



Unit 3: Panchayati Raj & Rural Administration

UNIT 3- Panchayati Raj & Rural Administration:

Outcomes- Studying Panchayati Raj and Rural Administration can provide students with a comprehensive understanding of the challenges and opportunities in rural areas, and equip them with the skills and knowledge necessary to address these issues.

I. PANCHAYATI RAJ INSTITUTION-

- A three-tier structure of the Indian administration for rural development is called Panchayati Raj.
- The aim of the Panchayati Raj is to develop local self-governments in districts, zones, and villages.

INTRODUCTION:

- Rural development is one of the main objectives of Panchayati Raj and this has been established in all states of India except **Nagaland, Meghalaya** and **Mizoram**, in all **Union Territories except Delhi** and certain other areas.
- These areas include:
 - a. The scheduled areas and the tribal areas in the states
 - b. The hill area of Manipur for which a district council exists and
 - c. Darjeeling district of West Bengal for which Darjeeling Gorkha Hill Council exists

EMERGENCE OF PANCHAYATI RAJ-

- The Panchayati system in India is not purely a post-independence phenomenon. In fact, the dominant political institution in rural India has been the village panchayat for centuries.
- In ancient India, panchayats were usually elected councils with executive and judicial powers. Foreign domination, especially Mughal and British, and the natural and forced socio-economic changes had undermined the importance of the village panchayats.
- In the pre-independence period, however, the panchayats were instruments for the dominance of the upper castes over the rest of the village which furthered the divide based on either the socio-economic status or the caste hierarchy.
- The evolution of the Panchayati Raj System, however, got a fillip after the attainment of independence after the drafting of the Constitution.



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- The Constitution of India in Article 40 enjoined: "*The state shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government*".
- There were a number of committees appointed by the government of India to study the implementation of self-government at the rural level and also recommend steps in achieving this goal.
- The committees appointed are as follows:
 - Balwant Rai Mehta Committee
 - Ashok Mehta Committee
 - G V K Rao Committee
 - L M Singhvi Committee
- Panchayati Raj was not a new concept to India.
- Indian villages had Panchayats, which were having both executive and judicial powers and used to handle various issues or disputes arising in the village area.
- Gandhiji also held the opinion of empowerment of Panchayats for the development of rural areas.
- Thus, recognizing their importance our Constitution makers included a provision for Panchayats in part IV of constitution.
- Article 40 confers the responsibility upon State to take steps to organise Village Panchayats and endow them with powers and authority to enable them to function as units of self-government. But it does not give guidelines for organising village panchayats.
- Panchayati Raj formal organisation and structure was firstly recommended by Balwant Rai committee.
- The Committee, in its report in November 1957, recommended the establishment of the scheme of 'democratic decentralisation', which ultimately came to be known as Panchayati Raj.
- It recommended for a three tier system at village, block and district level and it also recommended for direct election of village level panchayat. 9. Rajasthan was the first state to establish Panchayati Raj at Nagaur district on October 2, 1959.
- After this, Ashok Mehta Committee on Panchayati Raj was appointed in December 1977.
- In August 1978 submitted its report with various recommendations to revive and strengthen the declining Panchayati Raj system in the country.
- Its major recommendation were two tier system of panchayat, regular social audit, representation of political parties at all level of panchayat elections, provisions for regular election, reservation to SCS/STs in panchayats and a minister for panchayati raj in state council of ministers.
- Further, GVK Rao Committee appointed in 1985 again recommended some measures to strengthen Panchayati Raj institutions.
- LM Singhvi Committee appointed in 1986 first time recommended for the constitutional status of Panchayati Raj institutions.



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- In response to the recommendations of LM Singhvi committee, a bill was introduced in the Lok Sabha by Rajiv Gandhi's government in July 1989 to constitutionalize Panchayati Raj Institutions, but the bill was not passed in Rajya Sabha.
- After this PV Narashima Rao's government introduced a bill for this purpose in Lok Sabha in September, 1991 and the bill finally emerged as the 73rd Constitutional Amendment Act, 1992 and came into force on 24th April, 1993.
- Panchayati Raj (Council of five officials) is the system of local self government of villages in rural India.
- It consists of the Panchayati Raj Institutions (PRIs) through which the self-government of villages is realized.
- PRIs are tasked with economic development, strengthening social justice and implementation of Central and State Government Schemes.
- Part IX of the Indian Constitution is the section of the Constitution relating to the Panchayats.
- It stipulates that in states or Union Territories with more than two million inhabitants there are three levels of PRIS:

THE COMMITTEES APPOINTED FOR PANCHAYATI RAJ ARE:

