modern India—Gandhi and Ambedkar—and the 73rd Amendment. The paper distills key findings from the empirical literature on the effectiveness of local politicians and bureaucrats, political reservations, public finance, deliberative democracy, and service delivery. It concludes with a set of policy recommendations for improving the functioning of the Panchayats in India, emphasizing the need for greater devolution and improved local fiscal capacity. It also argues that urban governments in India would benefit from learning from the experience of Gram Panchayats.

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*Two Hundred and Fifty-Thousand Democracies:*  
A Review of Village Government in India\*

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# 1 Introduction

Thirty-two years ago, in April 1992, the 73rd amendment to the Indian Constitution was passed. It mandated that all of India's approximately one million villages be part of a system of local government, with regularly scheduled elections for village councils and presidencies, deliberative spaces where citizens could make collective decisions, and political reservations for women and disadvantaged castes. This resulted in the creation of more than 250,000 (2.5 lakh) local democracies<sup>1</sup> with both electoral and deliberative elements that now cover about 900 million rural Indian citizens. The unprecedented variation in democratic experience that emerged from this has resulted in a large body of research that provides a number of insights into democratic functioning, and the intersection between democracy, governance and development. We believe that this literature, while greatly relevant for India, also provides key insights into political economy and the mechanisms of democracy at large. This paper is an attempt to review this literature, place it in historical context, and draw some policy recommendations.

Village government in India has a long, varied and dynamic history ([Mukerjee \(1923\)](#)). Kautilya's Arthashastra, a treatise on governance that dates back to around 200 BCE, describes a decentralised system of government where villages were ruled by village headmen who were called by various names *gramika*, *gramakuta* or *adhyaksha* ([Kangle \(1965\)](#), [Venkatarangaiya and Pattabhiram \(1969\)](#)). Scholars, both Western and Indian, have recently revived arguments that India had participatory and deliberative institutions that predated Athenian Greece ([Trautmann \(2023\)](#), [Tanwar and Kadam \(2022\)](#)). Both Hindu and Buddhists sacred texts speak to the value of debate and deliberation to make collective decisions ([Sen \(2012\)](#), [Mookerji \(1919\)](#)). The Rig Veda, a Vedic text which is over 3,000 years old, refers to three types of institutions - *vidhata*, *sabha*, and *samiti*, which were all assemblies of adults who gather to voice their views and participate in decision making ([Nadkarni et al. \(2018\)](#)). However, at least since the advent of British rule, thinkers and policy makers have engaged in a heated debate (sometimes within themselves) about whether representative local government was a model suitable to Indians ([Tinker, 1954](#)).

The 19th century jurist, imperialist and liberal thinker, Sir Henry Maine, recording the widespread prevalence of self-governing village institutions in the sub-

<sup>1</sup>Almost all Indian states have multiple villages in a council.

continent said, "I have good authority for saying that, in those parts of India in which the village-community is most perfect and in which there are the clearest signs of an original proprietary equality between all families., the authority exercised elsewhere by the Headman is lodged within the Village Council. It is always viewed as a representative body, and not as a body possessing inherent authority, and it always bears a name which recalls its ancient constitution of Five persons" (Maine (1880), page 123). The name Maine was referring to was "Panchayat," which has the word *pancha* (Sanskrit for five) as its root. Modern Indian village democracy is called Panchayati Raj and we will henceforth use the terms village democracy and Panchayati Raj interchangeably.

Maine, however, also argued that "Considering how Native [Indian] society was divided into castes, and sects, and religions, and races, it was surprising that there should be practicable, anywhere, a system of municipal election at once fair and free" ((Stokes, 1869), page 127). Nearly a century later, Dr B R Ambedkar – lawyer, anti-imperialist, progressive – famously argued in the Indian Constituent Assembly against village democracies. He said: "I hold that these village republics have been the ruination of India. I am therefore surprised that those who condemn provincialism and communalism should come forward as champions of the village. What is the village, but a sink of localism, a den of ignorance, narrowmindedness and communalism?" (Ambedkar, 1948)

Mohandas Karmachand Gandhi, another man of the law, whose life was almost exactly book-ended by those two quotes, emerged as an early modern figure who challenged this reading of village life. For Gandhi, the foremost leader of the Indian freedom struggle, the village formed the bedrock of his idea of a free India. India, he famously declared, "is to be found not in its few cities but in its 700,000 villages." (Gandhi, 1936). Where critics identified dangers, Gandhi perceived in Indian villages the seeds of an alternative model of organising society, one that avoided the pitfalls of western industrial civilization. Gandhi envisioned a village life centred around three key tenets: self-sufficiency and frugality, deliberative and representative democracy, and community-spiritedness (Nadkarni et al. (2018)).

Interestingly, Gandhi's thinking on these matters was shaped both by his personal experience of village life and, in no small measure, by Henry Maine (Mantena (2012)). Serving in the subcontinent in late 1800s, Maine had, through accounts of British administrators, familiarised himself with India's self-reliant village com-

munities. Influenced also by J.S. Mill's theories of the value of democracy at the local level, Maine came to articulate a theory that offered up local self-sufficient village communities as an alternative to the centralised state in both "East and West" (Maine (1880), (Mantena (2010))). Gandhi, who was at once an ever-strident critic of concentrated power and a steadfast democrat, elevated Maine's conceptualization of self-reliant village communities by leavening them with the promise of deliberative democracy which he believed was reflective of India's ancient self-governing institutions.

In Gandhi's own lifetime, there were a diversity of institutions governing villages. Some had effective local governments, but were upper caste dominated (Aziz (2000), Srinivas et al. (1960)). Others mainly in the north, ravaged by colonial revenue policies and torn apart by caste, creed and gender, were held together by feudal norms and a set of hierarchical relationships (Retzlaff et al., 1962).

The Gandhian idea of village-led free democratic India was rejected by the principal architects of post-independent India. Dr Ambedkar prevailed upon the constituent assembly to relegate village-based semi-autonomous representative institutions – "Panchayati Raj Institutions" (PRIs) – to the "directive principles" of the Indian Constitution. By doing so, the constitution did not mandate the creation of such institutions, but merely suggested that regional governments consider establishing them. Ambedkar's critique of village India was grounded in a bottom-up view of the village. Ambedkar, born in a village himself, belonged to the historically marginalised Dalit or "untouchable" caste. He wrote: "[The untouchables] have no rights because they are outside the village republic and because they are outside the so-called village republic, they are outside the Hindu fold." (Ambedkar, 1989). Thus, Ambedkar saw villages not as emancipatory ideals, but as undemocratic spaces unworthy of any legal recognition.

Ambedkar's apathetic view of Indian villages joined forces with the grand Nehruvian vision of a modern India – one of centrally run heavy industries and large infrastructure projects (Rao (1990)) – to edge out the Gandhian "small is beautiful" (Schumacher, 1973) bottom-up view of development. By stymieing the opportunities of village India to self-govern, free India denied itself a real opportunity to empirically examine the feasibility of the Gandhian vision.

In 1992, the devolution of formal power to Panchayats commenced with the passage

of the 73rd amendment. It built on significant reforms implemented in the state of Karnataka in the 1980s under the Chief Ministership of Ramakrishna Hegde and his Minister of Panchayati Raj, Abdul Nazirsaab ([Aziz \(2000\)](#)). Among the significant changes proposed by the amendment, four key provisions stand out: firstly, it mandated the creation of a democratically elected village council for every village ("Gram Panchayat"; henceforth "GP") that would serve a five-year term; secondly, a specified number of seats were to be mandated to be reserved for women and marginalized communities (Scheduled Castes (SCs) and Scheduled Tribes (STs)); thirdly, it required the establishment of a Finance Commission to oversee the devolution of funds to Panchayats; and fourthly, it introduced participatory decision-making in Panchayats, wherein villagers would convene in a "Gram Sabha" – a public meeting – to collectively determine the course of village development alongside their leaders.

Early scholars of local self-government in independent India characterized five distinct features of local government ([Venkatarangaiya and Pattabhiram, 1969](#)). These are: (a) a local body (b) local inhabitants electing and ultimately controlling that body, (c) autonomy of that body in the sense of freedom from the control of higher authorities within at least a limited sphere (d) a recognition of the distinction between local and non-local services and (e) local taxation. The 73rd Amendment formally mandated the introduction of all these.

In the decades that have followed since, a key question revolves around how these *de jure* rules have translated to *de facto* practices. While critics have argued that Panchayats remain mere implementation outposts of centrally formulated policies ([Raghunandan, 2012](#)), there is no denying that local elections systems across the country remain, with some exceptions, robust and reasonably well-contested. Moreover, villages have seen the emergence of a new class of local political elites who are diverse and more representative of the underlying population than their higher-tiered counterparts.

Over the years, scholars from across disciplines have studied Panchayati Raj institutions. An early set of studies at the turn of the 20th century came from historians and political scientists, who used archival material to shine a light on India's local institutions, both present and past ([Davids \(1903\)](#), [Altekar \(1927\)](#), [Sharma \(1991\)](#)). Post-independence, social anthropologists pioneered village studies, that became the foundation for the understanding of village India ([Srinivas \(1960\)](#)),

[Gough \(1955\)](#), [Thorner \(1954\)](#), [Retzlaff et al. \(1962\)](#)). Early scholars, however, grappled with data lacunae: while village studies offered extraordinarily rich descriptions of local problems, lingering doubts remained about how general the insights were.

