



## Globalization and challenges to panchayati raj institutions

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### Abstract

Globalization as a process is transforming, in varying forms and degrees, the rural economies, societies and cultures throughout the developing world. The implication of the ongoing global economic restructuring on rural economies are diverse, multi dimensional and, in many cases, irreversible. The present paper is an attempt to examine the role of Panchayati Raj Institutions and rural development in the era of globalization. No doubt as workable democratic institutions the panchayati raj institutions play a significant role but the present system of panchayati raj is beset with inbuilt conflict and confusion of responsibility and does not encourage local initiative and enterprise. The growths of globalization and different economic institutions and policies in rural development have led to a number of challenges in rural communities. It encourages economic and social politics where it is unnecessary and harmful and denies political principles where it is necessary and useful. Due to these reasons, it is not coming up to the expectations of the people and well being of the rural communities. In order to make them more viable and useful as instruments of rural development, a drastic change in function and power of panchayati raj institution is outlined in the course of proper conduct of challenges and responses of globalization.

**Keywords:** globalization, panchayati raj institution, new economic policy, democratic decentralization

### Introduction

The era of economic globalisation began in 1991, when under pressure from the International Monetary Fund (IMF) and the World Bank (WB), India was forced to adopt structural adjustment programmes (SAPs). The restructuring of the economy has led to a gradual dismantling of government control and regulation. This in turn led to shrinkage in government revenues and expenditures. The worst hit by contracting budgetary allocations has been the social sector comprising education, health, agriculture, poverty, and food security programmes, which has further widened inequalities between the rich and the poor. In earlier times, globalisation was understood to mean the exchange of cultures, cross-border trade, and migration, while today's economic globalisation, is similar to imperialism and colonialism<sup>[1]</sup>.

In an era of globalisation, decentralisation is the principal countervailing trend which can ensure that the growth process is pro-poor, pro-women, pro-nature and pro-jobs. As market integration and technological innovation renders the national frontiers more porous, it is essential to put in place and strengthen systems of negotiation, regulation and decentralised governance. These can ensure that the voices and concerns of the poorest of the poor, in keeping with Mahatma Gandhi's message, are centre-stage in policy dialogue at the global, regional and national levels<sup>[2]</sup>.

In modern times, decentralised governance has gained very much in political currency under the overarching structure of what is possibly the most undeniable force of our times, globalisation. Theoretically, both marketisation and decentralisation involve a shift away from the centrality of the state, and together signifies the post-socialist era's collective revulsion for the state. In the last two decades, the World

Bank and other similar institutions have promoted both economic liberalisation and political decentralisation. While on paper the twin plan looks truly good, a complex relationship underlies the institutions that represent these two forces, at a functional level.

### Understanding Panchayat Raj Institutions (PRIS)

Soon after the Independence, PRI's were created as 'a set of institutional framework' to make the participation of rural masses meaningful and effective. It is also recommended that a 'three-tier system' of PRI is needed to organise and manage the rural development activities. By 1959, all the states had passed Panchayat Acts, and by mid 1960's, Panchayat Raj system was in operation in all parts of the country. Panchayati Raj with a three tier structure of democratic institutions at the district, village and intermediate levels was revived through central legislation.

### Four objectives of formulation were

1. It should contribute to meaningful participation by the people in local development.
2. It should reduce inter-group economic and social disparities and contribute to alleviate unemployment and poverty.
3. It should not affect adversely centre-state relations, preservation of which forms the basis of our federal polity.
4. It should promote bottom-up planning<sup>[3]</sup>.