A. Balwant Rai Mehta Committee & Panchayati Raj:

- The committee was appointed in 1957, to examine and suggest measures for better working of the Community Development Programme and the National Extension Service.
- The committee suggested the establishment of a democratic decentralised local government which came to be known as the Panchayati Raj.
- Recommendations by the Committee:
 - a) Three-tier Panchayati Raj system: Gram Panchayat, Panchayat Samiti and Zila Parishad.
 - b) Directly elected representatives to constitute the gram panchayat and indirectly elected representatives to constitute the Panchayat Samiti and Zila Parishad.
 - c) Planning and development are the primary objectives of the Panchayati Raj system.
 - d) Panchayat Samiti should be the executive body and Zila Parishad will act as the advisory and supervisory body.
 - e) District Collector to be made the chairman of the Zila Parishad.
 - f) It also requested for provisioning resources so as to help them discharge their duties and responsibilities.



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- The Balwant Rai Mehta Committee further revitalised the development of panchayats in the country, the report recommended that the Panchayati raj institutions can play a substantial role in community development programmes throughout the country.
- The objective of the Panchayats thus was the democratic decentralisation through the effective participation of locals with the help of well-planned programmes.
- Even the then Prime Minister of India, Pandit Jawaharlal Nehru, defended the panchayat system by saying, ". . . authority and power must be given to the people in the villages Let us give power to the panchayats."

Ashok Mehta Committee & Panchayati Raj:

- The committee was appointed in 1977 to suggest measures to revive and strengthen the declining Panchayati Raj system in India.
- **The key recommendations are:**
 - a) The three-tier system should be replaced with a two-tier system: **Zila Parishad** (district level) and the **Mandal Panchayat** (a group of villages).
 - b) District level as the first level of supervision after the state level.
 - c) Zila Parishad should be the executive body and responsible for planning at the district level.
 - d) The institutions (Zila Parishad and the Mandal Panchayat) to have compulsory taxation powers to mobilise their own financial resources.

B. G V K Rao Committee & Panchayati Raj:

- The committee was appointed by the planning commission in 1985.
- It recognised that development was not seen at the grassroots level due to bureaucratisation resulting in Panchayat Raj institutions being addressed as 'grass without roots'.
- Hence it made some key recommendations which are as follows:
 - a) Zila Parishad to be the most important body in the scheme of democratic decentralisation. Zila Parishad to be the principal body to manage the developmental programmes at the district level.
 - b) The district and the lower levels of the Panchayati Raj system to be assigned with specific planning, implementation and monitoring of the rural developmental programmes.
 - c) Post of District Development Commissioner to be created. He will be the chief executive officer of the Zila Parishad.
 - d) Elections to the levels of Panchayati Raj systems should be held regularly.



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C. L M Singhvi Committee & Panchayati Raj:

- The committee was appointed by the Government of India in **1986** with the main objective to recommend steps to revitalise the Panchayati Raj systems for democracy and development.

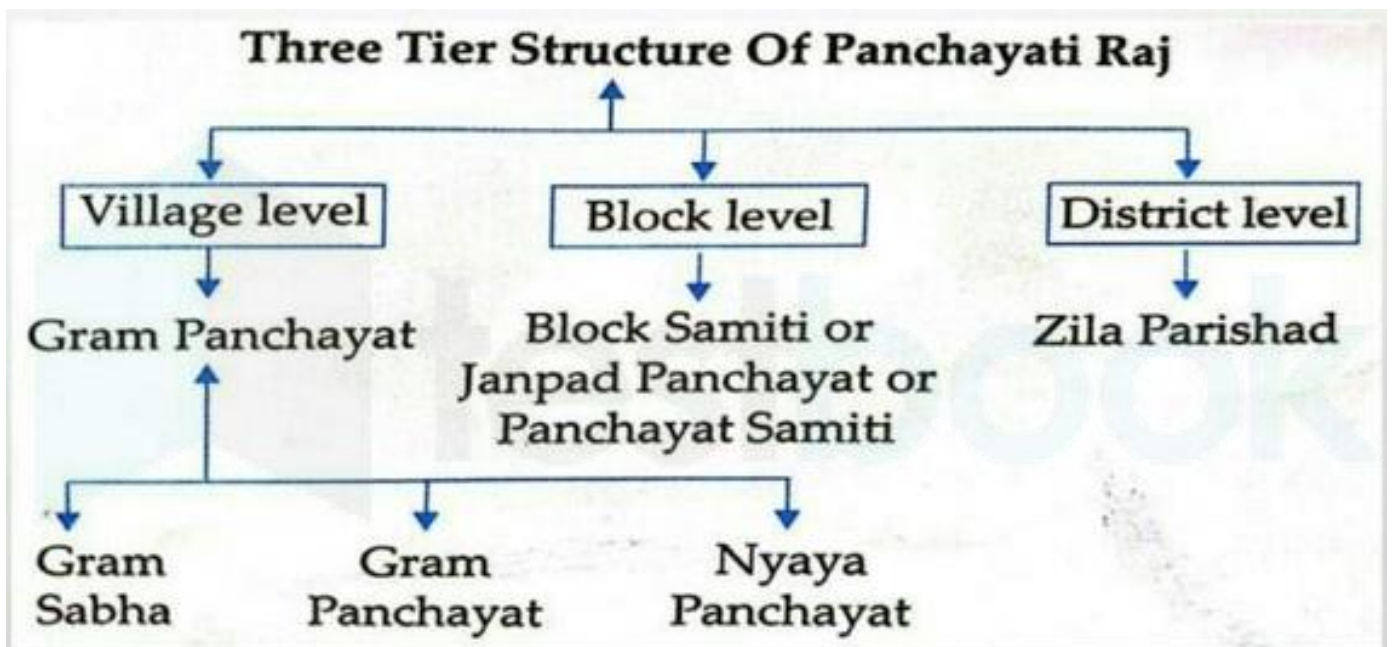
- **The following recommendations were made by the committee:**
 - a) The committee recommended that the Panchayati Raj systems should be constitutionally recognised. It also recommended

