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## UNIT 6 PANCHAYATI RAJ AND LOCAL SELF GOVERNMENT

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### 6.0 OBJECTIVES

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After reading this unit, you will be able to:

- relate the concepts of ‘institutional economics’ with the developmental issues in general and agricultural development in particular;
- present a historical perspective of the evolution of the Panchayati Raj Institutions (PRIs) in India;
- outline the major provisions of the 73<sup>rd</sup> Constitutional Amendment Act, 1992 (CAA, 1992);
- enumerate the main recommendations of ‘institutional significance’ made in the Task Force Report on PRIs in 2001;
- review the PRIs functioning in the post-2001 years; and
- explain the issue of ‘land acquisition’ discussing its main features in the proposed Land Acquisition Act.

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### 6.1 INTRODUCTION

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In the previous unit, we noted that for a successful implementation of land reform measures, it is necessary to institute simultaneous reforms on the ‘political’ and

‘institutional’ fronts. We also noted that in the agrarian structure of the Indian economy there is a predominance of small and marginal farmers. Due to the vulnerability of such large number of poor farmers to volatile market behaviour, the market oriented policies of the government being pursued since 1991 has affected the agricultural sector in a manner that it has attracted the concerns of policy planners and researchers alike. In realization of this, the government has reoriented its developmental strategy to make it more ‘inclusive’ in its character. However, in the debate on market versus state, the role of the government is stressed more for establishing conditions that enable markets to function efficiently. Against this background, in the present unit we will study about an important measure taken by the Indian government by way of a Constitutional Amendment Act, 1992 [CAA, 1992]. Aimed at empowering the grass root level unit (i.e. village) by the creation of *Panchayati Raj Institutions (PRIs)* for decentralized development by local self-governance, the Act marks a major step in democratising the system of governance in India. We will also study about the major recommendations of a Task Force (constituted in 2001 for reviewing the functioning of the PRIs after close to a decade of the enactment of CAA in 1992) on the need to institute specific mechanisms to enable the PRIs to contribute in making the agricultural sector more resilient. Finally, we will make a brief reference to the ongoing debate on ‘land acquisition’ indicating how the PRIs can play an effective role in this regard. We shall, however, precede the study of these three major aspects by taking first a brief look into the conceptual framework provided by ‘institutional economics’ linked to the issues of economic/institutional development followed by an overview of the evolution of PRIs in India.

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## 6.2 CONCEPTUAL OUTLINE

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**Institution:** Institutions refer to mechanisms established to curtail the opportunistic behaviour of people in their day to day transactions in the society. Broadly, institutions are of two types: internal institutions and external institutions. Internal institutions evolve out of experience gained over time. Such experiences, which have served as solutions to complex issues in the past are, over time, incorporated to serve as customs, ethical norms, conventions in matters of trade, etc. They, thus, serve the community as ‘accepted norms’ for conduct of social and business transactions. Violations of internal institutions are normally dealt with informally e.g. social exclusion. External institutions, on the other hand, are formal sanctions imposed/enforced through political and administrative machinery (e.g. laws enacted through legislations). ‘Institutions’ in general are, thus, rules of human interaction which constrain opportunistic and erratic individual behaviour making transactions predictable. The exploitative behaviour by landlord against the poor tenant is thus an example of the absence of an effective institutional norm (either social or legal).

**Panchayati Raj:** The term ‘panchayat’ literally means an assembly of ‘five wise respected elders’ whose opinions and views are accepted and binds the individuals in a community to settle disputes and transact business. In the traditional sense of ‘panchayati raj’, as advocated by Mahatma Gandhi and construed by him in the sense of ‘*gram swaraj*’, it referred to a decentralised form of government in which each village was not only responsible for its own affairs but also served as an institutional system enabling villages to function as autonomous (i.e. self-dependent) administrative units. In the modern sense of the term, panchayati raj refers to a system of governance in which ‘gram panchayats’ at the village level

constitutes the basic unit of administration in a system having three levels viz. village, block and district.

