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Rural Non-Farm Economy and Livelihood Enhancement
DFID-World Bank Collaborative Research Project

Rural Non-Farm Economy and the Role of Local Governance Institutions in Narsimhapur District, MP.

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1. People's Awareness of Local Governance Issues, Narsimhapur District, MP.

1.1 Introduction

The research findings presented here form part of a project concerned with improved understanding and appropriate policy development for the rural non-farm economy. The research is being undertaken by the Natural Resources Institute (NRI) in collaboration with local partners, with funding from UK government's Department for International Development (DFID) under a collaborative agreement with the World Bank. Interest in the non-farm economy originates from the growing realisation that agriculture alone cannot provide sufficient livelihoods in the rural sector and therefore the important role that can be played by the RNFE, and its potential contribution to poverty alleviation.

The research project has three main components:

- 1 Factors that determine household or individual access or capacity to engage in rural non-farm activities;
- 2 The influence of Local Governance on the development of rural non-farm economy (the subject of this report); and
- 3 Characteristics and dynamics of the rural non-farm economy in Central and Eastern Europe and in the Confederation of Independent States in Central Asia (CIS).

Components 1 and 2 have involved field studies in India, in the states of Madhya Pradesh and Orissa. The research was phased over a three year period 2000-2003 with activities taking place in India between mid 2001 to March 2003.

This report presents the findings of the questionnaire-based household survey undertaken by DEBATE in collaboration with Natural Resources Institute in the district of Betul, in MP. The fieldwork was undertaken in 2001 and 2002. The methodology used and details of the study area are given in Annex 1.

Definitions: The term **Local Governance** in this study refers to both formal and informal institutions of governance. The former includes Panchayat Raj Institutions (PRIs) and the latter includes the civil society organisations, the private sector, and lending and donor agencies. RNFE includes activities that are outside the primary agriculture, forestry, animal husbandry and fisheries, whether carried out in one's own farm or as labour on other's farm.

1.2 Local Government Institutions in Madhya Pradesh.

Panchayat Raj Institutions in Madhya Pradesh have been considered a model for most of the north Indian states. This is because of the common cultural and linguistic background with Hindi as the most common language among all main north Indian states like Uttar Pradesh, Uttaranchal, Bihar, Rajasthan, Haryana, Jharkhand, Chhattisgarh and Himanchal Pradesh. Social scientists, researchers and governments keenly observed the progress and changes so that the lessons from Madhya Pradesh could be replicated or followed in other places.

In last eight years, popular decentralisation through Panchayat Raj Institutions, have shown us many sides of decentralisation. The major portion of this learning has taken place at the level of the state government where the state itself tried to make the law more people oriented. This exercise forced the



government to amend the state act on more than 14 occasions in last eight years. Soon after the second round of elections (PRI election 2000), the state government realised that Sarpanch used all the powers given to the village community, i.e., the power was being centralised at the level of the Sarpanch. This experience initiated the process of biggest amendment popularly called Gram Swaraj amendment.

Perception of village community on the functioning of institutions of governance provides important insights on many of the issues like what are the status of Panchayat and Gram Sabha; what are the main causes of poor performance of these institutions; and what is the impact of new institutions established through Gram Swaraj act. In this report the focus is on analysing the people's understanding and perceptions of the system of local governance and of its performance and impacts on the local economy.

Plan of Report: The report first discusses the participation rates in local elections and the levels of awareness and understanding of the Gram Sabha and of the Panchayats in Section 1.3. Section 2 examines the links between the people and the PRIs and impact of such relationships on their livelihoods. Section 3 assesses the nature of links between the community and the Line Departments and the impact of Government Sponsored Schemes on the local community and their livelihoods. Section 4 assesses the influence that the informal local government institutions have had on the development of rural non-farm activities of households. It also looks at the wider relations that may or may not exist between these actors of development and the PRIs. This is done by examining the nature of links between project-based committees and the Gram Sabha and the Panchayat. Section 5 concludes the paper.

1.3 Participation Rates in Local Elections

An indicator of democracy is the extent of participation during elections. Bearing this fact in mind, it was considered important to get an idea about the extent of participation during the elections of the Panchayat representatives. As seen from Table 1.1, in most of the villages the participation rate in elections is 80-90%. However, notable is the fact that the participation is very low in the Manegaon Panchayat and in the village of Manegaon, where it is only 33.3%. The local economy here is dominated by the Ashram and the feudal structure that goes with it. The priests had in many instances asked the community not to participate in the local elections as this "would divide the community".