constitutional provisions to recognise free and fair elections for the Panchayati Raj systems.
 - b) The committee recommended reorganisation of villages to make the gram panchayat more viable.
 - c) It recommended that village_panchayats should have more finances for their activities.
 - d) Judicial tribunals to be set up in each state to adjudicate matters relating to the elections to the Panchayati Raj institutions and other matters relating to their functioning.

- All these things further the argument that panchayats can be very effective in identifying and solving local problems, involve the people in the villages in the developmental activities, improve the communication between different levels at which politics operates, develop leadership skills and in short help the basic development in the states without making too many structural changes.
- Rajasthan and Andhra Pradesh were the first to adopt Panchayati raj in 1959, other states followed them later. Though there are variations among states, there are some features that are common.
- In most of the states, for example, a three-tier structure including panchayats at the village level, panchayat samitis at the block level and the zila parishads at the district level-has been institutionalized.
- Due to the sustained effort of the civil society organisations, intellectuals and progressive political leaders, the Parliament passed two amendments to the Constitution - **the 73rd Constitution Amendment** for rural local bodies (panchayats) and the **74th Constitution Amendment** for urban local bodies (municipalities) making them 'institutions of self-government'.
- Within a year all the states passed their own acts in conformity to the amended constitutional provisions.



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i. The Gram Panchayats at village level:

- A Gram, meaning village or a cluster of villages, is divided into a minimum of five constituencies depending on the number of voters the Gram in having.
- From each of these constituencies one member is elected Body of these elected members is called the Gram Panchayat.



Sources of income:



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- Taxes collected locally such as on water, place of pilgrimage, local *Mandirs* (temples, mosques, church), and markets
- A fixed grant from the State Government in proportion to the land revenue and money for works and schemes assigned to the Parishads, Donations

ii. The Panchayat Samiti at block level:

- Panchayat samiti is rural local government (panchayat) body at the intermediate tehsi (taluka/mandal) level in India.
- Just as the tehsil goes by other names in various parts of India, notably *mandal* and *taluka*, there are a number of variations in nomenclature for the block panchayat.
- For example, it is known as *Mandal Praja Parishad* in [Andhra Pradesh](#), *Taluka Panchayat* in [Gujarat](#) and [Karnataka](#), and *Panchayat Samiti* in [Maharashtra](#). In general, the block panchayat has the same form as the gram panchayat but at a higher level.

iii. The Zila Parishad at district level:

- The Zila Panchayat or District Council or Mandal Parishad or District Panchayat is the third tier of the Panchayati Raj system and functions at the district levels in all states.
- A Zila Parishad is an elected body.
- The membership varies from 40 to 60 and usually comprises:
 - Deputy Commissioner of the District
 - Presidents of all Panchayat Samitis in the district
 - Heads of all Government Departments in the district
 - members of Parliament and Members of Legislative Assemblies in the district
 - a representative of each cooperative society
 - some women and Scheduled Caste members, if not adequately represented
 - co-opted members having extraordinary experience and achievements in public service.



