

# Role of Panchayati Raj Institutions in Alleviation of Poverty in India



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## Abstract

Decentralization of resources and decision-making powers to Local Self-Governing Institutions run by elected representatives, are now built into our Constitution through the 73rd and 74th Amendment. The 73<sup>rd</sup> Constitutional Amendment is linked to the PRIs and 74<sup>th</sup> amendment is linked to the ULBs and Schedule XI of Constitution, 29 subjects are assigned to PRIs in order to alleviating the Rural Poverty, reducing Inequality, and Unemployment. Many Centrally sponsored schemes also work through PRIs which are Mahatma Gandhi National Employment Guarantee Scheme, Indira Awaas Yojana, Construction of Toilets in the Villages, Improvement / Cleaning of Village Ponds, Swarnjayanti Gram Swa-Rozgar Yojana and Backward Regions Grant Fund. The main objectives of the paper are to describe the development of Panchayati Raj Institutions (PRIs), status of PRIs and the role of PRIs in alleviation of poverty in India. The states' Kerala, Karnataka, Maharashtra, Madhya Pradesh and Tamil Nadu have ranks 1<sup>st</sup> to 5<sup>th</sup>, under CDI category. Whereas, the states' Arunachal Pradesh, Jharkhand and Chhattisgarh have lagged behind in strengthening of PRIs. The states' Jharkhand, Goa, Punjab, Himachal Pradesh, Kerala and Sikkim have represented the lower (4 to 10 percent) poverty ratio in Percentage terms of persons as compared to other states. The best performers with regard to strengthening of PRIs and out of ten better performer states with regard to CDI, eight states have poverty ratio-below national average. So there is a need to strengthen fiscal as well as structural condition of PRIs in order to alleviate poverty in all the states of India.

**Keywords:** Panchayati Raj Institutions, Poverty Alleviation.

## Introduction

The world has been moving from centralized to decentralised form of governance since 1930s. But the third tier of government in the process of decentralization got constitutional mandate during 1990s on the plea that it brings decision making closer to the people and can address the issues like poverty, inequality, unemployment etc. Decentralization is the process of transferring political, functional, administrative and fiscal powers to sub national tiers of government. Many countries have developed a structure of three tier government with large number of provinces/states/union territories/regions and local self government at the sub-national level. India has also followed the path of decentralized governance, for a long time but it is only since 1994, that local self governments have been accorded constitutional status (Kaur, H. 2011). So, at present India's democratic federal structure has also three levels of governance - Central or Union, state or regional governments, and the local self government governing at the grass-root level called the Panchayati Raj Institutions (PRIs) and Urban Local Bodies(ULBs).The PRIs cover the villages, blocks and the districts, and the ULBs serve towns and cities. Decentralization of resources and decision-making powers to Local Self-Governing Institutions run by elected representatives, are now built into our Constitution through the 73rd and 74th Amendment (Goel, S.L. & Rajneesh, Shalini. 2009). The 73<sup>rd</sup> Constitutional Amendment is linked to the PRIs and 74<sup>th</sup> amendment is linked to the ULBs and Schedule XI of Constitution, 29 subjects are assigned to PRIs in order to alleviating the Rural Poverty, reducing Inequality, and Unemployment. Many Centrally sponsored schemes also work through PRIs which are Mahatma Gandhi National Employment Guarantee Scheme, Indira Awaas Yojana, Construction of Toilets in the Villages, Improvement / Cleaning of Village Ponds, Swarnjayanti Gram Swa-Rozgar Yojana and Backward Regions Grant Fund (Planning Commission 2011).

**The Main Objectives of the Paper are**

1. To describe the development of Panchayati Raj Institutions (PRIs) in India.
2. To explore status of PRIs in Indian states.
3. To examine the role of PRIs in alleviation of poverty in India.