The passing of the 73rd Amendment coincided with the data revolution of the new millennium, which allowed a renewed engagement with questions old and new. This was exemplified by the emergence of the field of empirical political economy of development. This field uses a range of quantitative empirical tools – regression and text analysis, causal inference and increasingly machine learning – to provide new answers – often broad but precise – on a host of long-debated questions. These include, *inter alia*, the role of deliberation in improving Panchayat functioning ([Ban et al. \(2012\)](#), [Parthasarathy et al. \(2019\)](#)), the impacts of quotas for marginalized groups in village government ([Chattopadhyay and Duflo \(2004\)](#), [Gulzar et al. \(2020\)](#), [Chauchard \(2017\)](#)) and mechanisms to improve targeting of welfare benefits ([Bardhan and Mookherjee \(2006\)](#)).

Yet, as this review documents, gaps remain. The availability of data, while proving to be a treasure-trove for causal inference-style work, has not automatically translated to a rich, descriptive characterization of the state of Panchayati Raj institutions, with a comparative focus across states' varied experiences. Moreover, research could also shed light on how PRIs have evolved over time and the long-run steady-state consequences of the 73rd Amendment ([Lanjouw et al., 2018](#)).

Turning to specific themes, more could be done to unpack who becomes a local politician and how local political entry differs from that at higher tiers. This needs to be followed up by the positive question of how to encourage high-ability individuals from all strata of society to contest. There is also a need for thicker descriptions of varied experience across India in devolution of services to local levels and their relative successes and failures. Devolution and autonomy of local governments are closely tied to their ability to raise local revenues: building a careful, empirically grounded understanding of the drivers of local tax revenues, particularly in the post-73rd amendment era, is an important area of further research. Finally, more work needs to be done to understand how the digitization of government functioning – the proliferation of MIS, digital exhaust from financial transactions, the introduction of biometrics – has affected the nature of functioning of Panchayati Raj institutions.



This review<sup>2</sup> will proceed as follows. We will trace the history of Panchayats in India across three eras: pre-1947, 1947-1993 and 1993 onwards. For each of these phases, we will characterise the nature of institutions, their roles and responsibilities and the composition of their leadership class. We then argue that PRIs, as they exist today, are neither emblematic of the localism and ignorance of the Ambedkarian nightmare nor the self-sufficient spirit of the Gandhian ideal. Instead, these institutions have forged a path of their own, one that draws from the historical forces that shaped their early development and the sweeping radical changes of the modern era. We conclude by offering some prescriptive suggestions on the way forward.

## 2 Pre-1947

### 2.1 Ancient and Medieval India

There is evidence of relatively autonomous village governments in the Indian sub-continent going back to its earliest recorded history ([Nadkarni et al. \(2018\)](#)) with a variety of ways of achieving consensus, including the practice of public reasoning and deliberation. Early debates — in sabhas, samitis, panchayats and samajs — often included both notable big men and peasants, in contestation with each other and in opposition to the state. Indeed, “the term sabha (association) itself originally indicated a meeting in which different qualities of people and opinions were tested, rather than the scene of a pronunciamiento by caste elders” ([Bayly \(1996\)](#) p. 187).

The trope, widespread in public perception, and in the writings of many scholars (e.g. [Buitron-Oliver et al. \(1992\)](#), [Raaflaub et al. \(2007\)](#)), that democracy is a western idea with origins in Athenian Greece is an overstatement and has increasingly come under dispute ([Stasavage \(2020\)](#)). The practice of public reasoning and deliberation in India predates the ancient Greeks dating back to at least the fifth century BCE ([Tanwar and Kadam \(2022\)](#), [Trautmann \(2023\)](#)), and possibly a thousand years before that going by the references to deliberative practices in the Rig Veda.

Consensual, deliberative, and democratic decision-making has long been prevalent in the Indian sub-continent in a variety of spheres. Religious councils hosted

<sup>2</sup>For broader reviews of the political decentralization literature see [Mookherjee \(2015\)](#) and [Mansuri and Rao \(2012\)](#).

by early Indian Buddhists, for example, often focused on resolving debates within and across religious traditions. Importantly, they “also addressed the demands of social and civic duties, and furthermore helped, in a general way, to consolidate and promote the tradition of open discussion on contentious issues” (Sen (2012) p. 15). Some scholars have argued that collections of villages were brought together to form republics called Ganas which were governed by representative assemblies (Nadkarni et al. (2018)).

In the third century BCE, such practices became celebrated under the reign of Ashoka, who sought to codify rules for public discussion that emphasized mutual respect and honor (Lahiri (2015)). By the 16th century CE, under the reign of Akbar, inter-faith dialogues were explicitly aimed at the pursuit of reason rather than reliance on tradition. The priority given to equality and reason in deliberation echoes standards in contemporary deliberative theory. Perhaps even more significantly, their explicit sponsorship by the state reveals the extent of such deliberative councils’ structural importance in ancient and medieval India. The presence of a bounded, but critical public sphere suggests an important foundation for future participatory and democratic politics.

In Tamil Nadu in the Pallava and Pandya period in the 7th and 8th centuries CE, autonomous village governments existed where decisions were made by a process of deliberative consensus, though – like Athens – only landowners were allowed to participate (Mahalingam (1955)). In the Chola period in the 9th century CE, inscriptions from Uthiramerur describe not only the role of consensus via deliberation but also a transparent election process for village council using sealed ballot boxes. Additionally, the inscriptions mention the presence of various committees responsible for handling different aspects of village life, including the management of water bodies and agricultural land. While candidacy requirements, such as land ownership and knowledge of the Vedas, effectively excluded lower castes and classes from the village assembly, these inscriptions highlight the existence of a robust, deliberative administrative system in local village bodies in medieval India (Mahalingam (1955)).

Similar institutions existed in the Vijayanagara empire in South India (Ratnam (1972)) with detailed lists of village leaders and administrative officials. Regular village meetings were held in a public place such as a temple hall to make collective decisions. There is even a recorded instance of a woman named Jirle Mallamma who

was conferred with the headship of a village. Village bodies in both the Chola and Vijayanagara empires had a clear and well-defined powers - control of land-holdings, management of irrigation and water bodies, management of gardens and public spaces, and the collection and remission of taxes. With the advent of the Mughals in the North, the traditional system of village Panchayats - in all its myriad forms - was left largely untouched (Venkatarangaiya and Pattabhiram, 1969). And, even in the period of "anarchy" that followed the collapse of Mughal rule independent village governments prevailed in most parts of the sub-continent (Tinker (1954), Nadkarni et al. (2018)).

## 2.2 British India

Village democracy as it exists in India today, uniformly applied across the country with legal and constitutional sanction, was given its initial impetus in the British era (Tinker, 1954). In the early 1800s, the introduction of new revenue collection systems, which privileged the district collector as the nodal officer who often dealt directly with peasants and circumvented the Panchayats, began weakening the traditional Panchayat systems. Starting in the latter half of the 19th century, due to the financial distress caused by the First War of Indian Independence in 1857, the British sporadically introduced a system of local governance in villages, with some success particularly in the provinces of Bengal and Madras. This system attempted to guarantee that a section of local services be provided by local governments, an endeavour they hoped would be primarily funded through local taxes alone, thereby reducing the burden on the colonial treasury.<sup>3</sup>

During this period, a primary force driving the development of Panchayats was Lord Ripon's Resolution on Local Self-Government in 1882, which significantly shaped future discussions on local governance in India. Lord Ripon<sup>4</sup> emphasized the importance of political education, creation of rural boards at a decentralised level, the presence of "non-official" (i.e non-bureaucratic) members and the impor-

<sup>3</sup>Justifying this, James Wilson, the first financial minister to the Indian council, noted: "It is of the first importance to break through the habit of keeping everything in dependence on Calcutta, and to teach people not to look to Government for things which they can do far better themselves." (as cited by Tinker (1954), pg 35.

<sup>4</sup>Lord Ripon was arguably the most liberal and reformist person to be appointed Viceroy of India. His four year (1880-1884) tenure is considered the "most important Viceroyalty in British Indian history," and is the subject of a book by the historian Sarvepalli Gopal (who was the son of India's second president Sarvepalli Radhakrishnan) (Gopal (1953)).

tance of the introduction of elections. Around this time – and in line with Ripon’s recommendations – the British also introduced the three-tier system of local government, featuring governing bodies for Panchayats, Taluks, and Districts. They introduced the system of “reservation” of seats for minorities (Muslims, low castes) wherever possible. Eventually, the British began making grants to Panchayats for implementing local projects and providing services.

Following this, the ‘Royal Commission on Decentralisation in India’ was established in 1907 to assess scope for further decentralization in governance. This Commission was tasked with examining the financial and administrative relationships between the Government of India, provincial governments, and various subordinate entities. After thorough investigations and the compilation of numerous reports by 1909, the Commission recommended the cautious and gradual introduction of a new system to strengthen local self-governance. Dismissing the popular demand to revive the ancient system of Panchayats, the Commission stated: “We do not think it possible, nor would it be expedient, to restore the ancient village system, but an attempt should be made to constitute and develop village Panchayats for the administration of local village affairs” (Royal Commission 1909, p.239). This, eventually, paved the way for the passage of the Village Panchayat Act in 1920.

However, throughout this period, the powers of Panchayats were limited. They had restricted autonomy in deciding their constitution regarding the number and type of members or the timing of elections. The executive government controlled the Panchayats’ borrowing ability, could remove officers at will, and had the power to suspend or cancel the orders of local boards. The Collector had extensive powers over local bodies. Panchayats continued to rely on the executive for funds and technical functionaries. This hierarchical relationship between the executive and local boards carried over into the years following independence.