**Transaction Costs:** A relevant question is: why should there be institutions or what happens if there are no institutions? The fundamental objective of an individual is to make profits and that of a state is to increase its 'wealth' (i.e. national income). In the absence of institutions, social or legal, disputes between parties or economic agents would prolong and conduct of businesses suffer. The objective of an institutional system is, therefore, to establish rules of law whereby disputes are first controlled and when they arise settle them in a manner that the losses to the individual/economy are minimum. Viewed in this light, institutions serve to reduce the 'transaction costs' in the economy by instituting a set of rules aimed at constraining the behaviour of individuals in the interest of maximising the nation's wealth or the individual's profits. It is in this light, that the renowned institutional economist Ronald Coase postulated that: 'in the absence of transaction costs, any allocation of property (i.e. property ownership rights in which property could be of any kind i.e. physical, intellectual, social, etc.) would be equally efficient' (Coase theorem). Since such an ideal situation cannot exist in reality, the aim of institutions are to ensure a system in which the allocation would be optimal i.e. the solutions are maximising-minimising in nature (maximising profits, minimising losses or constraints).

**Information Asymmetry:** The transaction costs for parties involved in a business or settlement of contract/dispute will directly vary with the information possessed by the parties to the contract. This is, however, basically dissimilar in its characteristic i.e. it is not absolutely similar for all parties engaged in a transaction or dispute. The objective of an institutional mechanism is to reduce this information asymmetry. For instance, an illiterate farmer would not know the actual terms of his contract with the landlord who can manipulate the same to inflict loss to the poor tenant-labour. On the other hand, an educated farmer can be vigilant and protect his own interests. The state's objective in such a situation must be to expand educational and informational services through institutions and campaigns thereby empowering the less advantaged.

**Property Rights:** We already know from unit 5 that clear title for properties empower the land holder to access institutional credit. However, the granting of such clear property rights would not be favoured by political parties who thrive on the incentives that exist in capitalising on the situation accruing out of class divisions/interests. Political reforms are, therefore, the bridge that paves the way for cleaner political goals/objectives based on a respect for individual's right to freedom and occupation/income. Institutional reforms and political reforms taken together, therefore, serve to minimise the 'information asymmetries' and 'transaction costs' in a society/economy. The joint effect of both these minimisations, is the creation of a propensity for the state to establish a clearer structure of property rights. Alternatively, while a system of prevailing property rights is an index of the quality of existing political structure/system, maturity of political system is 'both a necessary and sufficient condition for the development of sound property rights in an economy'.

**Local Governance:** Local governance is broadly defined as encompassing the direct and indirect roles of formal institutions as well as the roles of informal norms, networks, community organisations, etc. in pursuing collective action for

providing an efficient government system. It includes the diverse objectives of vibrant living, working and environmentally preserved self-governing communities. Briefly, it is about enriching the quality of life of the people.

**Institutional Development and Economic Development:** Informal constraints like norms of behaviour, conventions, code of conduct, etc. can work well for a set of situations governed by static levels of technological and demographic changes. However in the modern times, both the technological and demographic changes are dynamic in nature. In light of this, internal institutions (i.e. norms and customs) are necessary but not sufficient conditions for economic development. The central issue of institutional development is the creation of an economic environment that induces productivity. This requires efficient evolution of both political and economic institutions. Viewed from this perspective, economic development can be equated with institutional development.

**Check Your Progress 1** (answer in about 50 words within the space provided)

- 1) Distinguish between the system of 'panchayat raj' government as visualised by Mahatma Gandhi with that of its 'modern' connotation.

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- 2) How did Ronald Coase postulate his theorem on 'institutions'? In reality, how is a compromise struck in this respect?

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- 3) How does 'information asymmetry' affect in agriculture? Briefly indicate with an example.

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- 4) How does the 'establishment of a clearer structure of property rights' influenced by a joint effect of the minimisation of 'information asymmetry' and 'transaction costs'?

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- 5) Do you agree with the assertion that ‘institutional development means economic development’?

