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# ESTABLISHMENT AND CONSTITUTIONAL STATUS OF TOWN PANCHAYATS UNDER THE TAMIL NADU DISTRICT MUNICIPALITIES ACT, 1920: AN ANALYTICAL STUDY

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## I. ABSTRACT

*Town Panchayats occupy a distinctive position within India's framework of urban local self-government, particularly in transitional areas experiencing gradual urbanisation. In Tamil Nadu, their legal and administrative foundation is primarily governed by the Tamil Nadu District Municipalities Act, 1920, which predates the constitutionalisation of urban local bodies under the 74th Constitutional Amendment Act, 1992. This study undertakes an analytical examination of the establishment and constitutional status of Town Panchayats, focusing on their statutory origins, constitutional legitimacy, functional responsibilities, and contemporary governance challenges. The research situates Town Panchayats within the broader constitutional framework of decentralisation under Part IX-A of the Constitution and evaluates the extent to which statutory provisions align with constitutional mandates of autonomy, democratic representation, and devolution of powers. It further examines judicial interpretations concerning the constitutional nature of municipal bodies and highlights practical concerns such as financial dependence, administrative control, and the transitional identity of Town Panchayats. By critically analysing statutory provisions and constitutional principles, this study aims to assess whether Town Panchayats function as effective institutions of grassroots urban governance or remain constrained by structural and administrative limitations.*

## II. KEYWORDS

Town Panchayat, District Municipalities, Constitution of India, self-governance.

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### III. INTRODUCTION

Local self-government forms the cornerstone of democratic decentralisation in India. While rural governance is constitutionally secured under Part IX through Panchayati Raj Institutions, urban governance is addressed under Part IX-A, introduced by the 74th Constitutional Amendment Act, 1992. Within this framework, Town Panchayats function as urban local bodies for transitional areas regions that are neither fully rural nor completely urban in character. Their governance becomes crucial in managing urban expansion, infrastructure development, and civic administration.

In Tamil Nadu, the institutional governance of Town Panchayats traces its origin to the Tamil Nadu District Municipalities Act, 1920, one of the earliest municipal statutes in colonial India. Despite its pre-constitutional origin, the Act continues to regulate the structure, powers, and functions of municipal bodies, including Town Panchayats, with necessary amendments to align with constitutional mandates. The coexistence of a colonial-era statute with a post-constitutional decentralisation framework presents an interesting legal and administrative dynamic.

Town Panchayats serve as a bridge between Village Panchayats and Municipalities, tasked with delivering essential civic services while adapting to increasing urban pressures. However, their role often remains under-examined in constitutional and municipal law scholarship, despite their growing importance in urban governance. The ambiguity surrounding their autonomy, financial independence, and degree of state control raises important constitutional questions. This study seeks to examine the legal foundation, constitutional recognition, and functional effectiveness of Town Panchayats, particularly under the Tamil Nadu District Municipalities Act, 1920. It explores whether the statutory framework adequately fulfils constitutional objectives such as democratic governance, decentralisation, and accountability. The research also critically evaluates the challenges faced by Town Panchayats in transitioning into robust urban local bodies.

#### A. OBJECTIVES OF THE STUDY

1. To Examine the Statutory Basis for the Establishment of Town Panchayats.

2. To Analyse the Constitutional Recognition of Town Panchayats under Part IX-A.
3. To Study the Relationship between Constitutional Mandates and Statutory Control.
4. To Evaluate the Powers, Functions, and Financial Autonomy of Town Panchayats.
5. To Examine Judicial Interpretation Relating to Local Self-Government.
6. To Identify Practical and Structural Challenges Faced by Town Panchayats.
7. To Suggest Reforms for Strengthening Town Panchayats.

## **B. RESEARCH QUESTIONS**

This study seeks to address the following research questions:

1. What is the statutory basis for the establishment of Town Panchayats under the Tamil Nadu District Municipalities Act, 1920?
2. How are Town Panchayats constitutionally recognised under Part IX-A of the Constitution of India?
3. To what extent do statutory provisions align with constitutional mandates of decentralisation and local self-governance?
4. What are the powers, functions, and financial capacities of Town Panchayats in practice?

## **C. RESEARCH METHODOLOGY**

This study adopts a doctrinal and analytical research methodology. The doctrinal approach involves a detailed examination of primary legal sources, including the Constitution of India, particularly Part IX-A, and the Tamil Nadu District Municipalities Act, 1920. Relevant judicial decisions of the Supreme Court of India concerning local self-government and municipal autonomy have also been analysed to understand constitutional interpretation.