**Development of Panchayati Raj Institutions in India**

During the earlier years of free India (1947-1950), the Constitutional Committee was set-up and the issue of village government came up for discussion in the constituent assembly in 1949. There were two types of schools in the discussion on the village system of administration. One school of thought upheld the practice obtaining in ancient India where the village plays a key role. The second school of thought held the opposite view and argued against giving much power to the villages. As a result, Panchayati Raj Institutions (PRIs) was officially launched on 1959 for greater participation of all citizens in decision making process at grass root level. But it could not achieve any goal because of the deficiency of constitutional status to these institutions (Aslam, M. 2007). During the period of 1950-1992, the government made various committees like the Balwant Rai Mehta Committee (1957), K. Santhanam Committee (1963), Ashok Mehta Committee (1977), G. V. K. Rao Committee (1985) and L. M. Singhvi Committee (1986) to make improvements in the Panchayati Raj System. No doubt these committees made recommendations regarding provision of finance, alleviation of poverty, decentralisation of powers and women participation but these could achieve little progress in the development of Panchayati Raj Institutions (PRIs). Present position of PRIs is based on the 73<sup>rd</sup> Constitution Amendment Act, which came into effect from 24th April 1993. The "Eleventh Schedule" has been added (Article 243G) which gives the detail list of functions to be performed by PRIs (Singh & others. 2008).

The 73<sup>rd</sup> Constitutional Amendment provides powers and responsibilities for devolution to different tiers of PRIs (Gram Panchayats, Panchayat Samitis and Zilla Parishads) with respect to preparation of plans and programmes for economic development and social justice and their implementation in relation

to 29 Subjects (recommended as 3Fs Functions, Finances and Functionaries-FFF) listed in the Eleventh Schedule. The 29 subjects have been categorised into 3 categories of (1) Core functions (2) Welfare functions and (3) Economic functions and a large number of schemes implemented by Centre and State Governments which operate through PRIs. Core Functions include 5 functions, Welfare functions include 13 functions and Economic Functions include 11 functions. Among the Welfare Functions, poverty alleviation program is the most important one.

**Poverty Alleviation Schemes operated through PRIs**

Some most important centrally sponsored as well as state government schemes which aim at alleviation of poverty directly or indirectly and are operated through PRIs are as under:

1. Mahatma Gandhi National Employment Guarantee scheme.
2. Indira Awaas Yojana.
3. Construction of Toilets in the Villages.
4. Improvement/ Cleaning of Village Ponds.
5. Swarnjayanti Gram Swarozgar Yojana.
6. Backward Regions Grant Fund.
7. Integrated Waste Land Development Project.
8. Issue of Yellow Cards for Identification of Weaker Sections.
9. Setting Up of Focal Points.
10. Construction/Brick Paving of Passage in Villages.
11. National Social Assistance Program (NSAP).
12. Credit-cum-Subsidy Scheme.
13. Allotment of Residential Plots at Concessional Rates (Planning Commission. 2011).

**Status of Panchayati Raj Institutions in Indian States**

Following this constitutional provision, all states' legislatures have brought in necessary amendments and have constituted State Finance Commissions (SFCs) and State Election Commissions (SECs) and have been holding elections of PRIs in every five years. Presently all over India (2015), there are nearly 602 district panchayats, 6378 block panchayats and almost 239939 gram panchayats (www.Indiastat.com). So, India have total a large number of 246919 Panchayati Raj Institutions.

**Table - 1**  
**Performance of States with Regard to the Indicators Mandatory for Devolution**

S. No	State/ Ut	Constitution of State Finance Commission	Presence of District Planning Committees	Constitution of State Election Commission	Holding Elections to Pris Every Five Years
1	Andhra Pradesh	3 <sup>rd</sup>	Yes	Yes	Yes
2	Arunachal Pradesh	2 <sup>nd</sup>	Yes	Yes	Yes
3	Assam	4 <sup>th</sup>	Yes	Yes	Yes
4	Bihar	4 <sup>th</sup>	Yes	Yes	Yes
5	Chattisgarh	2 <sup>nd</sup>	Yes	Yes	Yes
6	Goa	2 <sup>nd</sup>	Yes	Yes	Yes
7	Gujarat	2 <sup>nd</sup>	Yes	yes	Yes
8	Haryana	4 <sup>th</sup>	Yes	Yes	Yes
9	Himachal Pradesh	3 <sup>rd</sup>	Yes	Yes	Yes
10	Karnataka	3 <sup>rd</sup>	Yes	Yes	Yes
11	Kerala	4 <sup>th</sup>	Yes	Yes	Yes
12	Madhya Pradesh	4 <sup>th</sup>	Yes	Yes	Yes
13	Maharashtra	4 <sup>th</sup>	Yes	Yes	Yes