The generally high rate of participation shows the level of faith and expectation of the rural people. They had hoped that the PRIs would reduce the community's dependency on institutions at Tehsil and Block levels.

Table 1.1: Participation Rates in Local Election

Name of the Blocks/Villages	Participation Rates in local Elections (% of Households)
Mawa-A	80.0
Joth	88.0
Manegaon	33.8
Paraswada	46.7
Chichli	-
Bandesur	91.4



Name of the Blocks/Villages	Participation Rates in local Elections (% of Households)
Batesara	88.5
Pahalwada	87.5
Thalwada	89.0

1.4 Awareness Levels about Gram Sabha and Panchayats

To assess the level of awareness about Gram Sabha amongst the community, the issues considered were as awareness about Gram Sabha and the Panchayat; functioning of Gram Sabha and Panchayats; roles of Gram Sabha and Panchayats; and the roles of various committees of Gram Sabha and Panchayat etc.

1.4.1 Awareness Level Related to Issues of Gram Sabha

Majority of the people are only somewhat aware about Gram Sabha in all the villages studied (Table 1.2). This is mainly because most of them have heard about Gram Sabha and it has indeed been around for 7 years when the PRIs took root in the villages. Therefore, a major issue of concern is the extent of complete unawareness especially in the Gotegaon block (37.1%) about the Gram Sabha. The Chichli block is comparatively well placed in terms of awareness about the Gram Sabha. This might be because of the comparatively more decentralized nature of power distribution amongst the majority of higher caste (Rajputs). In contrast, power is more centralized among few members of the upper caste in the Gotegaon block.

Table 1.2: Awareness of Gram Sabha (% of Households)

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	37.1%	12.3%
Somewhat aware	42.0%	61.4%
Fully aware	20.9%	26.3%

The extent of awareness about the Gram Sabha being a legal entity is strikingly low in the villages of Gotegaon block, with an average of 59% of the respondents ignorant of its status (Table 8.3). As opposed to the trend, more respondents in Chichli are somewhat aware about Gram Sabha being a legal body. The implications of ignorance about the Gram Sabha being a constitutional entity are very high and might be attributed to one of the reasons for the failure of the PRIs. Only when the community realizes the strength the Gram Sabha will their participation rates in Panchayats and Gram Sabha increase.

Table 1.3: Awareness about Gram Sabha Being a Constitutional Body (% of Households)

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	59.4%	35.8%
Somewhat aware	23.2%	39.4%
Fully aware	17.4%	24.9%

There is a distinct descending trend in the percentage of respondents in the three categories i.e., not

aware > somewhat aware > fully aware. This trend is much more conspicuous in Gotegaon whereas in the villages of Chichli, this trend is much less pronounced (Table 1.3). The extent of unawareness in the villages of Gotegaon block is lower on all issues. Nearly 69% and 68% of the respondents in Gotegaon and Chichli respectively are unaware about the committees associated with the Gram Sabha (Table 1.5). This can also be explained by the fact that the Gram Swaraj Act has been implemented only two years ago in January 2001 and the provisions of the Act have yet to be translated from paper to field.

Table 1.4: Awareness of Gram Sabha Functions (% of Households

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	53.8%	37.8%
Somewhat aware	30.6%	46.6%
Fully aware	15.7%	15.6%

Table 1.5: Awareness of Gram Sabha Committees (% of Households)

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	69%	68%
Somewhat aware	17.5%	23.6%
Fully aware	15.7%	15.6%

Overall, it can be said that the general levels of awareness of village level institutions are unacceptably low. Examining some explanatory factors, it is noted that landownership and household income are both positively correlated to levels of awareness. It is interesting to note that 63% of all upper caste members are somewhat aware of the functions and responsibilities of the Gram Sabha.