In addition, the study relies on secondary sources such as academic commentaries, books on constitutional law, government reports, and scholarly articles relating to urban governance and decentralisation. An analytical approach is employed to

evaluate the extent to which statutory provisions conform to constitutional principles and to identify gaps in implementation.

The scope of the study is limited to the legal and constitutional framework governing Town Panchayats in Tamil Nadu. It does not include empirical field research or comparative analysis with other states. While the study aims to provide a comprehensive legal analysis, its conclusions are subject to limitations arising from the reliance on secondary data and available literature.

#### **IV. CONSTITUTIONAL FRAMEWORK OF LOCAL SELF-GOVERNMENT**

The constitutional framework governing urban local self-government in India is primarily laid down under Part IX-A of the Constitution, inserted by the 74th Constitutional Amendment Act, 1992. This amendment marked a paradigm shift by granting constitutional status to municipalities and mandating democratic governance at the urban level. Article 243Q<sup>3</sup> provides for the constitution of three categories of municipalities: Municipal Corporations, Municipal Councils, and Nagar Panchayats (Town Panchayats) for transitional areas.

Article 243R<sup>4</sup> mandates that all municipal bodies must consist of directly elected representatives, ensuring democratic legitimacy. Article 243W empowers the State Legislature to endow municipalities with powers and responsibilities relating to urban planning, public health, sanitation, roads, and other civic functions enumerated under the Twelfth Schedule. Article 243S, in contrast, provides for the constitution of Ward Committees in municipalities with a population of three lakhs or more, thereby strengthening participatory governance at the local level. The constitutional vision thus emphasises decentralisation, local accountability, and participatory governance.

Another significant feature is the State Finance Commission under Article 243Y, which is responsible for recommending the devolution of financial resources to municipalities. This provision seeks to ensure fiscal autonomy, a crucial component

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<sup>3</sup> Art. 243Q- Constitution of Municipalities, Constitution of India

<sup>4</sup> Art. 243R- Composition of Municipalities, Constitution of India

of effective local governance. Similarly, Article 243U guarantees a fixed five-year tenure for municipalities, protecting them from arbitrary dissolution<sup>5</sup>.

Despite these provisions, the Constitution leaves the detailed implementation of municipal governance to state legislatures. Consequently, municipal bodies like Town Panchayats derive their operational authority from state laws such as the Tamil Nadu District Municipalities Act, 1920. This dual structure often leads to tensions between constitutional ideals and statutory practice<sup>6</sup>. Thus, while Town Panchayats enjoy constitutional recognition, the extent of their autonomy and effectiveness depends largely on the statutory framework and administrative approach adopted by the State Government.

## V. TOWN PANCHAYATS UNDER THE TAMIL NADU DISTRICT MUNICIPALITIES ACT, 1920

The Tamil Nadu District Municipalities Act, 1920 constitutes the primary statutory framework governing urban local bodies in the State, including Town Panchayats, which function as local authorities for transitional areas. Although enacted during the colonial period, the Act continues to regulate the institutional structure, powers, and administrative functioning of Town Panchayats, subject to constitutional mandates introduced by the 74th Constitutional Amendment Act, 1992. The continued relevance of this Act highlights the adaptability of statutory municipal law within India's evolving constitutional scheme.

### A. Establishment and Legal Character

Under the Act, the State Government is vested with the authority to declare any local area as a municipality or Town Panchayat by issuing a government notification.<sup>7</sup> This decision is based on factors such as population size, density, economic activity, and the level of urbanisation. Town Panchayats are generally constituted in areas that have outgrown rural governance structures but have not yet attained the demographic or infrastructural characteristics required for full municipal status. This transitional

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<sup>5</sup> Constitution of India, Arts. 243P-243ZG.

<sup>6</sup> M.P. Jain, *Indian Constitutional Law* (LexisNexis, 2021), pg. nos. 525-528.

<sup>7</sup> Tamil Nadu District Municipalities Act, 1920, ss. 3-5.

categorisation reflects the pragmatic approach adopted by the legislature to address uneven urban growth.

Once constituted, a Town Panchayat acquires the status of a body corporate, with perpetual succession and a common seal. It is legally empowered to acquire, hold, and dispose of property and to sue or be sued in its own name. This corporate status signifies that Town Panchayats are not merely administrative extensions of the State Government but are independent legal entities capable of exercising statutory powers.