Summarising the progress of Panchayats under the British rule, [Venkatarangaiya and Reddy \(1967\)](#) noted: “A machinery of local self government consisting of village Panchayats, Unions, Taluk Boards ... and District Boards was established. These bodies were given the responsibility for administering services like education, roads and public health. They were empowered to levy certain taxes like land cess, profession tax and house tax. Their constitution became increasingly democratic as time went on. Though their autonomy was strictly limited, it may be said that during these years the foundations of local self-government were laid and

some superstructure was raised on them.”

### 2.3 Gandhi and Panchayats

In Gandhi’s endorsement of Panchayats, one can see the coming together of several intellectual – and political – strands he pursued throughout his life: the rejection of urbanism, western civilization and the power of English-speaking elites; the emphasis on self-sufficiency and the pursuit of a frugal, non-materialistic life; the value of dignity of labour for India’s vast masses; and the celebration of community-spiritedness.

Gandhi posited that the people of the cities were parasitic, incapable of feeding themselves and living off the agricultural output produced by India’s rural peasantry. He argued that the cities served the interests of “the big houses of Europe, America and Japan” (Gandhi, 1921). Conversely, the vast majority of Indians resided in villages. Gandhi asserted that the path to prosperity for these rural communities lay in achieving self-sufficiency in food, shelter, and clothing. He envisaged villages enriched by a robust cottage industry of local handicrafts, where any surplus could be traded with neighbouring villages if necessary. Gandhi believed that by localising both production and consumption of essentials, villages could attain independence and avoid the pitfalls of fraud, adulteration, and dishonest trade practices he associated with more globalised, interconnected economic systems.

Gandhi’s view of administration of village life was based on trust, cooperation and deliberation between groups: “As far as possible, every activity will be conducted on the cooperative basis. There will be no castes as we have today with their graded untouchability. Non-violence, with its technique of *Satyagraha* and non-cooperation, will be the sanction of village community.” On maintenance of law and order, he declared: “There will be a compulsory service of village guards, who will be selected by rotation from the register maintained by the village.” And finally, turning to governance, he declared: “The government of the village will be conducted by the Panchayat of five persons annually elected by adult villagers, male and female, possessing minimum prescribed qualifications. Since there will be no system of punishment in the accepted sense, the Panchayat will be the legislature, judiciary and executive combined to operate for its year of service. Here there is perfect democracy based upon individual freedom. The individual is the

architect of his own government ... He and his village are able to defy the might of a world. For the law governing every villager is that he will suffer death in the defence of his and his village's honour."([Gandhi, 1942](#)).

Gandhi's vision of independent India's governing structure ran bottom-up, starting with its hundreds of thousands of villages. He envisaged India as a loose conglomeration of these villages, each village a "republic" in itself. Each village-republic, he said in an interview in 1946, would be "joined together in ever-widening, never-ascending, circles" ([Gandhi, 1946](#)). Thus, Gandhi envisaged India as an open string of beads: a horizontal federation of largely independent villages. He did not entirely do away with higher administrative structures: he endorsed a system where Panchayat leaders would indirectly elect members of state assemblies who would, in turn, elected members to parliament.

### **3 Post-Independence (1947)**

#### **3.1 Constituent Assembly Debates**

The discussions within the Constituent Assembly regarding Panchayats were characterized by two opposing views. The several Gandhians within the Assembly advocated for the constitutional enshrinement of the Panchayati Raj system, thereby mandating it. In stark contrast, Ambedkar, the chairman of the drafting committee of India's constitution, vehemently opposed this idea and the devolution of powers to village governments. As a member of the Dalit Mahar community, Ambedkar had experienced discrimination in his own village upbringing and did not perceive the village as an egalitarian entity. Instead, he saw village communities as bastions of unenlightened individuals swimming in their feudal hierarchies, incapable of fostering a just and equitable society. He expressed concerns that the establishment of village governments would primarily reinforce traditional caste elites, granting them not only sustained social influence but also augmented state power. Indeed, so strong was this view that the Constituent Assembly was initially not inclined to disturb the wording of the Government of India Act 1935, which left it to individual states to determine the nature of Panchayats (and local governments, more broadly).

However, Dr. Rajendra Prasad, the President of the Assembly, intervened late in the

debates to advocate for Panchayats. Several members, including K. Santhanam, N.C. Ranga, T. Prakasam, and Surendra Mohan Ghose, championed the cause of Panchayati Raj and opposed Ambedkar. They argued that a representative democratic framework in villages could serve as the foundation of the newly forming republic. Ultimately, the Constituent Assembly incorporated a provision concerning Panchayati Raj into the Directive Principles of State Policy under Article 40, which stated: "The State shall take steps to organize village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government." This clause did not impose a specific timeframe for the establishment of Panchayats, nor did it delineate the precise structure these bodies should assume. The responsibility for interpreting and implementing this provision was thus delegated to the individual states.

### **3.2 From 1950 - 1993**

The initial momentum for Panchayats was provided by the Five Year Plans, which recognized the importance of citizen engagement for achieving their developmental objectives. These Plans actively involved local government leaders in villages to advance their developmental agenda. For instance, in the Second Five Year Plan, tasks assigned to Panchayats were categorized into two groups: administrative tasks, including civic development such as program planning, budgeting, construction and maintenance of common public facilities, land management, and land reforms; and judicial functions, such as enforcing minimum agricultural wages and resolving minor disputes.

In a separate initiative, the Community Development Movement, launched in 1952, further bolstered the role of Panchayats. This program aimed to support communities in identifying and resourcing their own developmental projects. Panchayats served as crucial coordinating bodies within this framework. Several Panchayats were grouped under a Community Development Block (CDB), overseen by a Block Development Officer (BDO). The BDO provided technical and managerial guidance for these projects, although the implementation often became centralized under the BDO, consequently reducing the Panchayats' active role.

The Balwant Rai Mehta Committee, established in 1957 to evaluate the Community Development Projects, advocated for the devolution of powers from the Commu-



nity Development Block (CDB) to Panchayats. Furthermore, it underscored the importance of elected representatives in Panchayats as crucial advocates for the rural populace. However, as detailed in the Ashok Mehta Committee Report of 1978, the initial period of ascendancy following the implementation of the Balwant Rai Mehta recommendations (1959-64) was quickly succeeded by a phase of stagnation (1964-69) and then a decline (1969-71). The Ashok Mehta Committee subsequently recommended granting constitutional status to Panchayats to bolster their effectiveness and sustainability (Raghunandan, 2012).

In the decades following independence, the experience of Panchayati Raj varied across states. The recommendations of the Balwant Rai and Ashok Mehta Committees led to some states organising local elections and establishing Panchayat bodies in villages. In West Bengal, for instance, state Acts in 1957, 1963 and 1973 devolved administrative power to the village level, and in 1977 an Act was passed that brought competitive party-based elections to villages which substantially changed the nature of politics (Webster, 2008). In Kerala, the thinker-politician and first Chief Minister E.M.S Namboodiripad (Namboodiripad, 1962), was a key proponent of decentralization. He was also an active member of the Balwant Rai Mehta Committee. From the 1970's onward a great deal of thought and experimentation was devoted to decentralised planning and development in the state (Kannan, 2015).

For most of the country, however, the pre-independence situation of severely curtailed powers of local governments generally persisted. Karnataka's experiment with a new Panchayat Raj Act in 1985 under the aegis of the rural development minister Abdul Nazir Sab and Chief Minister Ramakrishna Hegde proved to be the first major break from the past (Nadkarni et al., 2018). First, it established a three-tier pyramidal structure of local government, comprising directly elected representatives at the Panchayat level (termed "Mandal Panchayat"), and a mix of indirectly elected and nominated members at the block ("Taluk Panchayat Samitis") and district ("Zilla Parishads") levels. Second, it endowed local bodies with extensive powers and the necessary financial resources to implement rural development initiatives. Third, it mandated biannual Gram Sabhas—open village meetings to discuss local development agendas, which were crucial to fulfilling the Gandhian vision. Fourth, the Act introduced seat reservations for women, backward classes, Scheduled Castes (SCs), and Scheduled Tribes (STs). One observer noted: " The



mandate of Article 40 of the Constitution of India to organise village panchayats and endow them with powers of self-government – appears, at last, to have been activated in Karnataka” ([Chandrashekar, 1984](#)).

## **4 1992 and Beyond**

The 73rd Amendment, enacted in 1992 under Prime Minister Narasimha Rao with broad political support, represented a profound transformation in India’s governance structure through the introduction of a decentralised system of local governance via Panchayati Raj Institutions (PRIs). This amendment drew significant inspiration from the Karnataka Mandal Panchayat model, adopting features such as the three-tiered structure of local government, reservations for women and lower castes, and a pivotal role for Gram Sabhas. Its primary aim was to rectify the deficiencies in local governance by formalising the structure and enhancing the stature of PRIs, which had previously struggled to operate as effective and responsive vehicles of the people’s will.

The amendment mandated a three-tier system of local government across states, consisting of village (Gram Panchayat), intermediate (Block Panchayat), and district (Zilla Panchayat) levels. This structural arrangement was designed to make governance more accessible and responsive to the grassroots populace. To empower these local bodies, the amendment outlined 29 functional areas for administrative devolution, covering essential sectors such as education, public health, water supply, and sanitation. This framework was supported by fiscal decentralization measures, mandating states to establish State Finance Commissions to recommend revenue-sharing models and provide grants, thereby ensuring that local bodies had the necessary financial resources to execute their duties effectively.