1.5 Awareness about Panchayats

Majority of the respondents are somewhat aware about the Panchayats in all the villages. The awareness level is higher in the Chichli block, as seen in the case of Gram Sabhas. As in the case of Gram Sabhas, on an average 58% of the respondents in the Gotegaon block are not aware of the constitutional status of the Panchayats. The scenario however, is far better in the villages of Chichli Block, with a third of the community not being aware of the aforementioned fact (Table 1.6). The impact of caste distribution is very strong on the level of awareness. In villages dominated by a small minority of higher castes, the general level of awareness is lower among the community, as in most of the villages of Gotegaon. As regards the awareness level of Panchayats being a constitutional body, around 60% of the respondents in Gotegaon are not aware about it and similar to the trend in the above case, the level of awareness is higher in Chichli (Table 1.6). Similar trend is seen for the level of awareness related to how the Panchayats function and the functioning of Panchayats with the level of awareness being higher in Chichli (Table 1.7 and Table 1.8).

Table 1.6: Awareness of Panchayats (% of Households)

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	33.9%	13.7%
Somewhat aware	41.8%	61.3%
Fully aware	24.3%	25%

Table 1.7: Awareness about Panchayats being a Constitutional Body (% of Households)

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	57.6%	32.5%
Somewhat aware	24%	43.2%
Fully aware	18.4%	24.3%

Table 1.8: Awareness of the Functions of Panchayats (% of Households)

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	50%	28.7%
Somewhat aware	35.5%	54.4%
Fully aware	14.5%	16.9%

Table 1.9: Awareness about the Functions of Panchayats (% of Households)

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	51.0%	25.7%
Somewhat aware	32.5%	55.9%
Fully aware	16.5%	18.4%

The levels of awareness about the functions of the committees of the Panchayats are equally low in both the blocks (Table 1.9). This implies that the people are aware about the existence of Panchayats but in-depth knowledge about aspects like functions of Panchayats, or about its committees is missing. It would also be worth mentioning here that there is confusion about committees associated with the Panchayats (as per the 73rd Amendment) and Gram Sabha committees (as per the Gram Swaraj Act).

Table 1.10: Awareness of the Functions of Committees of Panchayats (% of Households)

Level of Awareness	Gotegaon Block	Chichli Block
Not aware	67.1%	64.1%
Somewhat aware	19.6%	26.9%

Level of Awareness	Gotegaon Block	Chichli Block
Fully aware	13.3%	9.0%

1.6 Awareness about Powers Given to Gram Sabha

The level of awareness of the functions allocated to the Gram Sabha was assessed. The community is generally aware of the PRIs responsibilities related to infrastructure development like roads, streetlights and water resources. In matters related to finance like levying taxes etc., 60-70% of the respondent are not aware that the Gram Sabha has such rights. About 60% of the population in both the blocks are unaware that the Gram Sabha has the power to manage markets, maintain village forests/forest lands and also implement Government schemes. Control over markets and natural resources have a direct economic impact on the access to raw material and on overall development (Table 1.11).

Table 1.11: Levels of Awareness about Powers of Gram Sabha (% of Households)

Powers	Gotegaon Block			Chichli Block		
	Not Aware	Somewhat Aware	Fully Aware	Not Aware	Somewhat Aware	Fully Aware
Levy Taxes	65.2	21	13.8	47.3	31.9	20.9
Collect revenue	67.2	18.2	14.6	55.6	22.8	21.7
Construction and maintenance of roads	24.1	41.6	34.3	5.4	45.9	48.6
Providing street lights	48.9	29.2	21.9	19.6	43.5	37
Levy property tax	70.1	12.7	17.2	60.1	16.8	23.1
Construction & maintenance of drinking water resources	21	43.5	35.5	4.9	45.1	50
C&M of tablets	52.9	25	22.1	25	39.1	35.9
Manage markets/	73.5	12.5	14	53.9	26.4	19.7
Maintain village forest/ forest lands	62	19	19	43.9	33.9	22.2
Government Schemes	66.2	13.2	20.6	48.9	30.7	20.5

The level of awareness of the powers given to Gram Sabha to implement many of the schemes coming under various Government Departments has been quantified and the results show that 40.8% and 61.1% of the respondents in Gotegaon and Chichli respectively are aware about this fact (Table 1.12). When compared with other issues the level of awareness on this issue is comparatively higher especially in the case of Chichli. This might be because the implementation of the welfare schemes is very visible in nature and any change in the implementation agency becomes very conspicuous.