### **B. Institutional Structure and Governance**

The Act provides for a representative governance structure comprising elected councillors and a chairperson. Following the 74th Constitutional Amendment, the composition of Town Panchayats has been aligned with Article 243R, ensuring that members are elected through direct elections. Statutory provisions also incorporate reservations for Scheduled Castes, Scheduled Tribes, and women, thereby promoting social justice and inclusive representation<sup>8</sup>.

Administrative functions, however, are carried out by an Executive Officer appointed by the State Government. This dual structure elected representatives responsible for policy decisions and an appointed official managing administration illustrates the balance sought between democratic governance and bureaucratic oversight. While such an arrangement aims to ensure efficiency and uniformity, it also raises concerns regarding excessive administrative dominance over elected bodies.

### **C. Powers and Functions**

Town Panchayats are entrusted with a wide range of civic and regulatory functions under the Act. These include maintenance of public roads, water supply, street lighting, sanitation, waste management, and regulation of buildings and public spaces. The Act also empowers Town Panchayats to enforce public health measures and regulate markets, slaughterhouses, and other public utilities.

In addition to obligatory functions, Town Panchayats may perform discretionary functions relating to urban development, welfare activities, and infrastructure

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<sup>8</sup> Ibid., ss. 11-18.

expansion, subject to financial and administrative capacity. The functional responsibilities broadly correspond with subjects enumerated under the Twelfth Schedule of the Constitution, reflecting an attempt to harmonise statutory provisions with constitutional objectives.

#### **D. Financial Powers and Constraints**

Financial autonomy is a crucial aspect of local self-government. The Act authorises Town Panchayats to levy taxes such as property tax, profession tax, and licence fees<sup>9</sup>. They may also collect user charges and receive grants from the State Government. Despite these statutory powers, Town Panchayats often face significant financial constraints due to limited tax bases and low revenue generation.

Dependence on state grants and externally sponsored schemes restricts their capacity for independent planning and execution of development projects. This financial dependence underscores the gap between statutory authority and practical autonomy, limiting the effectiveness of Town Panchayats as self-governing institutions.

#### **E. State Control and Supervisory Mechanisms**

The Act grants the State Government extensive supervisory powers, including approval of budgets, suspension of resolutions, inspection of records, and dissolution of councils in exceptional circumstances. While such powers are intended to ensure accountability and legality, their frequent use may undermine the principle of decentralisation.

Post-constitutional amendments have introduced safeguards relating to tenure and elections; however, administrative oversight continues to shape the operational autonomy of Town Panchayats. This reveals a structural tension between constitutional decentralisation and statutory centralisation.

#### **F. Impact of the Tamil Nadu District Municipalities (Amendment) Act, 2006**

A significant statutory development affecting the legal status of Town Panchayats is the Tamil Nadu District Municipalities (Amendment) Act, 2006. This amendment

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<sup>9</sup> Chapter VI & VI-A of The Tamil Nadu District Municipalities Act, 1920

introduced an important change in nomenclature by redesignating Town Panchayats as “Third Grade Municipalities” within the statutory framework. Section 29-A of the Act now employs the combined expression “Third Grade Municipality or Town Panchayat,” thereby recognising both terms within the legislative scheme. This reclassification reflects an attempt to align transitional urban local bodies more closely with the broader municipal hierarchy, while retaining their functional identity. The use of the term “Third Grade Municipality” indicates a graded classification of urban local bodies based on size, population, and level of urbanisation. However, the continued use of the expression “Town Panchayat” alongside this designation suggests that the legislature did not intend to completely displace the traditional terminology.

From a constitutional perspective, this statutory development must be understood in light of Article 243Q, which provides for the constitution of Nagar Panchayats for transitional areas. Town Panchayats in Tamil Nadu effectively correspond to this constitutional category, irrespective of their statutory designation as Third Grade Municipalities. The dual terminology thus creates a hybrid nomenclature, where constitutional and statutory expressions coexist.

The 2006 Amendment has important implications for legal interpretation and governance. While it strengthens the formal municipal character of Town Panchayats, it also raises questions regarding conceptual clarity and uniformity in terminology. A clearer legislative alignment between statutory nomenclature and constitutional categories would enhance coherence in the legal framework governing transitional urban local bodies.

## **VI. CONSTITUTIONAL STATUS AND INTERPRETATION OF TOWN PANCHAYATS**

The constitutional status of Town Panchayats must be understood in the context of India’s evolving philosophy of decentralised governance. Prior to the 74th Constitutional Amendment Act, 1992, urban local bodies, including Town Panchayats, were treated purely as statutory creations of State legislatures. Their existence, composition, and powers were entirely dependent on municipal statutes,

rendering them vulnerable to arbitrary dissolution, prolonged supersession, and excessive administrative control by the State Government. The 74th Amendment fundamentally altered this position by embedding municipalities within the constitutional framework under Part IX-A.