14	Manipur	2 <sup>nd</sup>	Yes	Yes	Yes
15	Odisha	3 <sup>rd</sup>	Yes	Yes	Yes
16	Punjab	4 <sup>th</sup>	Yes	Yes	Yes
17	Rajasthan	4 <sup>th</sup>	Yes	Yes	Yes
18	Sikkim	3 <sup>rd</sup>	Yes	Yes	Yes
19	Tamil Nadu	4 <sup>th</sup>	Yes	Yes	Yes
20	Tripura	3 <sup>rd</sup>	Yes	Yes	Yes
21	Uttar Pradesh	4 <sup>th</sup>	Yes	Yes	Yes
22	Uttarakhand	3 <sup>rd</sup>	**	Yes	Yes
23	West Bengal	3 <sup>rd</sup>	Yes	Yes	Yes
<b>Union Territories</b>					
1	Chandigarh	3 <sup>rd</sup>	**	Yes	Yes
2	Dadra & Nagar Haveli	*	Yes	Yes	*
3	Daman & Diu	*	Yes	*	*

**Source:- 1) Final report-National council of applied Economic research-2008.**

**2) Report of the task force on State Finance Commissions and related matters 2013.**

**3) Status and Functioning of District Planning Committees in India 2009.**

**Note:** \* the States did not submit information for indicators.

\*\* DPCs are not constituted in all the districts.

(Some data is based on February 25, 2009 and updated from different state websites of Panchayati Raj).

The table no. 1, presents the states' response in complying the recommendations of Panchayati Raj Amendment Act 1993. Maximum number of states have adopted these recommendations i.e. have Constituted State Finance Commission, State Election Commission, District Planning Committees (DPCs) and these states have also followed the recommendation of holding elections every five years. Most of the states have constituted 3<sup>rd</sup> state finance commission and few states like Assam, Bihar, Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Kerala, and Punjab have put a step ahead and have constituted 4<sup>th</sup> state finance commission, to improve the fiscal conditions of PRIs in their respective states. As per the provision of Act 243 M of the Constitution, the States of Nagaland, Meghalaya, Mizoram and areas under the Fifth and the Sixth Schedule of the Constitution are not required to have State Finance Commissions (SFCs). Most of the states / UTs have District Planning Committees. The report on road map of Panchayati Raj (2012) reveals that while a large number of state governments have assigned many or some states even all the 29 functions but almost all the states except Karnataka (29FFF) followed by Kerala (26FFF) have assigned very few funds and functionaries to PRIs. Rajasthan, Punjab and Orissa state's position with regards to FFFs is very weak as only five to eleven departments are assigned which include Social Security, Women and Child Development, Welfare of Schedule Castes and Backward Castes, Water supply and sanitation, Rural Development and Panchayati Raj, Health and Family Welfare and School Education, Veterinary services etc. at the same time there are few sources of income of PRIs and few functionaries are employed under the provision to strengthen PRIs. No doubt, many efforts have been made to improve the fiscal condition of local self government, but even after two decades of constitutional provision assigned to this institution, sound fiscal position of PRIs could not be attained. PRIs have been mainly performing the task assigned, for the implementation of centrally sponsored and state schemes to alleviate poverty.

### **Implementation of Poverty Alleviation Schemes through PRIs**

In Maximum number of states of India following schemes of poverty alleviation are implemented through PRIs (State Government schemes have different names some times for the same purpose).