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### 6.3 EVOLUTION OF PANCHAYATI RAJ INSTITUTIONS (PRIs)

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The institution of village *panchayat* has been in existence for a long time in India. Until eighteenth century, the *panchayats* discharged most of the functions influencing the village community to function as effective units of local administration. During the British rule, various provinces passed the village *panchayat* Act. However, the *panchayats* formed under these acts were not democratically elected bodies but were formed by the nomination of members by the government. Even the new Indian government which adopted its Constitution in 1950 (and made detailed provisions for democratically elected members to constitute governments at the union and state levels) left the establishment of local governments without making it a clear cut constitutional obligation. However, it recognised the importance of democratic institutions at the grass-roots level and laid down (under Article 40 of Directive Principles of State Policy) that ‘the states would take steps to organise village *panchayats* endowing them with the required powers and authority to enable them to function as units of local self-government’. The PRIs, thus, became a state subject under the constitution.

In the community development programmes (CDPs) started in 1952, the PRIs were assigned the political task of mobilising the people’s participation. Five years later, in 1957, a committee (*Balwant Rai Mehta Committee*) was constituted to assess the extent of popular participation in the CDPs and recommend measures by which the people’s participation can be increased. The committee recommended the constitution of statutorily elected local bodies, devolved with necessary resources/power/authority, in order that a decentralised administrative system can work under the local bodies. It also recommended that the basic unit of democratic decentralisation should be the ‘*block*’. The committee also envisaged directly elected *panchayats* for a village (or group of villages) with an executive body called *Panchayat Samiti* for each block. This was the genesis of the ‘*Panchayati Raj System*’ in India. While affirming the objective of democratic decentralisation, Pandit Jawaharlal Nehru described the move as ‘the most revolutionary and historical step in the context of New India’.

Subsequent to the above, almost all state governments (barring Tripura and Arunachal Pradesh) took various initiatives with the result that the progress made in block-centred development varied across states. The next major review was made in 1978 (*Ashok Mehta Committee*) which recommended ‘institutionalising’ the very design of Panchayati Raj. The recommendation was made following the

realisation on the extent of ‘developmental thrust and technical expertise’ perceived essential for effective implementation of rural developmental programmes by the panchayat bodies. Different working groups had been formed for making specific suggestions and recommendations. One such, a group constituted under the Chairmanship of *M. L. Dantwala* (1977) and later another under the Chairmanship of *C. H. Hanumantha Rao* (1982) made far reaching recommendations on restructuring the panchayat bodies. Both the groups were unanimous in recommending that the basic decentralised planning function must be at the district level. Two other major recommendations made by them are:

- for decentralised planning to make headway, institutional mechanisms had to be more broad-based. Such institutions (through *panchayati raj institutions*: PRIs) should play a leading role in the district planning process;
- for the above, there should be active involvement of local representatives. The PRIs should be endowed with a greater degree of autonomy in local decision making.

The mid-1980s saw the emergence of a more influential movement to revitalize the local self-government structures in India linking them with agricultural and rural development programmes. There were two reasons for this. The first was the firm belief of the government in that: (i) India is too large a country to be ruled/planned from a central place; and (ii) the responsibility for many functions should, therefore, be at the local level which would lead to greater accountability in the long run. Although the government feared that resources allocated could possibly be misused (i.e. ill-spent owing to proliferation of administrative authorities, etc. on which a later study had estimated that out of every rupee spent on development only 17 paise actually goes to the ultimate beneficiary i.e. so much is the effect of leakage due to proliferation of authorities involved in implementation of developmental schemes), it was believed that in the long run democratic policies would take care of such abuse. To check this, as an institutional measure political and economic enfranchisement of poorer groups like SCs, STs and women was advocated. The second major reason was that India’s initial agricultural planning systems were linear in nature (i.e. they emphasised more on canal/tube-well irrigation and HYVs) which led to the favoured-region/favoured-crop strategy. As this strategy came to be heavily questioned, the emphasis was reoriented on *agro-climatic planning*. Once again, the issue of local participation and involvement of voluntary organisations gained prominence. The associated issues of ‘resource allocation’ and ‘decision making’ along with integration of ‘special programmes for employment and rural development’ with those of ‘agricultural development’ also were prominently focused upon. These concerns coupled with many other assessment and review studies made the government to record in its *Seventh Plan Document* thus: “it is noticed that wherever PRIs have been actively involved, the implementation of rural development programmes have been better and the selection of beneficiaries and designing of schemes have been more satisfactory. Therefore, in order to make the development programmes more meaningful it is necessary to associate people’s representatives and for this there is no better instrument to design/formulate/implement the various employment and anti-poverty programmes than by the involvement of the PRIs”.