Article 243Q explicitly mandates the constitution of three categories of urban local bodies, including Town Panchayats for transitional areas. This constitutional recognition elevates Town Panchayats from mere statutory entities to constitutionally envisaged institutions of self-government. As a result, their existence is no longer a matter of legislative grace, but a constitutional obligation imposed on the State. This shift signifies a move from administrative decentralisation to constitutional decentralisation, thereby strengthening democratic legitimacy at the local level<sup>10</sup>.

Judicial interpretation has played a critical role in clarifying the constitutional status of municipal bodies. In *Kishansingh Tomar v. Municipal Corporation of Ahmedabad*<sup>11</sup>, the Supreme Court examined the constitutional mandate relating to timely municipal elections under Article 243U and the role of the State Election Commission. While the Court affirmed that regular elections to local bodies are a constitutional requirement and emphasised the plenary powers of the State Election Commission in this regard, it also recognised that certain administrative processes, such as delimitation of wards, may justify limited delays. The Court ultimately dismissed the appeal, thereby allowing the election process to proceed in accordance with such statutory requirements. Although the case did not specifically concern Town Panchayats, the principles relating to the conduct of elections and constitutional governance apply to all urban local bodies under Part IX-A.

Further, in *State of U.P. v. Pradhan Sangh Kshettra Samiti*<sup>12</sup>, the Supreme Court examined the validity of amendments relating to Panchayati Raj Institutions under Part IX of the Constitution and upheld the legislative competence of the State to structure local governance. Although the case concerned rural local bodies, it highlights the significant role of State legislation in determining the composition and

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<sup>10</sup> Constitution of India, Arts. 243Q, 243R, 243S.

<sup>11</sup> (2006) 8 SCC 352.

<sup>12</sup> 1995 Supp (2) SCC 305.

functioning of local institutions. In the context of urban local bodies under Part IX-A, constitutional safeguards such as fixed tenure and mandatory elections under Articles 243U and 243ZA provide protection against arbitrary dissolution, subject to statutory provisions.

However, constitutional recognition does not imply absolute autonomy. The Constitution deliberately adopts a balanced federal approach, allowing State legislatures to determine the powers, functions, and finances of municipalities under Articles 243S and 243X. Consequently, Town Panchayats in Tamil Nadu continue to operate under the Tamil Nadu District Municipalities Act, 1920, which defines their administrative structure and functional scope. Courts have consistently recognised this legislative competence of States, provided that statutory provisions do not defeat the objectives of Part IX-A<sup>13</sup>. This creates a hybrid legal character for Town Panchayats: constitutionally mandated in existence but statutorily regulated in operation. While they enjoy protection regarding elections, tenure, and democratic composition, their actual autonomy is shaped by state legislation and administrative practice. Excessive state control, particularly through financial approvals, appointment of executive officers, and supervisory powers, raises concerns about dilution of constitutional intent.

## VII. ANALYTICAL PERSPECTIVES AND CHALLENGES

Despite their constitutional recognition, Town Panchayats in Tamil Nadu face significant structural, administrative, and functional challenges that impede their effectiveness as urban local self-governments. These challenges must be analysed against the normative expectations of Part IX-A, which envisions municipalities as autonomous, accountable, and participatory institutions.

One of the most fundamental challenges is the transitional character of Town Panchayats. Designed for areas shifting from rural to urban status, Town Panchayats often suffer from ambiguity in governance priorities. Their infrastructure needs resemble those of municipalities, while their administrative capacities and revenue

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<sup>13</sup> M.P. Jain, *Indian Constitutional Law* (LexisNexis, 2021). pg. nos. 523- 528.

sources remain closer to rural panchayats. This mismatch leads to inadequate service delivery, particularly in areas such as sanitation, water supply, solid waste management, and urban planning. The absence of a clearly differentiated functional framework for transitional areas exacerbates this problem.

Financial autonomy remains another critical concern. Although Articles 243X and 243Y provide for taxation powers and State Finance Commissions, Town Panchayats continue to rely heavily on state grants. Their limited tax base, coupled with low collection efficiency, restricts their capacity to undertake development projects independently. In practice, delayed grants and conditional funding further undermine local planning and accountability. This financial dependence contradicts the constitutional objective of empowering municipalities as self-sustaining units of governance<sup>14</sup>.

