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PANCHAYATI RAJ SYSTEM AND RURAL DEVELOPMENT IN INDIA: A CRITICAL STUDY

Mukesh Kumar Pandey*¹ and Ashutosh Sinha²

¹Assistant Professor, Department of Economics, K. S. Saket P.G. College, Ayodhya, U.P., India

²Professor, Department of Economics and Rural Development, Dr. Rammanohar Lohia Avadh University, Ayodhya, U.P., India

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*Corresponding author:

Mukesh Kumar Pandey

ABSTRACT

This paper is based on secondary sources of data. The study utilizes mainly National Family Health Survey (NFHS) data compiled from Economic Survey 2022-23, reports of NITI Ayog, and Socio Economic Caste Census (SECC) 2011. The paper examines the impact of decentralized governance in improving the quality of rural lives and reducing poverty. The study finds that PRIs are not given enough power and resources in accordance with the constitutional spirit of Decentralized Governance. In order to improve every aspect of economic well-being, rural development ought to receive higher priority and resources that it has received till now. Corrections are sought in those areas where there is substantial overlapping in plans and decision making between different tiers of Panchayats.

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INTRODUCTION

The experience of developing countries shows that most rural development strategies are focused on promoting growth and reducing poverty. Inclusive development in rural areas does not come naturally in line with national level policies. It requires policies exclusively designed for rural development. Countries that have witnessed big success in rural development have invested heavily in rural infrastructure and public services (UNDP, 2021). The economic crisis of the Indian economy in 1991 provided the policy makers an opportunity to work on a series of economic reforms. Followed by a series of economic changes, the Indian government passed the 73rd constitutional amendment in 1993-94, which was solely focused on inclusive rural development. Despite being a political change, it had significant socio economic ramifications. Through direct community involvement in village governance, the vision sought to enact democratic decentralization and improve the quality of development outcomes in rural India. Democratic decentralization defines two important functional relationships. First, the relationship between the central government and local government is referred to as decentralization. Second, the relationship between local government and local people add up to the expression of democracy (Barnett et al., 1997, 3). These two relationships advocates for bottom-up planning in the course of rural development.

Bottom-up approach of decision making and planning is essential for village development (Brecher and Costello 1998). The 73rd constitutional amendment established the Panchayati Raj System as an institutional expression of democratic decentralization. At the village, block, and district levels, Panchayat Raj Institutions serve a variety of functions for many aspects of rural development. (Sikligar 2020, 4). Panchayati Raj Institutions (PRIs) are intended to bring the government closer to the ordinary people. Under this system, *Gram Panchayat*¹ (often referred as Village Panchayats) plays the role of cabinet at village level. Members of *Gram Panchayat* are directly elected from the *Gram Sabha*² and are representative and accountable to *Gram Sabha*. The works of *Panchayats*³ are designed in such a way that they can provide essential basic services and create income, employment opportunities in the villages. The intervention of Panchayati Raj System openly influences the performance in every aspect of human life. In order to efficiently improve the quality of rural lives and to ensure income and employment, central and state governments have implemented numerous programs in which *Gram Panchayats* play an important role. The *Panchayats* have an important role to play in the implementation of *Jal Jeevan Mission* (JJM), *Swachh Bharat Mission* (SBM-G), *Saubhagya Yojana*, *Ujjawala Yojna*, *National Social Assistance Program* (NSAP), *Public Distribution System* (PDS), and *Pradhan Mantri Awas Yojna -Gramin* (PMAY-G) etc. At the same time, programs like *Mahatma Gandhi National Rural Employment Guarantee Act* (MGNREGA), *National*

Rural livelihood Mission (NRLM), and Pradhan Mantri Gram Sadak Yojna (PMGSY) are directly intended to provide livelihood opportunities in rural India. *Panchayats* are used to carry out all aspects of rural development programmes, including beneficiary selection, benefit distribution, and programme monitoring. Now, *Panchayats* have an important say in the functioning of self helping groups (SHGs). From SHG formation to bank linkages, *Panchayats* are performing the role of active developmental agents. In addition to giving entitlement benefits to the deprived, *Panchayats* have been given the important responsibility of agriculture development, infrastructure development, asset creation, environmental protection, social security and income, employment generation etc. For that reason, *Panchayats* occupy a central position in the discourse of rural development.