It is therefore as a sequel to the above sequence of initiatives and efforts that the original Panchayati Raj Bill (1989) had aimed not only at decentralising power but

also politically enfranchise the poorer sections like SCs, STs and women who form a large part of the landless labourer and artisan population. Further, out of the total number of seats reserved for such poorer sections, thirty percent of seats were meant to be reserved for women members of SC/ST community. The legislatures of the states were also advised to endow the *panchayats* with such powers and authority as are required to enable them to function as *institutions of self-government*. However, the process was delayed and many of the original provisions got watered down owing to many discretionary powers given to the states. Nonetheless, many of the central features like: (i) compulsory election; (ii) reservation for socially disadvantaged groups; (iii) devolution of resources and powers; and most important of all (iv) the allocation of resources at the village level to the nationwide employment scheme viz. Jawahar Rozghar Yojna (JRY) remained in the legislations enacted by the state governments. To ensure greater accountability and participation, the annual action plans for each village were required to be discussed at the ‘*village panchayat*’ taking care to ensure that top priority was given to works benefiting the weaker sections of the community. Thus, although as a result of all these efforts the *panchayats* were substantially involved in the implementation of programmes like JRY, etc., their actual performance were still not as effective as was intended. In other words, the dominant role played by government bureaucracies in the implementation process was still a matter of reality mainly due to the lack of integration of the PRIs into the planning and implementation stages of developmental work. To remove such inherent weaknesses in the functioning of the PRIs, the government in 1991 managed to mobilize the required political support to bring the entire issue of *panchayat* system to the centre stage and have a Constitution (72<sup>nd</sup> amendment) bill introduced in 1991. The bill was subsequently enacted as 73<sup>rd</sup> Constitution Amendment Act in 1992.

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## 6.4 THE CONSTITUTION AMENDMENT ACT, 1992 (CAA, 1992)

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The Act defines ‘*panchayat*’ as an ‘*institution*’ of *self-government* constituted under article 243 B of the Indian constitution. The Act provides for the constitution of *panchayats* at the *village*, *block* (if the population of the state exceeded 20 lakh) and the *district* levels (and are distinctly nomenclated as *gram sabha*, *block panchayat* and *zilla parishads* respectively). The major thrust of the CAA, 1992 are in respect of: (i) according a constitutional status to the ‘gram sabhas’; (ii) making the *panchayats* a three-tier administrative structure in which the ‘village’ was accorded the status of basic unit of administration - the other two levels being the blocks and districts; (iii) endowing the *panchayats* with the devolution of power of both administrative and financial nature; (iv) enjoining the state governments to require the state finance commissions to review the financial position of the *panchayats* every once in five years; (v) bestowing the state election commissions with the responsibility of conducting ‘*panchayat* elections’ every once in five years; (vi) provisioning the reservation of seats in the elected *panchayats* to the socially under-privileged sections like SCs/STs in proportion to their population; and (vii) providing for a further reservation of not less than 33 percent of total seats for women both in the reserved and unreserved categories. The Act provides for the disqualification of a member of a *panchayat* if he/she is so disqualified by any other law.

The Act requires the members of the *panchayats* to be elected by ‘direct election’ from the territorial constituencies in the *panchayat* area every once in five years. The powers, authority and responsibilities of the ‘*panchayats*’ and its members are to be prescribed by the states in such a manner that it enables them to function as ‘institutions of self-governance’. The areas of their function would cover the preparation and implementation of plans and schemes for overall economic development with a focus on ensuring social justice. In particular, the Act specifies 29 subjects (under Article 243 G) of which the first seven relates to agricultural (and allied) development. These are: (i) agriculture including agricultural extension; (ii) land improvement, implementation of land reforms, land consolidation and soil conservation; (iii) minor irrigation, water management and watershed development; (iv) animal husbandry, dairying and poultry; (v) fishery; (vi) social forestry and farm forestry; and (vii) minor forest produce. The other 22 subjects relate to ‘industry’ and ‘services’ sectors.