Specific objectives OF Panchayati Raj:

- i. Assistance to the economically weaker sections of the community.
- ii. Cohesion and cooperative self help in the community.
- iii. Development of cooperative institutions.
- iv. Development of local resources including the utilization of manpower.
- v. Production in agriculture as the highest priority in planning.



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- vi. Progressive dispersal of authority and initiative both vertically and horizontally with special emphasis on the role of voluntary organizations.
- vii. Promotion of rural industries.
- viii. Understanding and harmony between the people's representatives and people servants through comprehensive training/education and a clear demarcation of duties and responsibilities.



Philosophy of Panchayat Raj :

- i. The philosophy of Panchayat Raj is deeply steeped in tradition and culture of rural India and is by no means a new concept.
- ii. Panchayati Raj Provided a system of self-governance at the village level.
- iii. Panchayati Raj Institutions is the grass-roots units of self-government- have been declared as the vehicles of socio-economic transformation in rural India.
- iv. Effective and meaningful functioning of these bodies would depend on active involvement, contribution and participation of its citizens both male and female.
- v. The aim of every village being a republic and panchayats having powers has been translated into reality with the introduction of the three-tier Panchayati Raj system to enlist people's participation in rural reconstruction.

II. GRAM PANCHAYAT-

- A Gram, meaning a village or a cluster of villages, is divided into a minimum of five constituencies depending on the number of voters the Gram is having.
- From each of these constituencies one member is elected.
- Body of these elected members is called the Gram Panchayat. Size of the Gram Panchayats varies widely from state to state.
- It is a democratic structure at the grass-roots level in India.
- It is a political institute, acting as cabinet of the village.
- The Gram Sabha work as the general body of the Gram Panchayat The members of the Gram Panchayat are elected by the Gram Sabha,

Functions of Gram Panchayats:

- Preparation of Annual Plans for the development of the village Panchaya area.
- Preparation Annual Budget of Village Panchayat.
- Mobilization of relief in natural calamities.
- Removal of encroachments on public properties.
- Organizing voluntary labours and contribution for community works
- Maintenance of essential statistics of villages.
- Service or developmental function, such as promotion of education, health, agriculture, etc.
- Representative function, where the main role is to voice and represent the opinion



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- Regulatory and administrative functions, which consists of regulating the conduct of individuals and institutions and also collection of taxes.

III. PANCHAYAT SAMITI-

- Panchayat samiti is a rural local government (panchayat) body at the intermediate tehsil (taluka/mandal) level in India.
- It works for the villages of the tehsil that together are called a development block.
- It has been said to be the "panchayat of panchayats".
- Typically, panchayat samiti is composed of elected members of the area: the block development officer, members of the state's legislative assembly, members of parliament belonging to that area, otherwise unrepresented groups (Scheduled Castes, Scheduled Tribes and women), associate members and the elected members of that panchayat block on the zila parishad.
- The samiti is elected for five years and is headed by a chairman and deputy chairman elected by the members of the panchayat samiti.
- One sarpanch samiti supervises the other gram panchayats. It acts as a co-ordinating body between district panchayat and gram panchayat.

Functions of Panchayat Samiti:

- The main functions of the Panchayat Samitis are planning, execution and supervision of all developmental programmes in the Block.
- It also supervises the works of Gram Panchayats within its Jurisdiction.
- It has to instill among people within its jurisdiction a spirit of self-help and initiative and work for raising the standard of living.
- It has to support for the implementation of development programmes.
- It has the welfare and development activities in the fields of agriculture, animal husbandry, health, sanitation, elementary education, cottage industries and social.
- It has to use the village housing project funds and loans.

IV. ZILA PARISHAD-

- The Zila Panchayat or District Council or Mandal Parishad or District Panchayat is the third tier of the Panchayati Raj system and functions at the district levels in all states.
- A Zila Parishad is an elected body.
- Block Pramukh of Block Panchayat are also represented in Zila Parishad.
- The members of the State Legislature and the members of the Parliament of India are members of the Zila Parishad.
- The Zila parishad is the top most tier of the panchayat raj system and acts as the link between the state government and the village-level Gram Panchayat.
- Zila Parishad are Panchayats at Apex or District Level in Panchayat Raj Institutions.



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- The Chairman of all the Panchayat Samitis under the district are the ex officio members of Zila Parishad.
- The deputy chief executive officer from General Administration department at district level is ex-officio secretary of Zila Parishad.
- The chief executive officer, who is an IAS officer or senior state service officer, heads the administrative setup of the Zila Parishad.