Political decentralization was a key aspect of the amendment, introducing elections for all members of these local bodies every five years to enhance democratic governance at the local level. In a significant move towards inclusivity, the amendment required that at least one-third of the seats in these bodies be reserved for women, aiming to increase female participation in governance processes. It also mandated reservations for Scheduled Castes (SCs), Scheduled Tribes (STs), and women for the position of Panchayat heads across the country, as stipulated in the

newly inserted Article 243(D) of the Indian Constitution. This policy was designed to ensure representation for historically marginalised communities and to promote a more equitable governance framework. Additionally, each village was to democratically elect a head for a five-year term, and participatory decision-making was encouraged through the Gram Sabha.

Overall, the enactment of the 73rd Amendment was a comprehensive initiative encompassing administrative, fiscal, and political decentralization, aimed at enhancing the efficiency, responsiveness, and inclusiveness of local governance. While it was a break from the past, it borrowed elements from much that came before: its emphasis on Gram Sabhas harked back to the ancient traditions of deliberation; the constitutional mandate may have given PRIs a push towards the Gandhian ideal, but in its centring of reservations for marginalised castes, tribes and women, it was mindful of Ambedkar's critical perspectives. Finally, the three-tiered structure and, as we document below, the *de facto* patchy implementation of the 73rd Amendment owed its roots to British policies.

#### **4.1 Functionaries and Institutional Norms**

The most important change that was wrought by the 1992 amendment was the creation of a new cadre of locally elected representatives. Almost overnight, over 100,000 new political posts were created, the flailing Panchayat system was galvanised. This represented an increase in the number of constitutionally mandated elected persons in government by a factor of at least 20. State governments, that passed their own Panchayati Raj amendments and developed rules around sizes of Panchayats, defined the number of functionaries that form the elected village councils, specified the nature of elections to these posts (direct, indirect or by consensus), charted the distribution of powers across functionaries and outlined the broad contours of the relationships between the elected representatives and local bureaucrats.

Panchayat elections are typically hotly contested with relatively high voter turnout rates. In the state of Bihar alone, over half a million candidates contested elections in the 2021 Panchayat polls across the posts of Mukhiya, ward members, Sarpanch, Panch and Panchayat Samiti. This seems to reflect voter enthusiasm: the voter turnout in four of the five states in the most recent wave of state assembly elec-

tions was lower than the turnout in the most recent Panchayat elections in those very states. Owing in part to liberal reservation policies and relatively lower costs of political entry, candidates come from diverse caste and wealth backgrounds and are more likely to be women than in higher tiers. Indeed, as of 2020, there were 3.2 million elected representatives in Panchayats, of which 1.5 million were women.<sup>5</sup>

Panchayat sizes vary substantially across states too. The average GP has a population of 3602.<sup>6</sup> In hilly Mizoram, the average GP has a little over 600 individuals, whereas in densely populated Kerala the corresponding number is 45,000, nearly 75 times larger. Similarly, GP size measured in terms of area also varies considerably. These have implications for how GPs function, as we shall see below.

GPs also vary in the formation and composition of village councils. Typically, the council comprises the Panchayat head and a series of ward members. A key difference is whether the Panchayat head – called “Adhyaksha”, “Pradhan”, “President,” “Sarpanch” or “Mukhiya” across different states – is directly or indirectly elected. In the case of the latter, citizens typically elect their local leader – called a “ward member” or “ward councilor”. These local leaders collectively elect a leader among themselves. This is an old debate going back to the early years of independence (Varadan, 1962). Over the years, more states have adopted the direct system of elections. Systematic empirical evidence on the relative merits of these two systems has been hard to come by.<sup>7</sup> The total number, caste and gender composition of the entire village council varies considerably, within and across states. More research needs to be done to understand how the size and composition of the village council affects governance.

Some early observers of local elections opposed decentralization on the grounds that elections caused tensions by intensifying existing differences between castes. In the last three decades, there is very little evidence to suggest that elections have

<sup>5</sup>Source: Press Information Bureau Release: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1658145>.

<sup>6</sup>Source: Authors’ calculations based on statewide rural population estimates from *Jal Jeevan Mission* and Panchayats data from *Local Government Directory*.

<sup>7</sup>Normatively, one could make the case that the GP head, as a representative of all citizens in the village, should be directly elected. This assumes greater importance in a context where higher-tiered legislative bodies have directly elected representatives in MLAs and MPs. Moreover, given that the average GP has only 850 households, it is not uncommon for citizens to be personally acquainted with candidates for the post of the GP head: this makes it harder to justify the need to delegate responsibility of electing village heads to even more local actors. On the other hand, proponents of the indirect system argue that having a GP head be one among ward members prevents too much power from being vested in one individual.

worsened community-spiritedness in villages. Mukulika Banerjee in an ethnographic study of panchayats in West Bengal writes sensitively about how competitive local electoral democracy, with all its challenges, “cultivates” a culture of active citizenship (Banerjee (2021)). Similarly Gabi Kruks-Wisner (Kruks-Wisner (2018)) shows that in Rajasthan, citizens from poor and marginalised communities routinely engage in a process of democratic claims-making in an active, informed manner that serves their interests. Some state governments, motivated by concerns that political competition in GPs may reduce local social cohesion, incentivise GPs to nominate unopposed candidates (called “samras” candidates). Recent work, both descriptive and causal, shows that rather than increasing cohesion this reduces the presence of marginalised groups in government and worsens targeting of welfare benefits (Arora (2022), Guha (2014)).

Historically, Panchayats were seen as having three distinct roles: supervising community works, collecting local taxes and resolving disputes (Retzlaff et al. (1962), Venkatarangaiya and Pattabhiram (1969), Tinker (1954)).<sup>8</sup> While the post-independence era formally recognised the former two roles, elected GP leaders continue to informally involve themselves in attending to a host of local disputes across households and communities.<sup>9</sup> Bihar is the only state that elects a representative called the “Sarpanch”, who, under the institution of the Gram Katchahry is responsible for resolving local disputes (Sharan and Das, 2023).<sup>10</sup>

An active research question is the degree to which panchayats are captured by elites and clientelistic politics (Bardhan and Mookherjee (2000)). There is a fair amount of evidence showing that panchayats allocate resources in a clientelist manner from various states including West Bengal (e.g. Mookherjee and Nath (forthcoming)), Maharashtra (Anderson et al., 2015) and from South India (Besley et al. (2012)). However, discourse within gram sabhas does not seem to be driven by elites (Ban et al. (2012)).

<sup>8</sup>As Tinker (1954) notes: “[In the Mughal era,] the Panchayats supervised almost all the affairs of the village, decided disputes and apportioned taxes.”

<sup>9</sup>Unelected leaders, like *khap* Panchayat leaders found in Haryana (Kumar, 2012), continue to involve themselves in informal dispute resolution in a major way. In Karnataka “traditional” panchayat leaders have been observed to closely cooperate with elected GP members on both governance and dispute resolution (Ananthpur and Moore (2010)).

<sup>10</sup>See: <https://www.hindustantimes.com/cities/patna-news/bihars-village-courts-resolve-87-of-local-disputes-empower-grassroots-democracy-and-boost-women-s-participation-in-panchayati-raj-institutions-101682319671589.html>

Moreover, recent work has shown that democratically elected panchayat presidents can be incentivised to improve their performance and reduce clientelistic allocations, if an independent and credible system of performance monitoring and assessment is established. In an experiment with village presidents in Tamil Nadu ([Mansuri et al. \(2023\)](#)), which has such an assessment system, panchayat presidents were either incentivised with a higher public budget, or a publicly posted certificate of good performance. Both incentives improved access to public investments and private transfers. The nonfinancial incentive also led to a more equitable between-hamlet allocation of resources within the village, especially when the president faced potentially competitive elections.

A final set of questions pertain to the role of political parties in local government. Many, like the freedom-fighter-turned-activist Jayaprakash Narayan, argued that parties at the local level, among other things, would only serve to increase strife and destroy community spirit in villages ([Narayan, 1962](#)). On the other hand, others like the first Chief Minister of Kerala, E. M. S. Namboodiripad argued that parties could help empower the poor and check elite capture in local government ([Namboodiripad, 1962](#)). Over the years, different state governments adopted different approaches: today, while states like Kerala and West Bengal allow for parties to formally support candidates in elections, others like Bihar do not. Even when formally banned, parties continue to involve themselves with local politics ([Dunning and Nilekani, 2013](#)).<sup>11</sup> Data from a sample of over 7700 ward members in Bihar finds that about 20% of them report being involved in political parties and 3% report having received some support in the elections ([Bamezai et al., 2024](#)).<sup>12</sup> A study shows that in Kerala and Tamil Nadu citizens who had the same party affiliation as the panchayat president were more likely to receive welfare benefits ([Markussen \(2011\)](#)). More research is required to unpack the effect of party presence on local governance.

Aside from elected representatives, GPs constitute a host of local bureaucrats whose roles and responsibilities vary considerably from state to state. The most important

<sup>11</sup>In their paper, [Dunning and Nilekani](#) state: “Although candidates for local councils in most Indian states are banned from using party symbols in their campaigns ... Partisanship nonetheless plays a key role in village councils. Pooling across states, about 72% of our survey respondents can identify the party of the council president ... Indeed, our data suggest that knowledge of the president’s party is nearly as widespread as knowledge of the president’s caste.”

<sup>12</sup>These could be underestimates since ward members would not want to reveal having received party support in a state where parties are explicitly banned in local government.