A turning point in the concept and practice of Panchayat Raj took place with the appointment of Ashoka Mehta Committee in 1977. Following the Karnataka Panchayat Raj Act of 1985,

the central government came up with the 73<sup>rd</sup> Constitutional Amendment in 1993 [4]. In the Indian context, economic reforms and Panchayati Raj have been the two major policies necessary since the early 1990s. Direct local democracy has been mandated constitutionally through the 73<sup>rd</sup> and 74<sup>th</sup> Amendments. The principle of 'Cooperative Federalism' (decentralized) implementation based upon harmonious understanding between the three tiers of governance – Centre, State and local - is the basic argument of India's Five Year Plan. However, the actual progress of decentralisation has been uneven across States. In the absence of adequate financial power, functioning of the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) have been relentlessly constrained. In the absence of measures to strengthen public systems at the local level, panchayats run the same risk as the cooperatives of being drafted into the existing malaise of bureaucracy and politics which hinders effective implementation of programmes documented in plans for rural development. Lack of resources and almost total dependence on state administrative machinery had resulted in bureaucratization of the administrative apparatus and even of political representatives. People's participation was marginal as they had insignificant influence in decision making.

There is a saying that 'local problems have local answers'. By identifying the local problems on the felt needs of the people and in solving them the PRIs have to play a central role. The PRI's that is constituted on the concept of popular participation can alone ensure effective implementation of programmes which are intended to alleviate rural poverty.

The role of the Panchayati Raj Institutions (PRIs) acquires significance, for they provide an opportunity to assume the implementation of coordinated action at the grass root level for the benefit of the disadvantaged sections of society. However, for such action to actually materialize, it is necessary that mechanisms to counter local power structures are built into the process of Decentralisation. Evidently, measures are needed whereby the poor can participate more efficiently through PRIs and local informal groups and people's movements. Measures are required for tackling the difficulties of institutionalising the participation of the poor in PRI functioning. This involves removing the legislative and procedural problems that constrain the Gram Sabha, greater devolution of funds, functions and functionaries, putting in place instruments of audit and accountability and strengthening the participation of women. Even though national goals and aspirations are supportive of decentralisation, the translation of aspirations into reality requires strengthening the institutions of Panchayati Raj so that there is greater linkage with informal people's groups, user groups and also greater devolution of 'funds, functions and functionaries'.

### **Challenges and responses of globalization on panchayat raj institution and democratic decentralization**

The recent shift in the overall framework of development policy making has meant a fundamental alteration in the theoretical, conceptual and operational basis of rural development strategies. The key components of neo-liberal economic policies are the short term stabilization measures, which includes curtailment of the rate of growth of domestic

demand through measures like reduction in money supply, reduction in fiscal deficit via reduction in public expenditure. Supported by improved tax performance and the medium and long term structural adjustment programme (SAP), which are basically supply side measures to stimulate structural change by reorganizing production. During the post reform period inadequate investment in rural sectors led to shrinking environment opportunities in the non-farm sector. There have been qualitative deterioration in qualitative employment of rural people. The self-employed in rural manufacturing are being displaced because of growing competition from foreign and urban producers. It has been noticed that vulnerability of rural workers and small holders increase as a result of unequal sharing of burden of adjustment arising out of globalisation. Globalisation has led to environmental degradation, greater displacement of indigenous populations as well as worsening livelihood options for the people living therein [5].

In India, democratic decentralisation was part of the overall commitment to democracy at Independence. However, in most States, with the exception of a few such as Kerala, West Bengal and Karnataka, panchayati raj institutions dissolved into non-functioning local bodies. The 73<sup>rd</sup> Amendment enacted in 1993 coincided not only with the liberalisation impetus of the Central Government, but also with the World Bank's marked emphasis on "good governance" and decentralisation. Along with this policy came a flood of foreign funding, as prestigious agencies such as the Ford and MacArthur Foundations began to spend millions of dollars to support research and promotion of decentralised governance in developing countries.

This excitement may be short lived, or otherwise. But the central point here is that the issue of decentralisation goes to the heart of the broader problem of democracy in the present era. And if indeed globalisation is the defining model of our times, then the important question to ask, of course, that, what is the relationship between that larger process, and the aspirations towards democracy and decentralisation? Are these compatible or inherently conflicting tendencies? As the fundamental impulse of the economy moves away from centralised state institutions towards markets, in principle, this ought to facilitate the creation of structures that delegate power to localised bodies. The underlying principle of panchayati raj is the use of local knowledge, popular experience and participation in the making of decisions that affect local people. The local economy, however, particularly in a marketised context, is essentially a part and parcel of the larger economy and intimately connected to policies that define the macro economy. At that level, the process of policy-making is predominantly a technocratic, and consequently an elite-centred, rather than a participatory, exercise. These opposed tendencies in the logic of policy-making, at the local and national/State levels need to be acknowledged.