Functions of Zila Parishad :

- It works as advisory body for blocks.
- It approves budget and plan of blocks.
- It allots funds to the blocks.
- It approves budget and plan of blocks.
- Secondary education is the responsibility of this council.
- It should advise Government in all matters relating to rural development in the district.

73rd Amendment Act, 1992

- The 73 Amendment to the Constitution enacted in 1992 added a new part-IX to the Constitution.
- It also added a new XI schedule containing list of 29 functional items for Panchayats and made statutory provisions for the establishment, empowerment and functioning of Panchayati Raj institutions.
- Some provisions of this amendment are binding on the States, while others have been left to be decided by respective State Legislatures at their discretion.
- The salient features of this amendment are as follows:
 - i. Organization of Gram Sabhas;
 - ii. Creation of a three-tier Panchayati Raj Structure at the District (Zila), Block and Village levels;
 - iii. Almost all posts, at all levels to be filled by direct elections;
 - iv. Minimum age for contesting elections to the Panchayati Raj institutions be twenty one years
 - v. The post of Chairman at the District and Block levels should be filled by indirect election;
 - vi. There should be reservation of seats for Scheduled Castes Scheduled Tribes in Panchayats, in proportion to their population and for women in Panchayats up to one-third seats;
 - vii. State Election Commission to be set up in each State to conduct elections to Panchayati Raj institutions;
 - viii. The tenure of Panchayati Raj institutions is five years, if dissolved earlier, fresh elections to be held within six months; and.
 - ix. A State Finance Commission is to be set up in each State every five years.



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Following are some of the provisions, which are not binding on the States, but are only guidelines:

- i. Giving representation to the members of the Central and State legislatures in these bodies;
- ii. Providing reservation for backward classes; and
- iii. The Panchayati Raj institutions should be given financial powers in relation to taxes, levy fees etc., and efforts shall be made to make Panchayats autonomous bodies.

V. PEOPLE AND PANCHAYATI RAJ-

- A. To evoke local interest and excite local initiative in the field development people's participation in panchayat is necessary.
- B. By enhancing people's participation PRIs can be strengthened.
- C. Following circumstances helps in strengthening people's participation in PRIS:

i. Strengthening the Gram Sabha:

- ❖ The Gram Sabha is the only forum which provides opportunities to the adult villagers to directly participate and suggest what can and be to be done for their own village and how.
- ❖ In all other forums, people are substituted by "leaders" elected e otherwise.
- ❖ Only a strong Gram Sabha can ensure "the acquisition of the capacity the many to regulate authority".
- ❖ If not made accountable to the community, Gram Panchayats have tendency to become Sarpanch Panchayats.
- ❖ Gram Sabha serves to keep Gram Panchayat accountable

ii. Developing strong leadership of women and Dalits :

- ❖ Reservation of seats in Panchayats for women and Dalits has give them an opportunity to participate in development process.
- ❖ However most of them are illiterate and have to comply with social taboos and patriarchal values. So, it is not easy for them to actively participate in development process.
- ❖ To overcome this special programmes of awareness generation attitudinal changes and skill development should be conducted for women and Dalits.



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- ❖ They should be made an integral part (from beginning to end) of any process.
- ❖ The lack of adequate information about their roles and responsibilities inhibits women Panchayat leaders to function effectively.
- ❖ Better information dissemination and support and encouragement from community and NGOs are effective means of building up women and SC/ST leadership.

iii. Enabling Panchayats to have control over their own resources:

- ❖ If a Gram Panchayat is capable of doing effective work for village people's participation in Gram Sabha gets enhanced.
 - ❖ A number of provisions have been incorporated in the Constitution to strengthen financial situations of PRIS.
 - ❖ PRIs have been empowered to levy and collect taxes fees.
- Central and State governments provide mostly tied (scheme specific funds to Panchayats
- ❖ However panchayats do not have control over their own resources.
- If provided actual control over all the physical and natural resources lying in their respective geographical areas, panchayats can easily mobilise tens of millions of rupees as their own revenue.

iv. Establishing linkages between Community Groups and PRIS:

- ❖ Besides statutory bodies like GP and GS, there are a number of community groups in almost every village.
- ❖ For effective collaborations of community organisations and PRs, the GS should be made aware, active and strong.
- ❖ These community groups should have close interaction with specialised standing committees of GPs.
- ❖ In this regard, project-based committees should be strengthened to be more effective, autonomous and participatory.