GP-level actor is the Panchayat Secretary, who performs two broad roles: first, as *implementer*, they work alongside the village council members to implement a host of welfare programs and carry out development works; second, as *record keeper*, they act as agents of the higher – district and block – bureaucracy, maintaining accounts and paper trails, keeping village leaders in check. Like with the bureaucracy at higher tiers of government, the local bureaucracy suffers from having too small a footprint: there are, on average, 0.67 Panchayat Secretaries per GP, with the number falling to 0.33 in states like Uttar Pradesh (Verma and Ranjan, 2023).<sup>13</sup> Aside from the secretary, Panchayats boast a constellation of local bureaucrats: bill collectors, bureaucrats for large welfare schemes like the NREGA, PDS and PMAY, teachers, Anganwadi and ASHA workers, agriculture extension officers, pump operators and so on. Understanding these actors, their roles, motivations, presence or absence and impacts on local governance remains a key area of further research.

## 4.2 Reservations

India's local government is far more representative of its people than the higher tiers. While under a sixth of the national parliamentary seats are occupied by women leaders, nearly half of all local leaders are women. A key reason for this is the presence of substantial reservation of seats for women and members of disadvantaged caste groups.<sup>14</sup> While the 73rd Amendment mandated a third of the seats to be reserved for women and seats for SCs and STs reserved in proportion to their share in the population, many states have expanded the quotas along the intensive (increasing the share of female reserved seats to 50%) and extensive (adding additional reserved seats for backward castes in the reserved category) margins. Broadening representation in this manner upends historical inequities and increases the diversity of voices with power. Normatively speaking, these are both desirable goals, since they serve to reduce the long-documented problem of elite capture in

<sup>13</sup>Places like Bihar and West Bengal, which both have large GP sizes and huge staffing issues, suffer the most.

<sup>14</sup>The need for affirmative action in political entry in villages was recognised by the Planning Commission in as early as the 1950s. While writing about the development of village life through Panchayati Raj it stated: "it would be difficult to maintain a system in which, because of accident of birth or circumstances, certain individuals are denied the opportunity of rising in the social scale by becoming cultivators and owners of land. It is, therefore, necessary to consider the problem in terms of institutional changes which would create conditions of equality for all sections of the rural population" (Thorner, 1954)

local government institutions.

Yet, reservations in India are hotly debated. Critics make five main arguments: first, that reservations reduce candidate quality and this worsens outcomes for the average citizen; second, that they create term-limits for candidates and thus reduce electoral accountability; third - with respect to caste reservations - that the benefits are cornered by a tiny elite among a minority of castes and do not substantially change inequality across groups; fourth, that gender reserved seats are governed by males by proxy; fifth, that the logic of reservation dictates that the share of reserved seats increases with time.

A vast literature documents how reservation changes candidate type and quality. The average candidate in Panchayat elections is more educated than the average citizen ([Besley et al. \(2012\)](#), [Bamezai et al. \(2023\)](#)). However, reservation results in candidates who are younger, have less political experience and lower education. Data from Bihar suggests that the education differential between citizens and candidates is smaller for reserved candidates, even when such candidates are compared to members of their own group ([Bamezai et al. \(2023\)](#)). This could influence a candidate's ability to govern: if education and experience are correlated with performance in office, one could argue that reservation selects a pool of candidates that is less competent. Yet, a wealth of evidence points to the fact that caste reservation changes the profile of households that produce candidates: contesting households, besides being lower caste, also have less land, income and wealth ([Besley et al., 2012](#)). Recent work extends this result to gender reservation too: [Cassan and Vandewalle \(2021\)](#) argue that gender reserved (but caste unreserved) seats crowds in the participation of low caste women, who have more mobility and freedom. In Bihar, [Bamezai et al. \(2023\)](#) argue that gender reservation results in the participation of less wealthy households, even while holding caste reservation fixed. Candidates from households with less wealth and incomes are desirable, especially when elections are dominated by elites. Aside from this being important in a normative sense, these leaders' policy preferences could be more in line with the needs of the average citizen. Whether or not reservation improves governance outcomes, therefore, could depend on a trade-off between *competence* of politicians and *representativeness* of their backgrounds.

The empirical literature suggests that women leaders could bring outcomes more in line with preferences of women. [Chattopadhyay and Duflo \(2004\)](#), in an extremely



influential study, use the randomised allocation of seats for women in West Bengal and Rajasthan to document that women leaders make more investments in drinking water, a key concern for women in these areas. While these findings were found to be true in this context even in the longer run (Beaman et al., 2010), they did not necessarily replicate all over the country (Ban and Rao, 2008; Bardhan et al., 2010a; Rajaraman and Gupta, 2012). There is also the question of the equity-efficiency trade-off, which here would prime us to assume that women leaders' ability to represent female preferences occurs at the expense of others. This appears to not be the case: women typically perform no worse than men in office (Ban and Rao, 2008; Duflo et al., 2004; Gajwani and Zhang, 2014). Using data from NREGA audits from erstwhile Andhra Pradesh, Afridi et al. (2017) argue that women leaders, owing to inexperience, perform worse than men initially, but catch up by the end of their terms.

These results hold despite evidence that in many instances women leaders are merely proxies for other male members in their households (Ramesh and Ali (2001), Ban and Rao (2008)). More work needs to be done to unpack *proxiness*: despite its ubiquitous usage in popular writings around reservations, we are yet to theorise a clear definition for who is a proxy leader, how to measure proxiness, characterise its spread across regions and understand its consequences on governance and welfare. Insofar as the extent of proxy governance reduces over time, one plausible hypothesis is that the positive effects of gender reservation documented in the literature represent a lower-bound on the true effects. More work also needs to be done to understand the effects of women's reservations on their bargaining power both within and outside the household, and the possible tradeoffs between processes of empowerment and resistance to empowerment or "backlash" (Brule' (2020)).

Caste reservation in Panchayats, with some exceptions (Palaniswamy and Krishnan, 2012; Dunning and Nilekani, 2013), has largely shown positive effects on a range of outcomes: it has been found to decrease discriminatory intentions among upper castes (Chauchard (2014)), enhance the accessibility of welfare schemes like the NREGA (Gulzar et al. (2020), Kumar and Sharan (2023)) and local public goods (Besley et al. (2004); Gulzar et al. (2020)) for SCs/STs, as well as contribute to a reduction in inequality between the two groups (Kumar and Sharan (2023)). Most of this work indicates that there is no equity efficiency trade-off associated with reservations. In other words, there is little evidence to support the claim that



reserved leaders reduce the size of the economic pie or welfare of the average citizen in a village (Bardhan et al. (2010a), Bardhan et al. (2010b)).

Given the relative recentness of reservations in local government, a concern is if these effects of reservations largely reflect short-run gains. While this is plausible, early evidence suggests that the gains from reservation only serve to grow stronger over time. For instance, Ban and Rao (2008) show that women presidents who serve more than one term, and those who belong to more mature panchayat systems, perform better. Similarly, Beaman et al. (2012) find that gender reservation closes gender gaps in aspirations and educational attainment for girls, but only in villages exposed to reservation for at least 2 terms. A slew of papers show that the distributional benefits of SC/ST reservation only grow larger as time passes (Gulzar et al., 2020; Bardhan et al., 2010a; Kumar and Sharan, 2023).

These results could be read to indicate that a time may come when reservations may longer be required. Indeed, both caste and gender reservations seem to create a pool of leaders who contest and win elections even after reservation is withdrawn (Bhavnani (2009), Deininger et al. (2015), Beaman et al. (2009), Kumar and Sharan (2023)). Perhaps, reservations could act as the initial ballast that spurs a virtuous cycle of greater distributional gains and more political entry for marginalised groups. Yet, politically, reservation policies, once put in place, are almost never withdrawn. In fact, most states *increase* the quantum of reserved seats, expanding reservation policies beyond SCs/STs to include backward castes. These groups are higher up in the caste pecking order, both numerically and social hierarchy-wise. Consequently, new research on these groups finds that that results vary considerably based on the underlying shares of members of these groups in the GP (Anderson and Francois (2023), Das et al. (2023)).

### 4.3 Panchayat Finances and Taxes

Conventional theories of public finance strongly advocate for local decentralization by positing that local governments are subjected to competitive pressures from neighbouring jurisdictions, as individuals can “vote with their feet” (Tiebout, 1956). This competition is purported to enhance the efficiency of local governments relative to higher tiers of governance. However, Pranab Bardhan and others have critically evaluated this premise in the context of developing countries (Bardhan

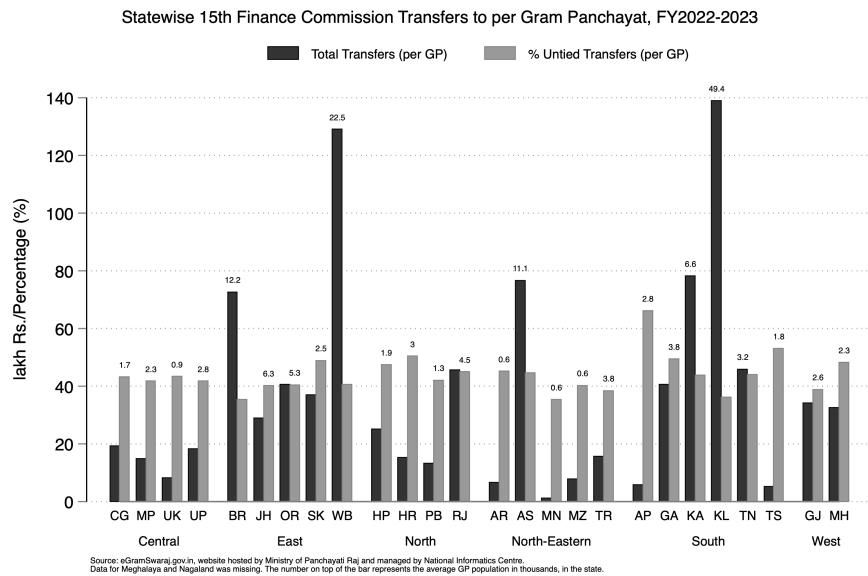


Figure 1. Statewise 15th Finance Commission Transfers to per Gram Panchayat, FY2022-2023

(2002), Bardhan (2016)). In India, the migration patterns of rural households—which predominantly occur for reasons such as marriage rather than economic opportunity—suggest that the phenomenon of “voting with your feet” is largely absent, except possibly in the movement towards urban areas. This limitation exacerbates governance inefficiencies, predisposes communities to elite capture, and fosters clientelism, thereby underscoring the importance of robust systems for accountability and local deliberation.