The working of economic planning, which started on as a part of independent India's developmental agenda, was a technically defined activity. However, the sensitive and ideological essence of concepts such as the public sector, socialistic pattern of society and so on imparted a popular and accessible tone to economic policy-making. In contrast, economic liberalisation has been by and large the product of

the intellectual and ideological preferences of a technocracy put in place and supported by successive Governments. While the political class has broadly supported the economic reform programme, the programme itself has a technocratic character. The sphere of policy-making at the national and state levels therefore belongs to that of the technical expert, and the language of policy itself is commonly technical and therefore inaccessible to the ordinary person, particularly the unlettered. The theory of decentralisation does not explain the connecting bridges between the increasingly technocratic character of public policy-making, on the one hand, and the supposed commitment to using people's knowledge and participation at local levels. When reduced to a question of choice between these two ends of the knowledge spectrum, the state's preference is obviously for a technocratic orientation to policy-making rather than to people's knowledge. Moreover, while the process of economic policy-making reflects centralising and exclusivist tendencies, and is in conflict with the logic of broad-based participatory governance, the outcome of these processes, that is, specific policies themselves, go against the logic of empowerment of the poor. For example, trade liberalisation of agricultural products, or decline in rural credit, are examples of policies enacted at the highest levels of the policy apparatus. The adverse impact of these policies on poor farmers, in terms of a fall in prices of their products, indebtedness to money-lenders leading to bankruptcy, distress and a spate of farmers' suicides in some States, have been widely documented.

Likewise, encroachment by MNCs, which turn small peasants' agricultural land into large-scale agribusiness ventures, threatens the livelihoods of thousands, without the promise of alternative employment. The given scope of panchayati raj institutions does not enable poor farmers to have any kind of impact on such policies, which shape their lives. The right to vote on local budgets, or having a few women represented in grama sabhas through reservation, may mean little in a situation where the economic backbone of rural livelihoods is eroding. These trends underline the contradictions between an elite-driven policy regime geared towards global markets, and the style of local empowerment. If the large-scale framework detracts from the logic of local empowerment, the local institutional context is no more facilitating for the poor. Panchayati raj institutions evidently reconstitute decision processes on the basis of local participation on a continuous basis, and therefore, in principle, represent an institutionalised shift in power towards lower, until now disempowered classes. The only error in this logic, of course, is that village level institutions continue to reflect unequal social and economic structures. Study after study of Panchayati raj institutions repeats the same themes that despite reservation for the lowest castes, higher caste and economically powerful groups within the village continue to be de facto leaders in panchayats. Regardless of reservation of seats for women, it is their men who involve themselves in Panchayat affairs and decisions, keeping the women as alternates.

Panchayati raj institutions are placed in within the existing political and economic system, rather than as a challenge to the latter. Usually village strongmen (frequently representing a higher caste and superior economic power) and/or local bureaucrats have wielded power within the village. The reason

for retaining of panchayati raj is based to some extent on the principle of cooperation and collaboration between these agents on the one hand and the poor and the marginalised on the other. Hitherto the simple issue, why should the local strongman and the bureaucrat collaborate with the lower classes in a programme which potentially spells the end of their power and vested interests, has not been addressed, or even acknowledged? The expectation is that by some means the strength of their numbers, the poor can use the institution for their own gain. And yet, the history of democracy has long established that numbers per se do not mean power, that numerical strength converts into power only by means of organisation and movement, and never otherwise<sup>[6]</sup>.