### **Mahatma Gandhi National Employment Guarantee Scheme (MGNREGS) (90:10)**

The main objective of MGNREGS is to enhance the livelihood security of the households in rural area by providing employment to adult members to do unskilled work. The task like the work to be done and the persons to get employment are performed by PRIs.

### **Indira Awaas Yojana (IAY) (75:25)**

This is a 75:25 sharing basis centrally sponsored scheme being executed between centre and state. Till 1996-97 it was a sub-scheme of JRY but after 1996-97 it has been made an independent scheme which aims at providing houses to the members of SCs and Non- SCs free of cost in the rural areas.

### **Construction of Toilets in the Villages**

This is state sponsored scheme, which is helpful for the welfare of poor rural people living in the villages especially for the scheduled caste and backward classes.

### **Rural Sanitation Programme**

This is centrally sponsored scheme the funding shared between Government of India (GOI) and the state governments. Under this scheme, the rural sanitary latrines are constructed in the villages by the beneficiaries themselves under the supervision of Panchayats.

### **Swarnjayanti Gram Swarozgar Yojana (SGSY) (75:25)**

This scheme is being shared between the centre and the state on 75:25 basis. It assists poor rural people by providing them income generating assets through a mix of bank credit and subsidy.

### **Backward Regions Grant Fund (BRGF)**

This is totally centrally sponsored scheme which is being implemented in backward regions in

selected area of states to make fast process of development of these areas.

#### Integrated Waste Land Development Project

It is 11:1 central- state sponsored scheme for the development of waste land. So that waste land is used to generate rural employment through agricultural activities.

#### Issue of Yellow Cards for Identification of Weaker Sections

To implement the rural development programmes, beneficiaries are identified and Yellow Cards are issued for getting benefits under various welfare schemes for the poor people.

#### National Social Assistance Program (NSAP)

The NSAP was launched with effect from 15<sup>th</sup> August, 1995 as a 100 percent centrally sponsored scheme with the aim to provide social assistance benefit to poor households in the case of old age, death of primary breadwinner and maternity.

#### Credit-cum-Subsidy Scheme

During the year 1999-2000, the Government of India launched the 'Credit-cum-Subsidy Scheme' for rural housing under which funds are shared between the Central and State Government in the ratio of 75:25. Under the scheme, poor families having annual income below 32,000 and not covered in IAY, are covered and benefited. A sum of 15,000 is provided as subsidy and the remaining cost of house is arranged through loan from scheduled /commercial banks repayable by the beneficiaries (Planning Commission, 2011).

So, there are many programmes set by Government on grass root level with the decentralized

policy to remove main hindrances in the way of all round development of an economy. These programmes have been generating employment, economic security as well as improvement in social and economic condition of the rural poor people. The efficiency of programmes depends on the way in which these policies are implemented. So GOI, attempts to choose a better method which is the participation of Panchayats and rural people in order to achieve ultimate goal. The position of PRIs is also important to be studied in order to find out their role in India. The Ministry of Panchayati Raj launched the Panchayat Empowerment & Accountability Incentive Scheme (PEAIS), in 2005-06, for (i) incentivization of States for devolving funds, functions and functionaries (3Fs) to Panchayats and (ii) incentivization of Panchayats to put in place accountability systems to make their functioning transparent and efficient. Since 2011-12, best performing Panchayats and Gram Sabhas are also being awarded during the Panchayats day on 24<sup>th</sup> April. Under this scheme states are ranked under two categories of devolution indices (DIs), cumulative devolution index (CDI) and incremental devolution index (IDI). In 2011-12, the cumulative DI was prepared based on four dimensions/ indicators, viz. framework, functions, finances and functionaries (Ministry of Panchayati Raj, 2013). Whether the growth and performance of PRIs are related to the any decline in the rural poverty ratio in order to judge this, rank of CDI of PRIs and rural poverty ratio have been compared.