VI. STRUCTURE OF RURAL FINANCE-

- ✚ **The rural finance market comprises of:**

1. Organized or formal segment:



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- The formal segment consists of the Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), Public and Private Sector Commercial Banks, Regional Rural Banks (RRB), Land Development Banks (LDB), State Cooperative Banks (SCB), Central Cooperative Banks (CCB), Primary Agricultural Cooperative Banks (PACB), Central and States Governments, Life Insurance Corporation (LIC), Post Office Savings Bank, etc.
- RBI is responsible for overall monetary policy and provides accommodation to NABARD and IDBI for agricultural and Rural Industries respectively.
- These institutions in turn provide refinance to commercial banks including RRB's and SCB's and State Land Development Banks (SLDB's). The refinance from NABARD is distributed to the rural entrepreneurs through two or three tier

cooperative structures respectively for long term, short term and medium term lending. In case of commercial banks and RRB's they refinance directly to the users.

- Except LDB's and PAC's, all financing agencies collect deposits from rural households. Post office saving banks are active in rural areas.

2. Unorganized or informal segment:

- **Relatives and friends:** Borrowers obtain their loans more promptly from relatives and friends and loans are virtually interest free.
- **Money lenders:** Money lenders are the main informal source of credit for rural household in India. Because in rural areas people do not have access to banks and other financial institutions.
- **Traders and Commission Agents:** Traders and Commission agent in village are in direct contact with the farmers.

VII. VARIOUS ORGANISATIONS WORKING IN THE FIELD OF RURAL FINANCE IN INDIA-

1. **Reserve Bank of India (RBI):** The Reserve Bank of India is India's central bank and regulatory body under the jurisdiction of Ministry of Finance, Government of India.



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2. **National Bank for Agriculture and Rural Development (NABARD)** NABARD is an apex regulatory body for overall regulation of regional rural banks and apex cooperative banks in India. It is under the jurisdiction of Ministry of Finance, Government of India.
3. **Regional Rural Banks (RRBs)**: Regional Rural Banks (RRBs) are government owned scheduled commercial banks of India that operate at regional level in different states of India.
4. **Land Development Banks (LDB)**: A land development bank is a special kind of bank in India. The main functioning of this bank is to develop the agriculture and to avoid the land corruption.
5. **Cooperative Banks**: The rural co-operative credit system in India is primarily mandated to ensure flow of credit to the agriculture sector. It comprises short-term and long-term co-operative credit structures. The short-term co-operative credit structure operates with a three-tier system: Primary Agricultural Credit Societies (PACS) at the village level, Central Cooperative Banks (CCBs) at the district level and State Cooperative Banks (SCBs) at the State level.
6. **Life Insurance Corporation (LIC)**: LIC is an Indian statutory insurance and investment corporation. It is under the ownership of Ministry of Finance, Government of India.

NABARD (National Bank for Agriculture and Rural Development)-

- It is a development financial institution in India that was established in 1982.
- It was set up with the objective of providing credit and other financial facilities to farmers, rural artisans, and small entrepreneurs engaged in agriculture and allied activities.
- NABARD is headquartered in Mumbai and operates through a network of regional offices throughout India.
- NABARD's primary function is to provide credit and financial assistance to promote agriculture and rural development. It also works to develop rural infrastructure, provide training and support for rural development programs, and promote research and innovation in the agricultural sector.
- NABARD operates various schemes and programs to provide financial assistance to farmers and rural entrepreneurs. Some of the schemes offered by NABARD include agricultural credit, rural infrastructure development, and microfinance. NABARD also offers technical assistance and training to rural entrepreneurs to help them develop their businesses.



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- Overall, NABARD is a vital institution in India's rural development landscape. Its efforts have helped to promote agricultural productivity, rural livelihoods, and overall economic development in rural areas. It continues to be a major player in India's efforts to achieve sustainable and inclusive growth in the agricultural sector and rural areas.

Functions of NABARD:

- NABARD was established as a development bank to perform the following functions:
 - a. To serve as an apex financing agency for the institutions providing investment and production credit for promoting various developmental activities in rural areas;
 - b. To take measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions and training of personnel;
 - c. To coordinate the rural financing activities of all institutions engaged in developmental work at the field level and liaison with the Government of India, the State Governments, the Reserve Bank and other national level institutions concerned with policy formulation; and
 - d. To undertake monitoring and evaluation of projects refinanced by it.
 - e. NABARD gives high priority to projects formed under Integrated Rural Development Programme (IRDP).
 - f. It arranges refinance for IRDP accounts in order to give highest share for the support for poverty alleviation programs run by Integrated Rural Development Programme.
 - g. NABARD also gives guidelines for promotion of group activities under its programs and provides 100% refinance support for them.
 - h. It is setting linkages between Self-help Group (SHG) which are organized by voluntary agencies for poor and needy in rural areas.
 - i. It refinances to the complete extent for those projects which are operated under the 'National Watershed Development Programme' and the 'National Mission of Waste and Development'.
 - j. It also has a system of District Oriented Monitoring Studies, under which, study is conducted for a cross section of schemes that are sanctioned in a district to various banks, to ascertain their performance and to identify the constraints in their implementation, it also initiates appropriate action to correct them.
 - k. It also supports "Vikas Vahini" volunteer programs which offer credit and development activities to poor farmers.
 - l. It also inspects and supervises the cooperative banks and RRBs to periodically ensure the development of the rural financing and farmers' welfare.
 - m. NABARD also recommends about licensing for RRBs and Cooperative banks to RBI.