The authority to devolve resources and power has been granted to *Panchayats* in order to transform PRIs into institutions that propel rural development and act as effective self-governing entities. By giving *Panchayats* more political, administrative, and financial authority, the constitution contains provisions aimed at improving the living standards of rural households. Scheduled Castes (SCs) and Scheduled Tribes (STs) have been allocated reservation-based representation in *Panchayats* in proportion to their numbers under the constitutional requirement. In 2011, the percentage of seats reserved for women rose from 33 percent to 50 percent. (Mathur 2022, 56).

There are approximately 31 lacs democratically elected public representatives in *Panchayats* across the country. Among them, approximately 13.75 lacs are elected women representatives which stand as 44.37% of the total elected representatives of the *Panchayats*. Through these reforms, *Panchayats* have been able to make substantial contributions in rural lives and rural infrastructure in the post-reform period. Despite progress in various dimensions of rural development, the intervention of *Panchayats* and high economic growth of the Indian economy in the post-reform period have not resulted in holistic development of villages. Socio economic Caste Census (SECC) 2011 data reveals that for the majority of rural households, economic conditions are at very low levels. The institutional framework of the development process ignored a number of complex issues. In a time when the country is celebrating the 75th anniversary of its independence, these issues of rural development cannot be overlooked.

Since, the objective of this writing is to examine the status of rural development in the post-reform period; therefore we first provide a few definitions of rural development and then develop useful indicators. Basically, rural development is the development of rural areas, which is a subset of development. More precisely, rural development is the process of improving the quality of life and economic well-being of people living in rural areas (Moseley 2003, 5). On the basis of this definition, one can include a range of indicators like access to electricity, clean energy, safe drinking water facility, coverage under health insurance scheme, quality of reproductive health etc. to measure quality of rural lives. Since rural areas are heavily burdened with mass poverty and chronic unemployment, therefore any inquiry concerning rural development cannot overlook these issues. In this regard Seers' (1969, 3) three questions about a country's development are as follows:

1. What has been happening to poverty?
2. What has been happening to unemployment?
3. What has been happening to inequality?

To analyze the status of inclusive rural development and functioning of *Panchayats*, we confine ourselves to the issues of poverty and inequality in the study. For the purpose of measuring income inequality, we take into account the differences in income tiers among various social groupings. The effectiveness of the *Panchayats* in enhancing rural life and the general populace's economic well-being greatly depends on the resources given by the relevant rural development authorities. It is crucial to check how much money the government has recently set aside for rural development programs. In a nutshell, this article looks at how *Panchayats* might enhance rural

life while lowering poverty and income disparity. The aims of the study are suggested in the following paragraphs given this background.

Objectives of the Study: More precisely, the objectives of this study are as follows:

1. To examine the quality of rural lives through various socio-economic indicators.
2. To show the disparity in income distribution across the social groups and across the rural-urban setting.
3. To examine the gravity of the government in allocating funds for rural development in the budget 2023-24.
4. And to explore those factors which deteriorate the performance of Panchayati Raj Institutions.

METHODOLOGY

This study is based on secondary sources of data. The study utilizes mainly National Family Health Survey (NFHS) data compiled from Economic Survey 2022-23, reports of NITI Ayog, and Socio Economic Caste Census (SECC) 2011. The present article is divided into three sections including the introduction. Second section attempts to critically evaluate the progress in quality of rural lives and the status of income disparity across social groups and rural-urban settings. The third section deals with discussion, policy implication and conclusion.

FINDINGS

Quality of Rural Lives: Table 1 illustrates changes in rural households' well-being from 2015–16 to 2019–20 based on NFHS data. Table 1 show that the household's access to better sources of drinking water and power has essentially achieved its peak level. Better results have been achieved in this area thanks to the Saubhagya Yojna for rural electrification and the Jal Jeevan Mission (JJM) for tap water connection. With the help of the Ujjawala scheme, 42.4% of rural households will have access to clean cooking fuel in the 2019–20 Fiscal Years.

Table 1. Progress in the socio-economic conditions of rural households

S.N.	Indicators	NFHS-4 (2015-16)	NFHS-5 (2019-20)
1.	HHs access to electricity (%)	83.2	95.7
2.	HHs access to improved drinking water source (%)	89.3	94.6
3.	HHs access to clean cooking fuel (%)	24.0	43.2
4.	HHs using improved sanitation facility (%)	36.7	64.9
5.	HHs access to health insurance of at least one family member (%)	28.3	42.4
6.	Institutional birth (%)	75.1	86.7
7.	Women who worked in the last 12 month and received cash payment (%)	25.4	25.6
8.	Women having bank account that they use themselves (%)	48.5	77.4