Resources for PRIs: The Act, besides providing for grants-in-aid to the *panchayats* from the ‘consolidated fund’ of the state, also authorises a *panchayat* to levy, collect and appropriate taxes, duties, tolls and fees in accordance with procedures and limits laid down.

**Check Your Progress 2** (answer in about 50 words within the space provided)

- 1) What was the status accorded to the decentralised governance by the PRIs in the Indian constitution in 1950?

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- 2) What would you identify as the ‘genesis of *panchayati raj institution*’ in India?

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- 3) In which plan, for the first time, there was an acknowledgement of better economic performance in the PRI-administered areas? What was an immediate sequel of a major importance to this recognition?

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- 4) What were the four central features of the original panchayat bill that was retained in the subsequent forms in which it was passed by the different state government in late 1980s?

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- 5) Does the CAA, 1992 confer any reservation of seats in the *panchayats* for disadvantages sections of population? Mention the specific areas of relevance to 'agricultural and allied development' that the CAA, 1992 include?

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## 6.5 ROLE OF PRIs IN AGRICULTURAL DEVELOPMENT

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As said above, and to repeat once again, the CAA, 1992 specifies 29 subjects of which the following seven relates to agricultural (and allied) development: (i) agriculture including agricultural extension; (ii) land improvement, implementation of land reforms, land consolidation and soil conservation; (iii) minor irrigation, water management and watershed development; (iv) animal husbandry, dairying and poultry; (v) fishery; (vi) social forestry and farm forestry; and (vii) minor forest produce. After close to a decade of the implementation of the CAA, 1992, it was found that the process of empowering the PRIs has not only followed a varied pattern across states but the process of integrating the PRIs in the planning and implementation of programmes was yet to establish in many states. In order to facilitate this process of integration, the Planning Commission in 2001 set up a Task Force (TF) with two specific objectives. These were: (i) formulate operational guidelines for the involvement of PRIs in schemes of central ministries and departments; and (ii) suggest norms for the interface of PRIs with the non-governmental organisations (NGOs). The latter was considered crucial as the involvement of NGOs was being increasingly recognised as important for a harmonious implementation of schemes/programmes. In this section, we will briefly discuss the specific role recommended for the PRIs by the TF for the implementation of plans/schemes applicable to the three main areas of agricultural development viz. (i) crop development; (ii) credit and cooperation; and (iii) crop insurance. The recommendations included in this section are those relating to: (i) identifying the specific activities relating to agricultural works; and (ii) specifying the role to be played by PRIs in coordinating the works.

### 6.5.1 Crop Development

The implementation machinery consisting of officials of the agriculture extension and research organisations should plan and implement their programmes under the

direct supervision and control of the PRIs. Five phase of activities are identified in this regard.

- The first phase of activities involves the identification of the technology in respect of a crop sought to be extended in a specific area. The PRIs at appropriate level would provide the farmers' perception to the research and technical heads of the organisations involved.
- The second phase would involve the identification of area where demonstration programmes have to be conducted. The PRIs would play a decisive role in identifying areas where the new technology is sought to be experimented in the area of their purview. '*Block panchayats*' would decide on the selection of sites in various *panchayats*, while the identification of the beneficiaries would be the prerogative of the *village panchayats*.
- The third phase of events would involve the arrangement of inputs. This would be done in close consultation with the PRIs at the district/block level in order that transparency and accountability in terms of effective supply and distribution can be ensured/monitored.
- The fourth phase would involve the actual demonstration by the technical functionaries. At this stage, the PRIs at the local level would publicize the demonstration widely in order to ensure participation of farmers from nearby areas. The involvement of PRI bodies at the block/district levels would develop linkages with other programmes so that larger participation of farmers and effective interface with technical functionaries can be realised. The PRIs can also provide feedback of the demonstration to the technical functionaries which would help in incorporating corrective intervention in the subsequent phase of the demonstration activity.
- The final phase of the sequence of activities would involve the actual distribution of inputs which would be in the form of certified seeds, mini-kits, farm implements, machinery, sprinkler sets, micro-nutrients, etc. The involvement of PRIs at this phase of distribution is crucial both for ensuring considerations of transparency/accountability/equity, as also to ensure the satisfaction of beneficiaries in terms of inputs received. This would also help the PRIs to monitor the activity in the later stages of actual implementation.