Table 1.12: Awareness that Departmental Schemes have been Transferred to the Gram Sabha (% of Households)

	Gotegaon	Chichli	Average
Yes	40.8%	61.1%	52.0%
No	59.2%	38.9%	48.0%

Summing up: The study indicates that for most people, the functions of Gram Sabha, are limited to road construction, maintenance of ponds, wells and water supply and to some extent, upkeep of village

forests and forestlands and collection of revenue. Very few people are aware of Gram Sabha's functions and roles of the Panchayats related to the implementation of Government schemes, managing markets/*haats*, levying property tax and construction of toilets for sanitation purposes, maintaining tribal customs and most importantly controlling the money lending interest rates in the village.

2 Linkages with PRI and Impact of these Linkages on the Community

2.1 Introduction

The initiation of any enterprise requires adequate linkages at several quarters. Since institutionalisation is the only solution to sustainability, therefore it was felt essential to understand the existing linkages between PRIs and economic activities in general and RNFE activities more specifically. This would in turn aid in gaining a comprehensive understanding of the type and of existing linkages between PRIs and RNFE.

2.2 Links with PRI

As seen from Table 2.1 the households of Gotegaon have weaker links with the Panchayat members than households in the villages of Chichli. This can be explained by the highly centralised nature of power distribution amongst a few families in Gotegaon leading to restricted information dissemination. This also means that the benefits of the entire Panchayat Raj Institutions could be confined to few individuals/households. The extent of linkages with Panchayat members can in this case, be taken as an indicator of transparency, one of the main parameters of the success/failure of decentralisation efforts. (Note: the use of linkages as indicator of transparency is viable in this condition, and might not hold true in all conditions). As opposed to the trend in Gotegaon, the villages of Chichli show more linkages with Panchayat members.

Table 2.1: Linkages of Household (%) with Members of Gram Panchayat

Name of village	No linkages	1 member of GP known	>1 members known	All members known	Total
Mawai-A	36.4	10.9	27.3	25.5	55
Joth	25.0	25.0	37.5	12.5	16
Manegaon	42.3	23.9	19.7	14.1	71
Paraswada	53.3	6.7	13.3	26.7	15
Gotegaon Block	39.3	16.6	24.5	19.7	157
Bandesur	11.1	27.8	30.6	30.6	36
Batesara	21.6	15.7	31.4	31.4	51
Dhalwada	10.3	17.9	59.0	12.8	39
Thalwada	13.8	12.3	46.2	27.7	65
Chichli Block	14.2	18.4	41.8	25.6	191
Percentages based on total number of respondents					

Table 2.2: Development of New Economic Activities and Links with Gram Panchayat (% of Households)

Responses	Name of Block		District Average
	Gotegaon Block	Chichli Block	
Yes	6.2%	4.2%	5.0%
No	93.8%	95.8%	95.0%

Table 2.2 shows that a small percentage of people who have links with the Panchayat have been able to use their links to develop new economic activities. 95% have had so such benefits. However, it appears that links with Gram Sabha committees have generated slightly higher benefits.

Table 2.3: Membership in Gram Sabha Committees (% of Households)

Block	Yes	No
Gotegaon	7.2%	92.8%
Chichli	10.7%	89.3%

For the households that have membership of Gram Sabha committees, majority have benefited by developing links outside the village (Tables 2.3 and 2.4). Interestingly, a greater proportion of members have benefited in Gotegaon than in Chichli (Table 2.4). This could be explained by the fact that in villages of Gotegaon, the Panchayats and its membership is confined to the vested interest groups. Therefore membership naturally brings benefits.

Table 2.4: Benefits due to Membership in Gram Sabha committees (% of Households)

Links Developed	Gotegaon Block	Chichli Block
GS links helped developing agricultural opportunities	25%	9.5%
GS links developed links outside village	50%	23.8%
GS links developed links outside Panchayat	50%	47.6%
GS links access to funds	16.8%	0%

2.3 Impact of Panchayat on Non-Farm Activities

Panchayats have the basic responsibility to plan for economic development. The Panchayats are expected to prepare annual action plans for local development following consultations with the Gram Sabha.