Role of NABARD:



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- a. It is an apex institution which has power to deal with all matters concerning policy, planning as well as operations in giving credit for agriculture and other economic activities in the rural areas.
- b. It is a refinancing agency for those institutions that provide investment and production credit for promoting the several developmental programs for rural development.
- c. It is improving the absorptive capacity of the credit delivery system in India, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, and training of personnel.
- d. It co-ordinates the rural credit financing activities of all sorts of institutions engaged in developmental work at the field level while maintaining liaison with Government of India, and State Governments, and also RBI and other national level institutions that are concerned with policy formulation.
- e. It prepares rural credit plans, annually, for all districts in the country.
- f. It also promotes research in rural banking, and the field of agriculture and rural development.

RRBs (Regional Rural Banks)-

- RRBs (Regional Rural Banks) are specialized banks in India that were established in 1975 with the objective of providing banking and financial services to rural and semi-urban areas. RRBs are jointly owned by the Government of India, the State Government, and the Sponsor Bank (usually a public sector bank).
- The primary objective of RRBs is to cater to the credit and banking needs of small farmers, artisans, agricultural laborers, and other rural and semi-urban households.
- They offer various banking services such as savings and current accounts, fixed deposits, loans, and other financial services such as insurance and mutual funds.
- RRBs have a three-tier organizational structure consisting of the Head Office, Regional Offices, and Branches.
- The head office is responsible for overall policy and control, while the regional offices oversee the operations of the branches in their respective regions. The branches are the primary interface between the RRB and its customers.

Some distinct features of RRBs are:

- RRBs have the characteristics of both a commercial bank and a co-operative bank. It has the professionalism and ability to mobilise financial resources like a commercial bank and is familiar with rural problems like a co-operative bank.
- RRBs ensure adequate credit for agriculture and other rural sectors.



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- Like any commercial bank, RRBs have a board of directors, a chairperson, a managing director, a manager, regional managers, and other staff.
- According to the RRB Act 1976, RRBs provide financial assistance to farmers, Medium and Small Enterprises (MSMEs), local craftsmen, and artisans for agriculture, industries, trade, commerce, and their economic development.
- RRBs are owned by the stakeholders in a fixed proportion of 50:35:15, with the central government owning 50%, the sponsor bank owning 35%, and the state government owning 15%.
- 75% of the total bank credit has to be provided to the Priority Lending Sector (PLS). Short-term loans at a low rate of interest are extended to the priority sector.
- RRBs cannot extend large or long-term loans to their customers.

Functions of Regional Rural Banks:

- **Accept Deposits**

RRBs accept deposits from their bank account holders. Deposits can be made in current or savings accounts, in fixed or recurring forms.

- **Loan Extension**

RRBs extend loans and credit services to the Priority Sector (PS) classified under Priority Sector Lending (PSL). The priority sector comprises people and sectors like -

- Small and marginal farmers
- Craftsmen and artisans
- Local traders
- Medium and small-scale businesses
- Education
- Housing
- Renewable energy

- **Wage disbursement**

RRBs perform a vital task of distribution of wages under the MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act), the Pradhan Mantri Gram Sadak Yojana (PMGSY). RRBs also distribute the pensions provided under the poverty alleviation and pension schemes of India.

- **Other functions of RRBs**

Like commercial banks, RRBs provide agency services to their customers, such as foreign



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exchange, bill payments, and money wire transfers. Utility services like ATMs, UPI, debit card issuance, locker facilities, etc. are also provided by RRBs.

IX. Community organization

- **Community Based Organization** refers to organization aimed at making desired improvements to a community's social health, well-being, and overall functioning.
- Community organization occurs in geographically, psychosocially, culturally, spiritually, and digitally bounded communities.
- Community organization includes community work, community projects, community development, community empowerment, community building, and community mobilization.
- It is a commonly used model for organizing community within community projects, neighborhoods, organizations, voluntary associations, localities, and social networks, which may operate as ways to mobilize around geography, shared space, shared experience, interest, need, and/or concern.