Table - 2

Cumulative Devolution Index and Poverty Ratio in India: State-wise Position

S. No.	State/ UT	Ranks of Cumulative DI 2011-12	Rural Poverty Ratio 2011-12	
			Percentage of Persons	No. of Persons in Lakh
1	Andhra Pradesh	-	10.96	61.80
2	Arunachal Pradesh	20	38.99	4.25
3	Assam	-	33.89	92.06
4	Bihar	17	34.06	320.40
5	Chhattisgarh	22	44.61	88.90
6	Goa	16	6.81	0.37
7	Gujarat	10	21.54	75.35
8	Haryana	11	11.64	19.42
9	Himachal Pradesh	12	8.48	5.29
10	J&K	-	11.54	10.73
11	Jharkhand	21	4.84	104.09
12	Karnataka	2	24.53	92.80
13	Kerala	1	9.14	19.95
14	Madhya Pradesh	4	35.74	190.95
15	Maharashtra	3	24.22	150.56
16	Manipur	-	38.80	7.45
17	Odisha	13	35.69	126.14
18	Punjab	-	7.66	13.35
19	Rajasthan	6	16.05	84.19
20	Sikkim	8*	9.85	0.45
21	Tamil Nadu	5	15.83	59.23
22	Tripura	-	16.53	4.49
23	Uttar Pradesh	15	30.40	479.35
24	Uttarakhand	14	11.62	8.25
25	West Bengal	7	22.52	141.14

Union Territories				
1	Chandigarh	22	1.64	0.004
2	Dadar & Nagar Haveli	-	62.9	1.15
3	Daman & Diu	19	-	-
4	Puducherry	-	17.06	0.69

Source: 1) [pib.nic.in/newsite/erelease.aspx?relid=84752](http://pib.nic.in/newsite/erelease.aspx?relid=84752).

2) Press note on poverty estimates, 2011-12, GOI planning commission July 2012.

\*Sikkim is 1<sup>st</sup> in Cumulative DI among NER States.

Table no: 2 describes that Kerala, Karnataka, Maharashtra, Madhya Pradesh and Tamil Nadu have ranks 1<sup>st</sup> to 5<sup>th</sup>, under CDI category. Whereas, the states' Arunachal Pradesh, Jharkhand and Chhattisgarh have lagged behind in strengthening of PRIs. The State/ UT, Andhra Pradesh and Pondicherry could not participate in scheme in 2011-12, due to non-conducting of elections to the LGBs within the stipulated time frame. Magnitude of poverty is less than 10 lakh in some states like Goa, Sikkim, Arunachal Pradesh, Tripura, Himachal Pradesh, Manipur and Uttarakhand while it is too high and varies between 1 crore to more than 4 crore in some states like Jharkhand, Madhya Pradesh, Maharashtra, West Bengal, Bihar and Uttar Pradesh. The states' Jharkhand, Goa, Punjab, Himachal Pradesh, Kerala and Sikkim have represented the lower (4 to 10 percent) poverty ratio in Percentage terms of persons as compared to other states. The best performers with regard to strengthening of PRIs and out of ten better performer states with regard to CDI, eight states have poverty ratio-below national average. So there is a need to strengthen fiscal as well as structural condition of PRIs in order to alleviate poverty in all the states of India.

**Conclusion**

India, which is trying to adopt a decentralized governance model upto the third level in the federal structure, in order to tackle many hindrances in the process of development i.e. unemployment, illiteracy and many other economic and social evils. The root cause of which is rural poverty. Poverty is a seed behind every problem related to development. So with the poverty alleviation as one of the Welfare Function assigned to the PRIs and with different programmes of GOI, has been trying to alleviate the poverty by direct participation of rural poor people through the involvement of PRIs. The Panchayati Raj Institutions have been helping in the implementation of many schemes like MGNREGS, IAY, SGSY and NSAP etc.

to alleviate poverty of rural poor people. The best performers with regard to strengthening of PRIs and out of ten better performer states with regard to CDI, eight states have poverty ratio-below national average. So there is a need to strengthen fiscal as well as structural condition of PRIs in order to alleviate poverty in all the states of India.

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