This context raises several pertinent questions at the intersection of political economy and public finance, such as the drivers of village expenditures, the dynamics of tax compliance and the determinants of corruption and avenues for prevention. The literature on GPs is largely silent about these important questions; research on public finance in Panchayats largely consists of a set of valuable overviews of central and state government allocations to Panchayats, and their *de jure* fiscal capacities.

The ability of panchayats to self-finance their activities is central to their effectiveness, yet the degree of autonomy allowed them in both revenue generation and choice of expenditure is limited. Although many state governments adhere to constitutional mandates in appointing panchayat functionaries and delineating their functions, financial empowerment does not consistently follow (Oommen, 2022).

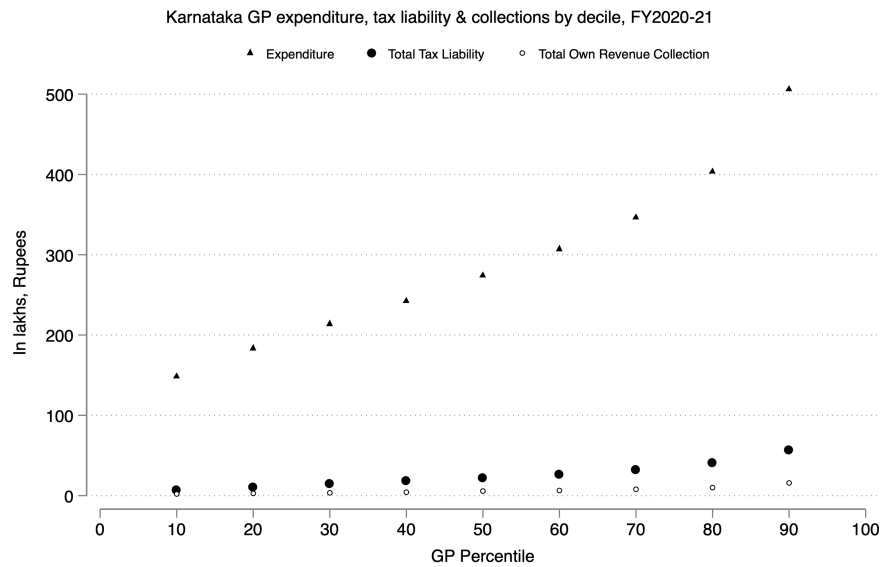


Figure 2. Karnataka GP expenditure, tax liability & collections by decile, FY2020-2021

Unlike most local governments around the world, GPs are largely financed by transfers from central and local governments. For instance, in Kerala, which boasts the most decentralised panchayat system, only 9.16 per cent of expenditures were financed by local taxes in 2013-14, The corresponding figure in Tamil Nadu was 3.15 (Oommen, 2022). In Karnataka, for which we have data for 2020-21, the percentage was 2.77.

Central allocations to GPs come via a set of central schemes, most prominently the MNREGA and the rural Pradhan Mantri Awaz Yojana, which are both implemented at the GP level. Additionally, allocations to GPs are made via the Union Finance Commission and by State Finance Commissions. Figure 1 provides a graph of the transfers made by the 15th Finance Commission in 2022-23 to GPs across the country. The black bars indicate the average allocations per GP by state, and the grey bars show the percentage of those funds that are “untied” - where the panchayat has complete discretion in how the funds are allocated. The numbers on the top of the graph provide the average population per GP in the state. While transfers are clearly influenced by GP population size, they are not the only determinant of transfers and there is wide variation across states. Moreover, the proportion of central transfers where the panchayat has discretion over allocation range from about 40 to 60 per cent. Thus, for most panchayats, a majority of the sources of funding do

not allow agency over their allocation but are tied to central and state schemes. This leaves Panchayats to function largely as implementation partners ([Raghunandan, 2012](#)).

The de jure ability of panchayats to generate revenues varies considerably across states ([Rao and Mahendhiran, 2014](#)). Most states give GPs jurisdiction over the collection of local property taxes which constitute the bulk of their revenues, with the important exception UP and Uttarkhand where district (Zila) panchayats levy and collect property taxes. Most states also have other sources of GP revenue including various fees and cesses for things such as sanitation services, entertainment tax, and house construction fees. These de jure powers do not translate into de facto collections.

In Karnataka, extensive public records on panchayat expenditures, property tax collection, and compliance are available for all 6,000 GPs. We plot these data by percentile for 2020-21 in Figure 2 which demonstrates the high degree of heterogeneity across the state. The lowest 10 per cent of GPs in the state have expenditures of about 1.5 crores<sup>15</sup>, while the wealthiest GPs have expenditures of above 50 crores. Tax collections, while low, also vary considerably across the state. The average GP in Karnataka has a tax potential of INR 34 lakhs<sup>16</sup>, with a standard deviation of INR 66 lakhs. Overall compliance, including past arrears, is very low at 38 per cent. However, because of concerted efforts in the last five years, 89 per cent of current property taxes have been paid in the state, and GPs at the 95th percentile have a potential tax base of 82.5 lakh rupees.

This brief overview highlights the fact that the potential for GPs to generate their own revenue has been largely unrealised—a longstanding observation by scholars ([Oommen, 2022](#)). The reliance on externally sourced, earmarked funds curtails the discretionary power of GPs. Understanding the practical implications of these financial dynamics within the political economy of panchayat finances remains an underexplored area ripe for future research.

<sup>15</sup>One Crore=10 million

<sup>16</sup>One Lakh=100,000

#### 4.4 Deliberation and Participation

The modern gram sabha that was introduced by the 73rd amendment brought deliberative democracy to all Indian villages making it the largest deliberative institution in human history.<sup>17</sup> Prior to the 73rd amendment, gram sabhas were implemented by the Government of Karnataka with its 1985 Mandal Panchayat Act where they played a central role. All eligible voters in a mandal were members of the sabha, which would be held twice a year. The sabhas were tasked with discussing and reviewing all development problems and programs in the village, selecting beneficiaries for anti-poverty programs, and developing annual plans for the village ([Aziz, 2000](#); [Nadkarni et al., 2018](#)). In practice, the sabhas were resented by village councilors because they were subject to queries and demands for explanations from citizens. Their answers often elicited heated reactions. Gram sabhas were largely abandoned after the first year of the implementation of the 1985 Act. If the meetings were held, they were conducted without prior announcement or were held in the Mandal office, which could not accommodate more than a few people ([Crook and Manor, 1998](#)).

With the passage of the 73rd Amendment, gram sabhas were formally codified throughout the country. The Amendment mandated that in addition to the elected representatives that there would be a “legislature” formed by the gram sabha, an assembly of all citizens of the village, that would hold public meetings at least two times a year. Subsequently, all Indian states implemented Acts that were required to stick with the letter of the 73rd amendment if not its spirit which resulted in a great deal of heterogeneity across states on the powers granted to gram sabhas ([Rajshekhara and Manjula, 2022](#)).

Kerala, India’s most literate state, which had a long history of progressive politics, initiated a radical program of participatory decentralization ([Isaac and Franke, 2002](#)), where the gram sabha played a central role. The Kerala program rested on three pillars. It devolved 40 per cent of the state’s development budget to village panchayats, gave substantial powers to these councils, and instituted a People’s Campaign. This was a grassroots program to raise awareness, train citizens to exercise their rights, and help them become active participants in the panchayat process. The latter goal was to be achieved primarily by participating in gram sabhas.

<sup>17</sup>For a detailed review of deliberative democracy in India see [Parthasarathy and Rao \(2018\)](#)

Gram sabhas have become central to Kerala's village planning process, which is based on a set of nested piecemeal stages (Isaac and Heller, 2003). Working committees and "development seminars" are held in conjunction with gram sabhas to make them practical spaces of deliberative decision making and planning. Instead of open deliberation, attendees are divided into resource-themed groups or committees. The discussions within each group yield consensual decisions regarding the designated resource. This structure is geared towards increasing the efficiency of consensual decision making. And it is facilitated by various training programs to instruct citizens on deliberative planning as well as local bureaucrats on methods for turning plans into effective public action.

Heller et al. (2007) studied the impact of the People's Campaign in Kerala with qualitative and quantitative data from 72 gram sabhas. They found that the campaign has been effective, with positive effects on the social inclusion of lower-caste groups and women in decision making. Gibson (2012) examining the same data, has argued that the key explanation for the effectiveness of gram sabhas in Kerala is the high level of participation by women. Over the last two decades all other Indian states have implemented the various tenets of the 73rd amendment. They have done so with varying levels of intensity and commitment.