### **New Economic Policy (NEP) and the role of Panchayat Institutions**

The independent government gave the assurance that the citizens of India irrespective of caste, sex and creed should have the right to adequate means of livelihood, that the operation of economic system and execution of plans should not result in the concentration of wealth and means of production and that ownership and controls of natural resources of the community as a whole should be used in such a way to serve the common goods as a whole. In India the rhetoric of equity has always been prominent in political manifestoes and plan documents but the evidence is indeed insufficient. The macro economic imbalances since 1980's particularly plunge the country into such crisis which seems to very much unmanageable unless certain concrete policy measures are adopted for collecting the follies committed. Internally, union government had to accept the widening gap between income and expenditure culminating into huge fiscal deficits on the other hand externally there occurs persistent current account deficits in the balance of payments.

The objective of NEP is to gear up the whole mechanism and to improve the efficiency of the system by encouraging competitive environment in the economy. The new economy policies can be described as a package consisting of three separate sets of policies, namely, stabilization of the economy, restructuring of the economy through making it more competitive in nature; and globalisation of the economy by allowing the inroads to foreign goods, foreign capital etc; and making rupee fully convertible. As NEP imply a sudden departure from past tradition, obviously certain jerks may come in the way of the functioning of the economy and this package of economy have different implication on different sections of people. In India the true alternative in economic crisis and misuse of government money lies in getting away from the existing over centralized system. From the very inception of the planning era, people's participation in planning and implementation has been talked about. But in reality people were kept far away from the action schemes. Even the people's institutions are rule by the propertied classes of the rural society. But a transition has been started and it is the high time that such a transformation be backed up strongly by the will of the political parties. However, 'The real obstacle to a much brighter economic future for our country is political infirmity or the lack of will and power to do what needs to be done'. Through experience of 50 years of independent nation it has been amply testified that the present

model of development is socially iniquitous on one hand, and unsustainable on the other. The 73<sup>rd</sup> Amendment to the constitution place lots of hope on the Panchayati Raj institution to cause a face- lift of the scenario. The reason for administration being not responsive to the cause of people is that it is not sufficiently representative and thus gets isolated from the people. The administration can be made more responsive if it were made more representative. Not only that, if PRI can work effectively, they can sensitized the development bureaucracy to the cause of local areas and can provide sensitive feedbacks to the political system as a whole. As the Panchayat are very near the people and have the ability to feel the pulses of the people well, they can act as the watchdog pf plan implementation at the grassroots levels. Through their countervailing mechanism, PRI have the ability of counter the bureaucratic myopia because, Panchayat powers of perceiving the local need and aspiration are more than the government official. Further, PRI are less costly than official machinery and discharge responsibly more effectively if they are allow playing that role. In the context of NEP, if Panchayats are to be used as safety nets for the rural people, it is desired that they should be given more autonomy in exercising their roles and responsibility. It is true that 73<sup>rd</sup> Amendment Act requires the states to endow the Panchayat institutions with powers and authority for autonomy and self-government, but till now the progress is very much slow.

### Conclusion

The process of globalisation has been fundamentally changing the foundation of rural development discourse in complex and diverse manner. Development policies in general and those relating to the rural sector in particular are increasing being redesigned to suit the interest of metropolitan capital. The attempts to incorporate people's institution into the agenda of privatization are based on inadequate recognition of the need for self-mobilization and political articulation of under privileged. The present PRI is handicapped by two major limitations. The first is that the state governments have not internalized the provisions of the Constitution. Nor have the elected representatives adequately internalized the provisions of the state legislatures vis-a-vis the whole subject of Panchayati raj. There are too many misconceptions and too much misinformation on this subject. State governments are spending huge amounts of money to help NGOs develop skills in capacity-building. But the first exercise in capacity-building should be to present the constitutional provisions of Panchayati raj in simple, understandable language understood by all these representatives. Once this is done, 90% of the present problems will disappear <sup>[7]</sup>. In the present day there is an ideological vacuum, as a state-led and redistributive developmental model no longer provides a legitimizing talk, and the market does not offer alternative ideological proposals. Democratic decentralisation offers a convenient legitimising formula, finely replacing the responsibility to economic redistribution with a misleading rhetoric of political empowerment. However where existing structures of inequality are left intact and become compounded with the disadvantages of marketisation, political empowerment is a useful motto, not a reasonable or valid goal.

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