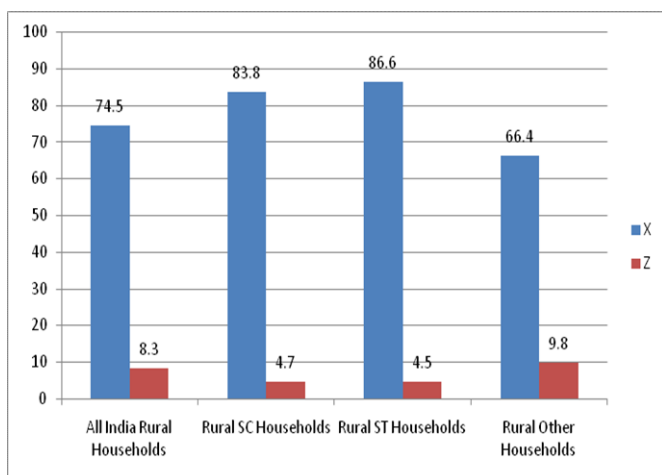
Source: NFHS-4, NFHS-5, Compiled from Economic Survey 2022-23, Government of India, page 203., HHs: Households

In a short span of four years, this achievement is remarkable. The government has worked hard to make SBM-G a top priority, and as a result, 64.95% of the rural population has access to improved sanitation facilities in their home. However, it is debatable whether or not individuals are interested in using toilets properly. Since the MGNREGA, NSAP, and other social security programs entered the picture, 77.4% of women currently have active bank accounts. We may claim that the nation is currently well positioned to move towards financial inclusion. However, records indicate that *Panchayats* are failing to offer rural women enough jobs. Women made up just 25.6% of those who worked and received paid in the past year. The decline in employment statistics, particularly for

women, has recently raised major concerns about the Indian economy. The table also reveals that 86.7% of births occur in hospitals or under the care of competent medical personnel. Maternal care in rural regions has benefited from the employment of accredited social health activists (ASHA) and auxiliary nurses and midwives (ANM) in basic health care. As is evident, these programs are directly implemented through the *Panchayats*; therefore, we infer that the practice of democratic decentralization has been successful in the delivery of essential services in the rural areas. However, depending on how well the *Panchayats* are functioning and how much each state is doing to support rural development, there may be considerable differences in the advancement of rural lives between social categories and between states. However, the primary goal of this study is not to investigate these issues in depth.

Disparity in Income distribution: Three important dimensions constitute the subject matter of this section. First, income slabs of rural households across social groups are taken into account. Second dimension deals with the multidimensional poverty ratio (MPI) across rural-urban settings. What percentage of India's population lives in rural poverty? Third section informs in this regard. Now, we proceed one by one.

Comparison of Income Slab of Rural Households: To understand the socio-economic conditions of rural households, Pandey and Dwivedi (2016, 599-619) compiled baseline data of SECC 2011. According to SECC 2011, in 74.5% rural households, the monthly income of the highest earner is less than Rs. 5000 (variable x)(Figure 1). Only in 8.3% rural households, the monthly income of the highest earner is greater than Rs. 10000(Z). In the category of variable X, this ratio is 83.6 % and 86.8% for SCs and STs rural households respectively. Clearly, a high proportion of SCs and STs Communities fall in lower income slabs. In the category of variable Z, this ratio is 4.7% and 4.5% for SCs and STs rural households respectively. Clearly, a lower proportion of SCs / STs Communities fall in higher income slabs. STs are more vulnerable in this category. Regarding income slab, there is a significant disparity between SC/ST households and other households. Compared to the SCs/STs Community, other households from the general and other backward groups are substantially better off. The fact that more than 74 percent of rural households earn less than the subsistence level raises severe concerns.



Source: Compiled from Pandey & Dwivedi 2016, Table 1 & Table 2
 X= % of Monthly income of Highest Earning member is less than Rs.5000.
 Z= % of Monthly income of Highest earning member is greater than Rs. 10000.

Figure 1. Income Slab across the Social Groups

Rural Poverty across the Rural-Urban Settings (MPI): One significant aspect of income inequality is the poverty ratio among areas, which also provides some policy insights for income redistribution.

Table 2. Status of Multidimensional Poverty

	Head Count Ratio (%) H	Intensity (%) A	MPI
Rural	32.75	47.38	0.155
Urban	8.81	45.25	0.04
India	25.01	47.13	0.118

Source: NITI Ayog 2021, Page 32.