Unlike most local deliberative spaces around the world, gram sabhas are deliberative forums embedded within an electoral system. They are held a minimum of two times a year and some states hold several more. In these forums citizens engage with elected officials and local bureaucrats. The politicians who participate are acutely aware that they are interacting with potential voters who have the power to re-elect them or vote them out of office. This creates a relatively egalitarian discursive space (Rao and Sanyal, 2010). Low-caste citizens who may hesitate to say some things in social settings, are less hesitant to say them in the gram sabha knowing that they are engaging in a kind of political performance. Politicians are also attuned to not turn away potential voters.

A small and growing body of scholarship has analyzed whether gram sabhas are mere "talking shops," or true deliberative fora in which citizens are able to raise and resolve issues of public relevance. Sanyal and Rao (2018) recorded, transcribed, and analyzed 300 village meetings in South India. They sampled the villages, following a natural experiment, to be matched by language and ecology across neighboring districts, which belonged to linguistically different states. Prior to 1956 these

matched districts were part of the same state. Since the villages matched across the paired districts, spoke the same language, had the same ecological structure, the same caste structure, and had 300 years of shared history, they belonged to the same linguistic community. Everything else equal, they should have, therefore, had the same patterns of public discourse.

However, they authors found that deliberative meetings were very different in different states which, because of the natural experiment, they attribute to state government policy in implementing the 73rd amendment. Thus, are able to show that deliberation – or what they call “oral democracy” to distinguish it from the kinds of deliberation theorised about in western countries – is possible in poor, highly unequal, contexts with low literacy, and that the quality of deliberation is less related to levels of inequality or literacy, but determined by state government policy.

In earlier work [Rao and Sanyal \(2010\)](#) analyzing the same transcripts find that participation in gram sabhas acts as a vehicle for creating a shared, “intersubjective” understanding of what it means to be poor. They highlight how lower caste villagers use the discursive space of the gram sabha to transgress social norms and make claims for dignity. They show how marginal groups use the gram sabha to voice their concerns, and how, through them, previously hidden transcripts became public and forced public discussion to take place on sensitive social issues that many would rather have avoided.

In an econometric analysis of 5,180 randomly chosen households from a sub-set of the same villages analyzed by Rao and Sanyal, [Besley et al. \(2005\)](#) find that when gram sabhas are held governance sharply improves. Focusing on a specific policy administered at the local level (access to a Below Poverty Line (BPL) card which provides an array of public benefits), they find that policies were more effectively targeted to landless and illiterate individuals when a gram sabha was held. Effects were large, raising the probability of receiving a BPL card by 25 per cent.

Public discussions of common issues at the gram sabha are most effective when citizens are well informed and can demand accountability from public officials. Limited information and media coverage, however, often leave citizens at a “disadvantage when negotiating with local governments” ([Bhattacharjee and Chattopadhyay, 2011](#), p. 46). Analyzing transcripts from gram sabhas in West Bengal, [Bhattacharjee and Chattopadhyay](#) find that villagers try to use information from media



to negotiate with elected officials and inquire about entitlements. These requests, however, are easily ignored or dismissed by GP members, who can evade requests by claiming that the media is misleading audiences or is uninformed. The authors attribute this to the “thinness” of news coverage, which does little to empower citizens to confront officials.

The low literacy and high-inequality contexts in which deliberation within gram sabhas usually takes place raises the possibility that they are simply “talking shops” that bear no relationship to democratic dialogue. This hypothesis is explicitly tested by [Ban et al. \(2012\)](#) econometric analysis of gram sabha transcripts. They test three competing hypotheses concerning the types of equilibria that characterise gram sabha interactions: (a) “cheap talk,” in which discussions are not substantive even though they may appear equitable; (b) elite capture, in which discussion is dominated by the interests of landowning and wealthy citizens; and (c) “efficient democracy,” in which meetings follow patterns of good democratic practice. They find that in villages with more caste diversity, and less village-wide agreement on policy priorities, the topics discussed track those of interest to the median household which suggests that rather being driven by extreme views it tracks with the preferences of those in the center. Thus the study concludes that gram sabhas are much more than mere opportunities for cheap talk. Rather, they closely follow patterns observed in a well-functioning democracy.

Scholars have begun to examine whether deliberation in gram sabhas is gendered in nature, and how policies aimed at inclusion might mitigate gender biases ([Parthasarathy et al., 2019](#); [Palaniswamy et al., 2019](#)). These authors use text-as-data methods on a sample of 100 gram sabhas transcripts recorded in 2014 from Tamil Nadu to evaluate whether and how women participate in village assemblies. They find that despite the relatively high rates of attendance, women speak much less than men, and are listened to less by village leaders. However, this substantially changes when the panchayat president is a woman, who are significantly more likely allow women to speak for a longer period of time but also to respond on topic to their concerns. They also show that a state intervention which builds women’s networks and trains them to engage with village government dramatically increases both women’s presence and frequency of speech at the sabha. Though the authors are optimistic about the potential of such policies to make deliberative spaces more inclusive, they also caution that the women’s intervention also shifts the discussion toward issues that



relate to specific details about the process of the intervention and thus crowds out organic demands and requests.

A related question is whether citizenship training and facilitation can help improve the quality of participation. [Rao et al. \(2017\)](#) study the impact of a two year citizenship training program whose goal it is to improve the quality and quantity of participation, not just in gram sabhas but in the panchayat system more broadly. They combine a randomised control trial in 200 villages split evenly between treatment and control groups, with a two year long ethnographic analysis in a 10 per cent sub-sample to understand the mechanisms underlying the estimated impact. They find that the program failed largely because the context where it was implemented - northern Karnataka - was dominated by landed upper-castes, and citizens found it hard to break through the power structure. It was also, for a variety of reasons, poorly implemented.

#### 4.5 Last Mile Agents

Even as far back as the first five-year plan, Panchayats were seen as “the chief agency for carrying out a great and substantial part of development work at the village level” ([Venkatarangaiya, 1953](#)). Yet, as we have documented above, Panchayats played a minor role in both decision-making regarding and implementation of development works for most of independent India. While the 73rd Amendment and the consequent institutionalization of Panchayati Raj enhanced the role of Panchayats as “last-mile” implementers, progress has been slow on actually devolving decision-making powers to GPs.

On the implementation front, Panchayats play three key roles: first, for a slew of welfare schemes, they are centrally involved in *beneficiary management*: they select beneficiaries for welfare programs (often based on a strict set of pre-specified rules that is set by the higher state) and oversee delivery ([Besley et al., 2007](#)). The welfare delivery occurs via agents reporting to higher-level officials (for example: the NREGA Sevak, who reports to a block-level NREGA officer) or, increasingly, digital means (for example: pension payments are directly sent to beneficiary accounts). Second, Panchayats play a key role in *local infrastructure governance*. They help lay village roads, build drains, construct electric lines, build pipes and household tap-water connections, and maintain – and sometimes construct – brick-and-mortar

structures for key local services like schools and health care centres. To do so, they procure materials, hire contractors and carry out compliance activities. Third, Panchayats also act as *local service monitors*: Panchayat officials serve on school monitoring committees, village health committees and monitor performance of these services and redress grievances.

Some open questions remain: how does the nature of the local politician-bureaucrat relationship – for instance, the Pradhan-Secretary - affect Panchayats’ ability to deliver as last-mile agents? Given how reliant Panchayats are on higher bureaucrats, what are effective upward management practices they could adopt? (Gupta and Chhibber, 2024) What role does caste/gender play here? (Purohit, 2023) How has the recent wave of digitization, which takes away Panchayats’ discretion to select beneficiaries based on local knowledge, affect their functioning and legitimacy as last-mile agents?

## 5 How Much to Decentralize?

Most Panchayat heads today will argue that the devolution of funds, functions and functionaries is insufficient.<sup>18</sup> The typical Panchayat’s decision-making powers are strictly circumscribed by the rules formulated by politicians and bureaucrats at higher tiers. Take, for instance, the implementation of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS or NREGA). The NREGA Act mandates that the Panchayat provide work on demand to unskilled workers in the village. Panchayat leaders are empowered to generate work by assigning workers to village-based projects. Panchayats, after consultations with citizens via the Gram Sabha, are allowed to formulate their own “shelf of works” – a list of projects to be undertaken over the next year – but these are subject to approval by higher-tiered officials.<sup>19</sup> Moreover, once a project is approved, there are strict guidelines around how much labour costs to incur, what materials to procure, from whom

<sup>18</sup>This has been a feature, as we have seen, since the early years of independence: as far back as in 1962, the freedom-fighter and activist Jayaprakash Narayan, lamenting the circumscribing of the roles of Panchayats, noted: “It is absurd to consider any tier [of Panchayati Raj] as being merely advisory or co-ordinatory[sic], or to consider them as agents of the State Government (Narayan, 1962).

<sup>19</sup>Data from interviews with a sample of GP heads in Rajasthan suggests that in nearly 50% of GPs, GP heads suggest that the shelf of works for the NREGS was not determined by them or citizens, but by either block or sometimes even district-level officials (Himanshu et al., 2015)

and at what cost. Muster rolls – attendance sheets for workers – are generated online. Attendance is marked digitally using finger-prints/ photographs. Payments are automated and sent directly to workers' bank accounts. Thus, while Panchayats are on paper responsible for the NREGA, they do not have a strong say in project selection, project implementation or payments. This makes fixing accountability particularly problematic. When citizens complain about wage delays from their Panchayat heads, Panchayats often point to the fact that delays occur elsewhere ([Narayanan et al., 2019](#)).