Our survey shows that only 11.9% and 7.6% from Gotegaon and Chichli respectively, think that the Panchayat had any impact in generating non-farm activities (Table 2.8). The reasons given were

- ◆ lack of awareness among elected members of such issues and their lack of planning capability;
- ◆ Panchayats have little control over the centrally sponsored schemes and they merely implement

them; and

- ◆ Departments do not share, and /or provide information to the PRIs that would enable them to undertake planning and development activities.

Table 2.5: Impact of Panchayats on RNFE

Responses	Gotegaon	Chichli
Yes	11.9%	7.6%
No	88.1%	92.4%

Amongst those who feel that the Panchayats have had positive impact on RNFE, majority (53%) in Gotegaon feel that the Panchayats provided more opportunities of wage labour employment. Under the employment insurance scheme, the Panchayat has to ensure employment for 100 days in the year per household. It also employs wage-workers for construction work under JGSY and 10 Finance Commission schemes. The trend in chichli is slightly different with 33.3% of these respondents feeling that Panchayats have helped open up avenues of self-employment as well as for wage labour (Table 2.8).

Table 2.6: Benefits from Panchayats on RNFE

Nature of Positive Impact	Gotegaon	Chichli
Increased Access of product to market	10.5%	20%
Increased sale of agricultural product	10.5%	13.3%
Increased access to forest resources	10.5%	-
Rise in avenues of self employment	10.5%	33.3%
Increase in opportunities related to labour	52.6%	33.3%
Better status of health and nutrition	-	13.3%
Better welfare services	10.5%	20%
Other	-	20%

Among those household who believe that Panchayats have had negative effect on Non Farm activities of the family (141 households in Gotegaon and 182 households in Chichli), around 16% of the respondents feel that the access to forests had decreased since the Panchayati Raj (Table 2.9). The decreased access to forests has been felt in both blocks. Decrease in access to the *Charnoi* land is conspicuous in its comparatively high occurrence (21.4%) in Chichli. This is obvious because Chichli has a higher forest cover than Gotegaon. It needs to be mentioned here that in some cases the respondents might have confused the intervention and measures of the Forest Department with the intervention by Panchayats. Although as per the Gram Swaraj Act (2001) the power to manage and control the natural resources of the village have been given to the Gram Sabha, this has yet to be actualised in the field.

Table 2.7: Negative Impact of Panchayats

Nature of Negative Impact	Gotegaon	Chichli
Decrease in access to forests	16.3%	16.5%
Decrease in access to sources of water	2.8%	2.2%
Reduced access to irrigation facilities	7.1%	11.5%
Decrease of <i>Charnoi</i> land	4.3%	21.4%

Increase in taxes	6.4%	8.8%
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It is pertinent to note that Panchayats and Gram Sabhas have not used their powers to levy tax and impose professional fees. This is largely because of their poor understanding of public finance and revenue generation. However, this also makes them fairly benign in the eyes of the community.

2.4 Areas of Intervention of Gram Panchayats and Gram Sabhas for Improving RNFE

When asked what role Panchayats could play in promoting RNFE, households noted that Panchayats should concentrate on improving employment generation (Table 2.10). This is perhaps a reflection of the fact that the Panchayat have been creating wage labour employment through the government schemes. Dissemination of market related information has been given the third rank and also implies that it is considered important by the community. The need to improve infrastructure and drawing benefits from it by the promotion of Non Farm Activities has been rated second by the community. This clearly establishes the links between good infrastructure and RNFE. It also is worth mentioning here that as on date the Panchayats are mostly recognized as agencies for promoting infrastructure and therefore this option is taken as a for granted role of the Panchayats.

Table 2.8: Future Role of Gram Panchayat and Gram Sabha in Increasing RNFE (% of Households)

Role	Gotegaon Block	Chichli Block	District	Rank
Improve infrastructure	10.3	13.2	11.9	2
Improve employment generation	80.9	81	81	1
Improve quality of Natural Resource Base	0.7	-	0.3	5
Get credit for value adding activities	0.7	-	0.3	5
Information dissemination on market demand	6.6	4.6	5.5	3
Establish market linkages	0.7	1.1	1	4