Table 2 shows that in 2015–16, 25.01% of the population was multidimensional poor based on NFHS–4 data. For urban India, this ratio was 8.81%, and for rural India, it was 32.75 percent. The ratio of poverty between rural and urban areas differs significantly. Compared to the rest of the country, the prevalence of multidimensional poverty in rural areas is at an acute level. Along with the high poverty rate, rural communities also experience extreme poverty as table 2 shows that MPI value in rural India (0.155) is quite high in comparison to that of urban India (0.04).

Poverty Ratio (Tendulkar Committee): Above estimates of multidimensional poverty are based on the Multidimensional Poverty Index (MPI) which captures the poverty ratio in three dimensions-income poverty, Education and basic infrastructure facilities. For more insights about rural poverty, it is imperative to go through the estimates of the *Tendulkar Committee (2013)*⁴. According to estimates based on the Tendulkar technique, the ratio of rural and urban poverty has significantly decreased between 1993–1994 and 2011–2012 (Table 3). However, over this time, rural poverty has decreased at a slower rate than urban poverty. Between 2004-05 and 2011-12, the ratio of urban poverty decreased by about 50%, whereas in rural areas, the rate of decline was slower. In 2011–12, rural poverty as a percentage of urban poverty climbed to 187.6% from 157.5% in 1993–94. In India, 81.5% of the poor lived in rural areas during the years 1993–1994. At 80.4% in 2011–12, this ratio is essentially steady. Even if a reduction in the poverty ratio is realized, there is no room for complacency. Ninan (2019) opines that the poverty ratio has declined significantly in the post-reform period. But he warns about negative consequences of climate change on the Indian agriculture sector and thereby rural poverty. He states that the declining trend of rural poverty ratio since 1991 may reverse and even become more severe. The prediction of such disasters cannot be taken lightly. As the world has seen recently, the disaster of the pandemic has given birth to mass poverty, unemployment and loss in human development around the globe. The worst hits are Indians.

Regarding the income gap between rural and urban areas, there are some further factual statistics available. The government compiles estimates of per capita net value added (NVA) for both rural and urban areas. In 2011–12, the per capita NVA for urban and rural areas was Rs. 98,435 and Rs. 40,925, respectively (GOI 2023). This means that compared to urban residents, rural residents have a lower ability to increase their earning potential. Also of great concern is the state of unorganized labor in rural areas. Real rural wage rates were negative in the preceding financial year due to high inflation, according to the Economic Survey 2022–23. The hardest hit by high inflation is unorganized rural laborers. To put it simply, villages hardly have enough revenue per person to match that of urban areas. These income inequality statistics unequivocally demonstrate that the distribution of income has not been altered in a way that benefits villages, particularly SCs and STs.

Budget Allocation: The financial and technical needs of *Panchayats* are based on central and state support. State governments are in charge of carrying out programs for rural development, but they are unable to give *Panchayats* enough additional funding as a result of their financial constraints. As a result, the role of central finance for rural development becomes crucial. In this context, this section discusses current budgetary allocation trends for rural development programs. Table 4 shows that only NRLM and PMAY have seen increases in funding for the budget 2023–24 out of numerous programs for rural development. The National Social Assistance Program's (NSAP) financial allotment has not changed.

Maintaining the NSAP budget at the current level would be extremely detrimental to the marginalized and unorganized workers. A substantial increase was required in the allotment of NSAP. Additionally, there is a significant cut in financing (75% less) for LPG connections for the poor. Currently, homeowners may purchase a gas cylinder for Rs. 1175. If one impoverished home needs one gas cylinder each month, the cost of Rs. 1175 is too much for them to handle. The general public is becoming more and more irate about the decline in LPG subsidies. MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act)'s budgetary allotment has been decreased by 18% to 60000 crores in 2023–2024 from the previous budget's allotment of 73000 crores and by 33% from the revised estimates of 2022–2023. Given that poverty is pervasive in rural areas and that real wages there are negative, is this reduction useful in reaching the desired objective of inclusive development? The reply is naive. If it were assumed that the MGNREGA budget would increase by at least 10% this year, the reduction in its budgetary allocation would result in a decrease in rural India's consumption expenditure of about 20,000 crores. Consumer welfare will fall even further if funding levels for all rural development programs are adjusted up and down.

When the economy was yielding conflicting results—high growth with little employment—during the first term of the United Progressive Alliance, the government put MGNREGA and other programs into place. This program has had great success in raising wages and securing employment benefits for rural residents. Many studies reveal that huge money allocated to rural India through MGNREGA maintained demand at a high level during the global financial crisis of 2008 (Pandey, 2023).