Administrative control exercised by the State Government poses a serious challenge to the principle of self-government. Executive officers appointed by the State wield significant authority over daily administration, financial decisions, and implementation of schemes. While administrative oversight is necessary for uniformity and accountability, excessive interference dilutes the authority of elected representatives. This often results in a bureaucratic dominance model, where elected councils play a secondary role in governance.

Another challenge lies in capacity deficits. Town Panchayats frequently lack trained personnel, technical expertise, and institutional mechanisms required for effective urban governance<sup>15</sup>. Planning functions under the Twelfth Schedule, such as land-use regulation and urban development, are often inadequately implemented due to insufficient professional support. This undermines long-term development and increases dependence on higher levels of government. From a constitutional perspective, these challenges raise concerns about substantive decentralisation. While decentralisation exists formally through constitutional provisions, its functional realisation remains weak. Scholars argue that decentralisation without adequate

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<sup>14</sup> Constitution of India, Arts. 243X, 243Y.

<sup>15</sup> Planning Commission of India, *Report on Urban Local Bodies* (2011).

power, finance, and capacity leads to “decentralisation in form but centralisation in substance.”<sup>16</sup>

## VIII. CONCLUSION

Town Panchayats occupy a strategically important position within the framework of local self-government in India, particularly in the context of rapidly urbanising regions. This study has examined the establishment and constitutional status of Town Panchayats under the Tamil Nadu District Municipalities Act, 1920, situating them within the broader constitutional vision introduced by the 74th Constitutional Amendment Act, 1992. The analysis reveals that Town Panchayats represent a critical institutional bridge between rural and urban governance, designed to manage transitional areas experiencing socio-economic transformation. The constitutionalisation of urban local bodies under Part IX-A marked a decisive shift from administrative decentralisation to democratic decentralisation. Town Panchayats, though governed by a pre-constitutional statute, now derive legitimacy from constitutional mandates guaranteeing democratic composition, fixed tenure, and regular elections. Judicial interpretation has further strengthened this position by recognising local self-government institutions as constitutional entities whose democratic functioning cannot be undermined by arbitrary state action. However, the study also highlights the continuing dominance of statutory and administrative control exercised by the State Government. Despite constitutional recognition, Town Panchayats in Tamil Nadu remain significantly dependent on state authorities for finances, approvals, and executive administration. The appointment of executive officers, extensive supervisory powers, and conditional fiscal transfers often dilute the autonomy of elected bodies. This creates a structural tension between constitutional ideals of self-governance and the practical realities of centralised administration. Financial constraints emerge as one of the most pressing challenges. Limited taxation powers and a narrow revenue base compel Town Panchayats to rely heavily on state grants, thereby restricting independent planning and long-term development

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<sup>16</sup> Prof. Nishith Rai and Dr. Awadhesh Kumar Singh “Urban Decentralisation and Governance Deficits in India”

initiatives. Additionally, capacity limitations in terms of trained personnel, technical expertise, and planning mechanisms further weaken their effectiveness as urban local bodies.

## **IX. SUGGESTIONS**

1. Statutory reforms to the Tamil Nadu District Municipalities Act, 1920 are essential. The Act should be comprehensively updated to reflect the post-74th Amendment constitutional framework, particularly by explicitly recognising Town Panchayats as institutions of self-government rather than merely administrative units. Clearer provisions on devolution of functions listed in the Twelfth Schedule would enhance functional clarity and reduce administrative ambiguity.
2. Enhancing financial autonomy must be prioritised. Town Panchayats should be empowered to expand their local revenue base through improved tax collection mechanisms, rationalisation of property taxes, and introduction of user charges where appropriate. Recommendations of the State Finance Commission should be implemented more effectively to ensure predictable and adequate fiscal transfers. Greater financial independence would enable Town Panchayats to plan and execute development projects tailored to local needs.
3. The balance between administrative supervision and democratic autonomy needs recalibration. While state oversight is necessary to ensure accountability, excessive control through executive officers undermines elected councils. Administrative reforms should focus on strengthening the role of elected representatives while redefining the functions of executive officers as facilitators rather than decision-makers.
4. Capacity building is crucial for improving governance outcomes. Regular training programmes for elected members and officials in urban planning, financial management, and service delivery would enhance institutional competence. Adoption of digital governance tools can further improve transparency, efficiency, and citizen engagement.

5. There is a need to promote public participation and accountability mechanisms at the local level. Ward committees, grievance redressal systems, and participatory budgeting processes can strengthen democratic engagement and ensure that Town Panchayats remain responsive to community needs.

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