### 6.5.2 Credit and Cooperation

Major activities under this sub-sector includes: (i) distribution of credit to farmers through primary cooperative societies; (ii) assistance to cooperative institutions for development of projects by way of working capital; and (iii) infrastructure development assistance. Village panchayats involvement should be in: (i) the selection of beneficiaries as per laid down norms; (ii) preparation of credit plan by the primary credit societies; and (iii) in ensuring that the credit is made available to the beneficiaries in time. They should also be involved in: (i) expanding the membership of primary credit societies; (ii) impressing upon the credit takers to repay their loans in time; and (iii) in extremely genuine cases where the creditors are not able to repay their loans in endorsing their difficulties to the credit institutions. It should also mobilise action against wilful defaulters. Block level panchayats role would be in overseeing the disbursement of credit, developing linkage with programmes providing other inputs, mobilising creditors to returning their loans and where due to adverse situation repayment is delayed to help in rescheduling the repayment

plan. Additionally, block level panchayats role would be to: (i) identify institutions which need credit assistance for carrying out projects; (ii) help them to prepare project proposals/reports; and (iii) with the help of zilla parishads ensure the timely dispersal of credits from the credit institutions. They should also monitor the activities of such institutions to ensure that the assistance received is properly utilised.

### 6.5.3 Crop Insurance

The activities under this would include: (i) identification of beneficiaries; (ii) preparation of claims; (iii) assisting in the expeditious disposal of the claims; and (iv) ensuring that the beneficiaries receive timely payment of compensation amount. The village panchayats should be involved in the identification of beneficiaries and helping in the preparation of the claims after duly vetting the details. The block level and district level panchayats could play a role in ensuring the expeditious disposal and settlement of the claims. The village level panchayat could then ensure the right beneficiaries receive the claim payment without hassles. Further, they can also help the farmers whose crops have been destroyed/lost in preparing them for the next cultivation. All these are activities in which there is scope for a proactive role to be played by the panchayats aimed at gaining the confidence of farmers so that they can seek their intermediation in matters of insurance proposals/claims. Over a period of time, the procedure/practice should get streamlined so that no farmer, or a group of farmers, would undertake cropping work without duly covering themselves against loss/risks.

The above account conveys that till the year 2001, i.e. after close to a decade of the enactment of CAA, 1992, such specific role for PRIs was yet to be identified. The report of the TF delineates similar role for PRIs to four other areas of agriculture viz. land and water resource development, production of inputs, irrigation and relief against natural calamities. In the next section, we will briefly review on how far the required process of integration of PRIs into their expected role of grass roots level functioning has taken place in the post-2001 years.

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## 6.6 REVIEW OF PRIs PROGRESS IN POST- 2000 YEARS

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One method of assessing the PRIs progress is to see the ‘size and significance of local self government (LSG)’ in terms of empirical indicators like: (i) relative share of LSG’s expenditure vis-a-vis the overall public sector expenditure; and (ii) the share of LSG’s expenditure in the total GDP of the country. The progress made in this respect by India can also be further understood if we take a comparative picture of the same vis-a-vis other countries which have already instituted similar decentralised governance structures. A comparative profile of the combined share of local governments (which includes the share of PRIs and urban local bodies (ULBs); see ‘key words’) for the early years of post-2000 years reveal that the share of India was far lower than that of OECD countries and Brazil (Table 6.1). As a proportion of GDP, the total expenditure of local governments was even less for India at just 1.7 percent as compared to the 6.5 percent for Brazil and 13.8 percent for the OECD countries. While this is the picture that obtains in an international comparative perspective, within the country in the post-2002 years, there is an indication of improvement in the per capita expenditure (PCE) of the

**Table 6.1: Size and Significance of Local Governments**

Countries	Percentage of Local Government Expenditure to Total Public Sector Expenditure	Percentage of Local Government Expenditure to GDP
OECD	20-35	13.8
Brazil	15	6.5
India	5.1	1.7

**Source:** Oommen, 2010; **Notes:** (i) OECD: organisation for economic cooperation and development; (ii) data relates to around years 2002-03.