Table 3. Percentage of Poor in India (Using Tendulkar Methodology)

Year	Poverty Ratio			Rural Poverty as % of Urban Poverty	Rural poverty as % of Total Poverty
	Rural	Urban	Total		
1993-94	50.1	31.8	45.3	157.5	81.5
2004-05	41.8	25.7	37.2	162.6	80.2
2011-12	25.7	13.7	21.9	187.6	80.4

Source: Compiled from Rajakumar (2017, 151), Table 8.19.

Table 4. Recent Trends of budget allocation for various rural development programs

S.N.	Programs	Budget 2023-24(In Rs.)	Trend
1.	Food Subsidy	1,97,350	30% cut
2.	Fertilizer Subsidy	1,75,079	22% cut
3.	LPG subsidy for the poor	2257	75% cut
4.	MGNREGA	60000	33% cut
5.	PMGSY	19000	No change than revised estimate of 2022-23
6.	NRLM	14129	6% increase
7.	NSAP	9636	No change
8.	Department of Rural Development	1,57,545	13% lower than the revised estimate of 2022-23
9.	PMAY	79000	Substantial Increase in the budget

Source: PRS Legislative Research, 20 Feb, 2023. Page 2.

During the pandemic created lockdowns, increased budgetary support to MGNREGA and other programs eased the hardships of rural villagers. In a summary, the data in Table 4 demonstrate that the rural subsidy has been significantly cut via the budget for 2023–24, which would result in a decrease in human welfare and an increase in multiple deprivations. The hardships of poor makes it impossible for them to withstand even mild shocks, and because they receive no social protection from the hammer of inflation and recession, additional social security measures must be implemented for them in this circumstance.

Discussion and Policy Implication: Now, we are all set to investigate the factors responsible for the success and failure of *Panchayats* in rural development. The prime responsibility of a *Gram Panchayat* is to provide basic amenities including healthcare, education, housing, water, agriculture, and sanitation facilities, as well as to assist the cultural and economic development of village. Findings of the preceding section indicate that the practice of democratic decentralization has been successful in providing basic amenities to the rural masses. But this success is not discernible in providing

adequate income to the rural masses. Does it mean that the practice of Panchayati Raj System failed to bring desired outcomes in rural areas? What are the factors primarily responsible for low levels of rural development? We proceed by inquiry into the second question. The policies and programs are framed in the domain of national political set up but implemented in the local socio-economic environment. Most of the time, the nature and priorities of the national government differ from local government. Even the socio-economic arrangements differ state to state. In that scenario, it becomes difficult for a concept or program to produce desired outcomes equally well in all spheres of the country. Many argue that the practice of democratic decentralization is expected to deliver well in those states where literacy rates are higher, income inequalities are not so severe, land distribution is uniformly distributed, and caste discrimination does not create hindrance in community co-operation. That is why few South Indian states, West Bengal and Himachal Pradesh are well advanced in the direction of democratic decentralization and rural development. (McCarten and Vyasulu, 2004).

But because of low socio-economic background, other states are under performer in this regard. Leaks in rural development programs have been identified as major obstacles to efficient resource utilization. Corruption is singled out as the biggest leakage and cause for the low performance of these institutions. The ordinary village people think that they have been denied the access to benefits provided by the government (Saxena: 2000, 9). In a system where self destructive elements have got social and political legitimacy, it becomes difficult to optimize the use of resources.

As a result, there is widespread poverty and growing social and economic inequality, which are intrinsic features of the rural economy in India. Controlling and monitoring the budget deficit of the centre and of the state have been key policy goals in the series of economic reforms that have been implemented since 1991. Except on a few rare occasions, governments have provided fund for rural development with constrained hands in the post-reform era in order to satisfy the goals of the fiscal responsibility and financial management Act. One significant factor contributing to the underperformance of *PRIs* is the inability and political unwillingness to allocate enough funding for rural development programs. The factors mentioned up to this point are either the results of our society's socioeconomic structures or the weak macroeconomic environment of the nation. However, there are also significant challenges connected to the Panchayati Raj System's framework that contribute to the poor performance of *Gram Panchayats* nationwide (Jha 2016). We'll talk about those points now. The twin goals of development work and self-government institutions weigh heavily on *Panchayats*. Political devolution to *Panchayats* strengthens and supports in fulfilling the objective of self governing institutions to some extent. The bottom to top approach and