- Community based organizations (CBO's) are nonprofit groups that work at a local level to improve life for residents.

- The focus is to build equality across society in all streams – health care, environment, quality of education, access to technology, access to spaces and information for the disabled, to name but a few.
- The inference is that the communities represented by the CBO's are typically at a disadvantage. CBO's are typically, and almost necessarily, staffed by local members – community members who experience first hand the needs within their neighborhoods.
- Besides being connected geographically, the only link between staff members and their interests is often the desire and willingness to help. Occupational skill sets and experience are greatly diverse.

VIII. SELF HELP GROUP-

- Self-help Groups (SHGs) are informal associations of people who come together to find ways to improve their living conditions. They are generally self-governed and peer-controlled.
- A **self-help group** (commonly abbreviated **SHG**) is a **financial intermediary** committee usually composed of 12 to 25 local women between the ages of 18 and 50.



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- Most self-help groups are in India, though they can be found in other countries, especially in South Asia and Southeast Asia.
- A SHG is generally a group of people who work on daily wages who form a loose grouping or union. Money is collected from those who are able to donate and given to members in need.
- Members may also make small regular savings contributions over a few months until there is enough money in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose.
- In India, many SHGs are linked with banks for the delivery of micro-credit.
- People of similar economic and social backgrounds associate generally with the help of any NGO or government agency and try to resolve their issues, and improve their living conditions.
- It can be defined as **self-governed, peer-controlled information group of people with similar socio-economic background** and having a desire to collectively perform common purpose.

Evolution Stages of Self Help Groups in India

- Every Self-help group usually goes through 3 stages of evolution stated below:
 1. Formation of group
 2. Funding or Formation of Capital
 3. Development of required skills to boost income generation for the group
- Many self-help groups are formed with the assistance of Self- help to promote agencies.
- The various types of Self-help promoting agencies are stated below:
 1. Non-governmental agencies
 2. Government
 3. Poverty management programmes
 4. State & commercial banks
 5. Microfinance institutions
 6. SHG Federations
 7. SHG leaders/Entrepreneurs

Functions of Self Help Groups

- They try to build the functional capacity of poor and marginalised sections of society in the domain of employment and income-generating activities.



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- They offer collateral-free loans to sections of people that generally find it hard to get loans from banks.
- They also resolve conflicts via mutual discussions and collective leadership.

- They are an important source of microfinance services to the poor.
- They act as a go-through for formal banking services to reach the poor, especially in rural areas.
- They also encourage the habit of saving among the poor.

Need for Self Help Groups

- One of the chief reasons for rural poverty is the lack of access or limited access to credit and financial services.
- The Rangarajan Committee Report highlighted four major reasons for lack of financial inclusion in India. They are:
 - a. Inability to give collateral security
 - b. Weak credit absorption capacity
 - c. The insufficient reach of institutions
 - d. Weak community network

- It is being recognised that one of the most important elements of credit linkage in rural areas is the prevalence of sound community networks in Indian villages.
- SHGs play a vital role in giving credit access to the poor and this is extremely crucial in poverty alleviation.
- They also play a great role in empowering women because SHGs help women from economically weaker sections build social capital.
- Financial independence through self-employment opportunities also helps improve other development factors such as literacy levels, improved healthcare and better family planning.



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Advantages of Self Help Groups

- **Financial Inclusion** – SHGs incentivise banks to lend to poor and marginalised sections of society because of the assurance of returns.
- **Voice to marginalised** – SHGs have given a voice to the otherwise underrepresented and voiceless sections of society.
- **Social Integrity** – SHGs help eradicate many social ills such as dowry, alcoholism, early marriage, etc.
- **Gender Equality** – By empowering women SHGs help steer the nation towards true gender equality.
- **Pressure Groups** – SHGs act as pressure groups through which pressure can be mounted on the government to act on important issues.
- **Enhancing the efficiency of government schemes** – SHGs help implement and improve the efficiency of government schemes. They also help reduce corruption through social audits.

- **Alternate source of livelihood/employment** – SHGs help people earn their livelihood by providing vocational training, and also help improve their existing source of livelihood by offering tools, etc. They also help ease the dependency on agriculture.
- **Impact on healthcare and housing** – Financial inclusion due to SHGs has led to better family planning, reduced rates of child mortality, enhanced maternal health and also helped people fight diseases better by way of better nutrition, healthcare facilities and housing.
- **Banking literacy** – SHGs encourage people to save and promote banking literacy among the rural segment.



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