PRIs from an all-state average of Rs. 356 in the year 2002-03 to Rs. 779 in 2007-08. The divergence in the inter-state position in this respect is also coming down. For instance, in 2002-03, the minimum-maximum ratio was 75.7 (the PCE for Bihar was lowest at Rs. 18 and highest in Maharashtra at Rs. 1,364). This minimum-maximum ratio slid down to 61.8 in 2007-08 with the PCE for Bihar being once again the lowest at Rs. 48 and for Karnataka Rs. 2,967. Incidentally, the comparative profile reveals that the CAA, 1992 has had least impact in Bihar with the situation for other states like Rajasthan, Punjab and U. P. also being no better. In this context, it is important to note that the thirteenth union finance commission has made the observation that ‘while it is for the union and state government/finance commissions to help the process of decentralised planning and governance with funds, functionaries and technical support, what is witnessed during the last 15 years is a manifold growth of parallel agencies that transgress the functional domain entrusted to local governments and distort their role in the federal structure of India’. The observation and the indicators available, therefore, suggest that India has a long way to go in effectively strengthening the constitutionally guaranteed role of the PRIs (and ULBs).

## 6.7 PRIs AND LAND ACQUISITION

As we have studied in unit 1, structural change in the labour force distribution of an economy, particularly in an agrarian economy, takes place over time with the low productive agricultural sector giving way to the more productive non-agricultural sector. In such a situation, in addition to the labour force, the land required for the expansion of the non-agricultural sector also comes forth from the agricultural sector. As we now know, the land to a substantial measure is held in fragments by a number of small/marginal farmers who are either dependent on their land for a living or in other cases they are simply held by absentee landlords. The issue of land acquisition in such a situation carries an important social dimension particularly for the poor small land holders. In light of this, the government has been placing in the public domain for debate a draft ‘Land Acquisition and Resettlement and Rehabilitation (RandR)’ bill (2011) for comments and exchange. The major point of relevance to include the salient features of this bill in this unit is that the proposed bill makes it mandatory that ‘gram sabhas’ be consulted and a R and R package be executed before the proposed land is acquired/transferred. In view of this, we shall briefly refer here to the salient features of this bill which are as follows.

- 1) The R and R package would necessarily have to be executed for land acquisitions which are in excess of 100 acres.
- 2) The law prohibits the purchasing of multi-cropped irrigated land.
- 3) The state government would not have any role in acquisition of land normally; however, the government would do so only if the intervention benefits the general public.
- 4) To safeguard against indiscriminate acquisition, the bill requires the setting up of a committee by the states. The committee would examine the clause of 'public purpose' from a 'social impact assessment' point of view.
- 5) If the land acquired is not put to use for the purpose for which it was initially approved within five years of its acquisition, the land would be returned to the original owners.
- 6) The consultation process with the 'gram sabha' is made also with a view to establishing conformity with other laws like Pachayat Extension to the Scheduled Areas (PESA) Act, 1996, the 'Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, etc.
- 7) The bill, whenever made into an Act, shall have primacy over 18 other laws, all pertaining to 'land acquisition'. Its provision will, therefore, be in addition to and not in derogation of the safeguards provisioned in the other laws in place.
- 8) Both the land owners and livelihood losers will be compensated. Every affected family would be entitled to one job or a cash compensation of Rs. 2 lakh. Those who lose their house in the land acquisition process would be provided a constructed house of specified dimension/area.

The bill is under debate with the critics arguing that the original provisions which were favouring the affected people are being diluted. The Eleventh Five Year Plan notes that the present arrangements of resettlement and rehabilitation (R&R) are detrimental and prejudicial to the interest of the tribals. This is because the 'corpus of tribal land' is declining rapidly under the new economic dispensation. The issue of 'land acquisition' has thus become a major controversy in which the debate on R and R measures are the only humane dimension for which the social activists are strongly fighting for. From the point of view of agricultural development, it will have a serious impact on the land utilisation profiles.

**Check Your Progress 3** (answer in about 50 words within the space provided)

- 1) In what respects the involvement of 'village panchayats' are identified as useful in the matter of 'crop insurance'?

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- 2) Which two empirical indicators tell us about the extent of PRI integration into its assigned role from an international perspective? What empirical indication suggests that there is an improvement in the functioning of PRIs in India in the post-2001 years?