community participation are the cornerstones of democratic decentralization. But the provision of developmental work makes *Panchayats* dependent on government funds and their autonomy is reduced. Government has not transferred enough administrative and fiscal autonomy to *Panchayats*. For example in the state of Uttar Pradesh, *Gram Panchayats* are not empowered to take decisions about projects of more than Rs. 2 lakhs. In many districts, *Gram Panchayats* do not have their own building and staffs for record keeping and account maintenance. State governments fear that they will lose their autonomy to local bodies by transferring power to *Panchayats*. That is why despite rhetoric of democratic decentralization at national level, no serious effort has been made on the ground level to revamp the Panchayati Raj System. The success of PRIs depends on the extent to which community members actively participate in *Gram Sabha* for the preparation of Gram Panchayat Development Plan (GPDP). It is reported that in the *Gram Sabha*, people are reluctant to take part and rarely invited in the meetings. The low participation from deprived sections of the population is also common in the *Gram Sabha* meetings across the districts of the country. People close to the *Gram Panchayat* members are invited for the meeting (GOI 2020, 16). In doing so, the essential principles of democratic decentralization, which allow for the inclusion of matters pertaining to local needs and preferences in the GPDP, are subverted. One important weakness in the design of the Panchayati Raj System is that there are several overlapping areas regarding planning and implementation in which *Gram Panchayats* and District *Panchayats* have equal say. It is often seen that plans are formulated at district level and *Gram Panchayats* are forced to comply.

There is always a chance of conflict between different layers of Panchayati Raj Institutions. The relationship between local elected representatives and concerning officers of Panchayati Raj is also not healthy. Transparency and accountability remains imperfect in the absence of promising leaders and honest officers. Therefore, the bottom to top approach is merely a pack of lies. In Fact, local people are still away from the governing and decision making process. The country saw a significant decrease in the poverty rate, especially among marginalized groups, between 2004–2005 and 2009–2010, which is a crucial fact with substantial policy implications. Rural inequality was still lower than urban inequality even in 2009–2010. This is not shocking at all. The majority of people living in the village are small farmers and wage workers. Because of this, their income fluctuation is not as prominent. (Panagariya & Mukim, 2014). In the period between 2004-05 and 2009-10, Government of India pumped huge money in villages through implementation of NREGA, and provided relief to small farmers through loan waiver scheme. This is to say that these facts emphasize the importance of public investment in the programs of rural development. Data reveals the capacity of public investment in poverty and inequality reduction. Reduction in the subsidy of welfare schemes will decrease the effectiveness of investment multiplier in rural areas. On the basis of the above discussion, it cannot be said that PRIs have failed in the course of rural development. Infact, it is better to say that under the given circumstances, Panchayati Raj Institutions are doing well in the course of rural development. The prevalence of mass poverty and unequal income distribution in rural areas is a result of an already existing adverse socio-economic environment, and complicated design of the Panchayati Raj System. In a nutshell, PRIs are not given enough power and resources in accordance with the constitutional spirit of democratic decentralization. Result is achievement in skewed, uneven and average level of rural development.

CONCLUSION

It is hard to include every aspect of democratic decentralization and rural development in one article. Therefore, only two broad indicators such as quality of rural lives and rural poverty ratio are taken into account. New facets of democratic decentralization can be explored by conducting more study on the role of PRIs in rural infrastructure development, employment creation, asset creation, capacity building, and environmental sustainability. We have tried to show how *Gram Panchayats* may affect the quality of rural lives and poverty in the villages. Infact, the *Gram Panchayats* are successful in their act in

given conditions. Study suggests that if the policy makers are serious about the constitutional spirit of democratic decentralization and rural development, they will have to give political, fiscal and administrative power to *Gram Panchayats*. A new wave of reforms is needed in order to revamp the Panchayati Raj System. Rural development ought to receive higher priority and resources that it has received till now. The importance of public investment in poverty and inequality reduction cannot be overlooked. Corrections are sought in those areas where there is substantial overlapping in plans and decision making between different tiers of *Panchayats*.

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Endnotes

1. *Gram Panchayat* (Village Council) is a basic governing institution in Indian villages. It is a political institution, acting as cabinet of the village.
2. The *Gram Sabha* works as general body of the *Gram Panchayat*. The members of *Gram Panchayat* are directly elected from the *Gram Sabha*.
3. An ancient Indian term literally defined as a group of five. It is often used in place of *Gram Panchayat*.
4. Report of the expert group to review the methodology for Estimation of poverty in India. New Delhi: Planning Commission. Committee headed by Suresh Tendulkar.

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