Yet, recent evidence has emerged that Panchayats are important sites for enhancing citizen welfare. [Arora et al. \(2024\)](#) demonstrate that elected Panchayat officials in Karnataka allocate budgetary resources more in line with what citizens care about, when compared to appointed administrators. In 2020, the COVID-19 pandemic led to a postponement of elections in GPs, and administrators assumed governance roles. However, elected officials continued to govern in 162 GPs because these GPs were on a different electoral cycle. It is this natural experiment that simultaneously creates variation in the presence of absence of elected leaders that the authors study. In addition to aligning budgetary spending with citizens' demands, the study shows that elected representatives are more responsive to citizens' immediate needs – NREGA work during the wake of the reverse-migration to villages induced by the COVID-19 pandemic – and also get local bureaucrats to work harder.

[Narasimhan and Weaver \(2023\)](#), studying over 60,000 GPs in Uttar Pradesh, argue that smaller Panchayats – and therefore, greater decentralization – results in citizens having better access to local public goods and welfare benefits. This advantage is attributed to heightened civic engagement, including more active participation in Gram Sabhas, and a lower likelihood of elected representatives having criminal records in smaller GPs. The authors establish causal effects by exploiting a rule that mandates that villages with a population of greater than 1000 should be part of their own GPs. This rule causes villages with populations just below 1000 to end up in much more populous GPs than those with populations marginally above 1000.

These empirically rigorous pair of studies both argue that local democracy matters: while [Arora et al. \(2024\)](#) shows that elected representatives bring value, [Narasimhan and Weaver \(2023\)](#) argue that more decentralised set-ups see even better function-

ing of Panchayats and greater welfare gains. Put together, these studies suggest that, perhaps, there is not *enough* decentralization in Panchayats, both in terms of jurisdiction size but also functionaries.

## 6 Panchayati Raj and Local Democracy: The Way Forward

In the thirty-two years since the passage of the 73rd amendment, a substantial body of research has illuminated the workings of India's local governance system and suggested avenues for its enhancement. At the heart of rural governance in India is the ideal of citizen-centered decision-making. The system, largely, functions inclusively, owing in no small measure to constitutionally enshrined affirmative action policies—a testament to the enduring legacy of Mahatma Gandhi's vision, albeit refined by Babasaheb Ambedkar's critical perspectives. Moreover, this framework not only echoes the aspirations and concerns of these pivotal figures but also revitalises the ancient Indian traditions of village governance and collective decision-making, weaving together historical continuity and modern reform.

Yet Panchayats are not quite independently functioning units. They rely almost entirely on grants made by state and national authorities. As one observer noted: "Most [local governments] spend most of their time negotiating with their principals, officers in higher levels of government, rather than carry out their functions" ([Raghunandan, 2012](#)). Consequently, members of GP councils – both elected and bureaucratic – find themselves spending an exorbitant amount of time in the corridors of Block Development Offices and District Collectorates. Their days are consumed with soliciting funds or personnel, inputting data on various schemes, gathering information on new initiatives, or seeking redress for grievances with staff. This routine fosters a peculiar equilibrium where Panchayats don't quite see themselves as the architects of their community's welfare. They act as intermediaries tasked with project implementation—glorified middle-men, so to speak—rather than empowered decision-makers charting their own course.

Several actions can be taken to improve this status quo and make Panchayats more citizen-orientated, and bring them closer to the ideals enshrined in the 73rd Amendment. These actions are arguably also applicable to improving the quality of local democracies around the world.

1. **Reassess the levels of devolution.** Pay more attention to the three critical Fs—functions, finance, and functionaries—and delegate more authority to panchayats rather than stripping them of power. Enhance their capacity to generate revenue and grant them broader decision-making authority over local matters. These steps are crucial in an era where the proliferation of on-line payment systems, MIS-based beneficiary selection, and digital tracking of beneficiaries has led to a “recentralization” process, eroding the autonomy of local governments over key functions. More devolution to GPs comes with an additional benefit: it reduces the burden on BDOs and higher-level bureaucrats, who are already considerably over-burdened and unable to function effectively ([Dasgupta and Kapur, 2020](#)).

Another way to increase devolution *within* a Panchayat is to empower ward members. Each village council comprises the GP head and ward members (WMs). In many states, WMs have no access to financial resources and are mere rubber stamps: yet, they *could* act as important checks on the GP heads. Moreover, with increasing evidence that smaller polity size improves development outcomes, empowering WMs – by financially allocating resources to them – could actually help Panchayats function better ([Sharan, 2021](#)).

However, levels of capture, clientelism and corruption at the local level may either be lower or higher than those at higher levels of government. The increasing use of technology to target welfare programs could also shift such differential degrees of inefficiency. If these are worse at the local level than at the national or state level, it may call for a process of recentralization of some welfare programs, but such decisions should draw on careful evidence ([Mookherjee, 2023](#)).

2. **Build Local Tax Capacity:** Panchayats’ autonomy will always be curtailed if they cannot raise revenue levels from above the very low levels at which they stand. Tax collection by Panchayats could improve with devolution of functions: when Panchayats are seen to be responsible for a wider range of tasks, their legitimacy improves in the eyes of the citizens, which could translate to greater local revenues. However, tax collection can also improve with a range of other fixes. These include: filling up of bill collector vacancies; building better property records, including digitised village maps; and giving GPs more freedom to levy their own taxes and cesses.

3. **Strengthen Gram Sabhas:** Gram sabhas are central to effective village governance. To enhance their efficacy, it is recommended to increase their frequency and expand their powers to encompass critical areas such as village planning and the selection of beneficiaries for public programs. Utilising gram sabhas as platforms to actively listen to citizens is essential; attendees often voice a range of concerns, complaints, and aspirations. Addressing these inputs can significantly improve governmental performance if these insights are not only heard but also acted upon.
4. **Improve Administrative Data Quality:** Enhance the quality of administrative data and ensure its public availability in an accessible format that does not necessitate a college education to interpret. Employ effective visualizations, maps, and interactive dashboards, co-created with citizens, to facilitate comprehensive understanding and analysis by all community members. This approach empowers citizens to utilise the data for informed decision-making.
5. **Develop Scoring Systems for Panchayats:** Create an independent and credible system of scoring GP performance – this requires systems to be set up to ensure that the data used to assess performance is credible and not “self-reported” where it is keyed in by a village official who has a self-interest in making sure the data tell only a positive story. The scoring system should be assessed using standard metrics evaluated by an independent body that is set up in such a manner that it cannot be compromised. Incentivise the performance of panchayat elected officials and staff drawing on this independent scoring system – by rewarding them with certificates of achievement, more finances for the village, and possibly cash rewards and higher salaries, but do it in a way that is credible and unquestionably fair ([Mansuri et al. \(2023\)](#)).
6. **Build Grievance Redressal Systems:** If governments devolve more powers to local bodies, then setting up formal and effective grievance redressal systems could allow individual citizens to report problems to the concerned higher authorities who can then directly act on them. Such systems can be effective tools for keeping Panchayats in check.<sup>20</sup>

<sup>20</sup>[Sharan and Kumar \(2021\)](#) show that grievance redressal systems could also allow local leaders to keep each other in check. They find that Dalit Ward Members use a grievance redressal system in Bihar to complain against the GP heads and that this emerges as an effective way of improving local public good provision.

7. **SHG-Panchayat Linkages:** A significant difference in the quality of village governance can be achieved by integrating women’s self-help groups (SHGs) with panchayats; what in the policy world is known as “convergence” ([Deshpande, 2022](#)) (though the word is misleading because it is not a convergence between the two modalities but a process of coordination). SHGs have emerged as key sites for women’s financial access and collective action ([Prillaman \(2023\)](#), [Sanyal et al. \(2015\)](#)). More recently, work from Bihar indicates that SHGs empower women from marginalised groups to contest local elections ([Sharan and Sen, 2024](#)). Even when formally not in government, SHGs often also double up as local arms of the higher bureaucratic state: for instance, SHG leaders have been tasked with setting up village kitchens, distributing masks during covid or taking over as “mates” for NREGA projects. Yet, their roles are seen as being parallel to the Panchayats. Creating more scope for SHG-Panchayat coordination would not only improve the functioning of the SHGs (by making their functioning subject to scrutiny by elected representatives), it would also improve the functioning of panchayats and balance their decisions more towards the needs of women.
8. **Apply Lessons from the 73rd Amendment to Urban Governance:** These suggestions are, because of the nature of 73rd amendment and the NRLM, restricted to rural areas. Urban government is regulated by the 74th amendment to the constitution that has well-known weaknesses. It still largely dominated by bureaucratic rule vested in powerful municipal commissioners. Urban governments lack adequate financing, and elections for corporations and councils (who have much less power than GPs) are often not held ([Ahluwalia \(2019\)](#), [Panagariya \(2014\)](#)). With the evidence from a natural experiment that rule by democratically elected representatives generates better outcomes at the local level than rule by appointed bureaucrats ([Arora et al. \(2024\)](#)), urban governance could learn from the rural experience by reducing the power of unelected bureaucrats, reducing the size of wards so that elected representatives have smaller constituencies ([Narasimhan and Weaver \(2023\)](#)), and introduce ward sabhas that allow more direct citizen engagement ([Ramanathan \(2007\)](#)). Introducing a new urban citizen-empowering constitutional amendment is perhaps the best way forward in the long-run. In the short-run, it is relatively easy for state governments to draw on ideas from panchayats and SHGs to set up similar institutions in urban areas – a topic that several NGOs

and scholars have thought about for many years. Making this happen could substantially improve the quality of urban life.



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