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- 3) Under what situation, the proposed legislation on 'land acquisition' has provided for a provision for the state government's intervention? In what manner the process of 'land acquisition' likely to impact agricultural development in India?

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## 6.8 LET US SUM UP

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The unit underscored the importance of institutional development for advancing the goals of economic development in general. In this, the importance attached for the establishment of PRIs-centred growth of rural development policy thrust has been a particularly major development of the 'inclusive growth' concerns shown by the government in recent years. Notwithstanding this side of political and institutional advancement, there is also an open acknowledgement of the growing alienation of the already marginalised sections like the scheduled tribe communities. Integrating such socially and economically disadvantaged sections of people into the mainstream of economic process, by suitable compensatory and R and R clauses introduced in Acts like that on 'land acquisition', has been an important policy focus of recent times. These developments would impact seriously on the nature of land utilisation pattern and agricultural development in India. However, despite the constitutional status accorded to the PRIs in 1992, even after more than 10 years of the Act being passed, there is very little indication of any achievement on the part of PRIs by way of assuming their due role in the manner in which the Act had envisaged. But towards the middle of the decade of 2001-10, some empirical evidence on increased per capita expenditure (PCE) of PRIs has become available. More importantly, the difference between the best performing and the least performing states, in terms of PCEs, has started declining. It is also important to note that the *gram sabhas* have been given a prime of place in deciding about the creation of assets in the various activities under the MGNAREGA in rural areas (see unit 25 for more details). As a consequence, the PRIs have a vital role to ensure the generation of employment opportunities for the poor and the marginalised in villages. In view of all these things, if the institutional foundations of PRIs gains roots in the coming years, there is a good scope for the development of rural India in general and its agricultural sector in particular.

## 6.9 KEY WORDS

- Panchayati Raj** : Refers to a system of governance in which ‘gram panchayats’ at the village level constitutes the basic unit of administration in a system having three levels viz. village, block and district.
- Property Rights** : Refers to the level of institutional advancement in a society/economy. It is said that the system of prevailing property rights is often an index of the quality of existing political structure/system. Maturity of political system is ‘both a necessary and sufficient condition for the development of sound property rights in an economy’.
- CAA, 1992** : Marks a major legislative landmark in according a constitutional status for the PRIs to steer the issues of local development by a direct involvement of people in a democratic manner.
- Land Acquisition** : Is presently a major issue in the context of land required for expanding the base of non-agricultural sector in the country. The process is expected to make a serious impact on the land utilisation profile vis-à-vis the share of land available for agricultural purpose.
- Urban Local Bodies(ULBs)** : This is a parallel decentralised administrative system for municipal governance just like the PRIs are expected to provide the same for the villages. Like the 73<sup>rd</sup> amendment gave the constitutional status for the PRIs, the 74<sup>th</sup> CAA provided the ULBs with a similar status for decentralised administration of urban areas.

## 6.10 SELECTED REFERENCES FOR FURTHER READING

- 1) Alagh, Yoginder, K., ‘*Panchayati Raj and Planning in India: Participatory Institutions and Rural Roads*’, Asian Institute of Transport Development, New Delhi.
- 2) Planning Commission (2001), Report of the Task Force on Panchayati Raj Institutions (PRIs), New Delhi. December, 2001.
- 3) Oommen, M. A. (2010), Have the State Finance Commissions Fulfilled Their Constitutional Mandates (EPW, July 24, 2010) and The 13<sup>th</sup> Finance Commission and the Third Tier (EPW, November 27, 2010).

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## 6.11 ANSWERS/HINTS TO CYP EXERCISES

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### Check Your Progress 1

- 1) See section 6.2 and answer.
- 2) See section 6.2 and answer.
- 3) See section 6.2 and answer.
- 4) See section 6.2 and answer.
- 5) See section 6.2 and answer.

### Check Your Progress 2

- 1) See section 6.3 and answer.
- 2) See section 6.3 and answer.
- 3) See section 6.3 and answer.
- 4) See section 6.4 and answer.
- 5) See section 6.4 and answer.

### Check Your Progress 3

- 1) See section 6.5.3 and answer.
- 2) See section 6.6 and answer.
- 3) See section 6.7 and answer.