2.5 Constraints Faced By Gram Panchayat and Gram Sabha for Functioning Effectively

The respondents were asked about the constraints to better performance by the Gram Sabha and the Gram Panchayat. The ten options were given. As shown in table 2.11 there is not much variation in the perceptions of the people amongst the two blocks. 63% of the people feel that the lack of awareness among elected about their responsibilities is the major constraint. This has also been substantiated by field observations, which clearly point that most of the Panchayat official and members had a vague idea of the provisions and functions of Panchayat Raj Institutions. 60% of the respondents feel that the elected representatives do not perform mainly because they have vested interests and can work only for the promotion of their own interest rather than the interests of the community. 32% of the respondents feel that the elected members have lost interests in functioning for their community. Both these issues of members having only vested interests and the members having lost interest in functioning are of

grave concern and might considerably impede the pace of effective local governance. 29% of the respondents felt that lack of monitoring of the elected representatives was also a concern and a constraint. Monitoring mechanisms can ensure better performance as well as promote accountability.

Table 2.9: Constraints faced by Gram Panchayat or Gram Sabha in Functioning (% of Households)

Constraint	Gotegaon Block	Chichli Block	District Average	Rank
Not aware of responsibilities	59.7	65.3	63	1
Not aware of functions	23.1	21	22.1	6
Little room for decisions	23.9	15.2	19.6	7
Time constraints	14.9	15.8	15.3	9
Not given enough meeting notification	23.1	25.8	24.45	5
Do not receive funds on time	15.7	14.2	15	9
No monitoring	26.1	31.8	28.9	4
Members lost interest	33.6	30.5	32.1	3
Have only vested interests	52.2	68.4	60.3	2
Cannot identify needs	14.2	18.9	16.6	8

The response of the community supports the findings in Phase 1. The institutional analysis showed the poor information and knowledge base of the elected representatives as a major constraints to effective local governance.

3 Impact of Line Departments and Government Schemes

3.1 Links with Line Departments and Nature of Benefits

Following the devolution of power, 14 line departments were also transferred to the Panchayats and the committees of Janpad (Block) and Zila (District) Panchayat, so that elected members could approve the plans. The Line Departments have the responsibility to forward to the PRIs information related to the new schemes, rules and amendments. They are also expected to provide technical support for income generating activities. For example, the agricultural extension officer and the officials from the Department of Horticulture, have the responsibility to provide information to the Agriculture Committee of the Gram Sabha about the new varieties of seeds, fertilizers their uses and advantages etc., and provide financial assistance to these farmers.

The study revealed that maximum linkages are with the three departments of Agriculture, Education and Animal Husbandry in both the blocks (Table 3.1). This is expected because of the intensive nature of agriculture in the district (Table 2.5). In Chichli nearly 40% of the respondents have links with the Department of Agriculture, of which only 10% have benefited substantially. Both blocks, Chichli (47%) and Gotegaon (27%) have reasonable links with the Department of Education. The households have developed these links as the teacher visits the village regularly and through the Education Guarantee Scheme. Overall, in Gotegaon fewer people have links with government departments. However, seems that few have benefited from Welfare Schemes

Table 3.1: Linkages with Line Departments and Benefits Accrued

Department	Gotegaon Block				Chichli Block			
	% of Households with Links	% of households that have benefited from links ¹			% of Households with links	% of households that have benefited from links		
		NB	LB	AL		NB	LB	AL
Agriculture	25.4	52.6	22.3	9.8	39.2	42.3	28.6	10.2
Horticulture	7.4	33.3	22.2	11.1	3.5	50	25	-
Animal Husbandry	21.3	26.9	7.7	19.2	37.6	29.7	36.1	34
Sericulture	10.6	61.5	23.1	15.4	2.6	66.7	33.3	
Fisheries	7.4	55.6	22.2	22.2	11.2	69.2	30.8	-
Rural Industries	5	83.3		16.7	6.1	57.1	42.3	
Forest	17.05	59.1	27.3	13.6	13.04	80	13.3	6.7
PHE	10	58.3	25	16.7	13.3	12.5	43.8	43.8
Education	27	57.1	28.6	14.3	46.7	52.5	31.3	16.4
WCD	10.4	61.5	23.1	15.4	18.8	40.9	27.3	31.8
Revenue	15.9	85	10	5	21.9	76	20	4

¹ The percentage has been expressed against the number of respondents who have links with the particular department.

Department	Gotegaon Block				Chichli Block			
	% of Households with Links	% of households that have benefited from links ¹			% of Households with links	% of households that have benefited from links		
		NB	LB	AL		NB	LB	AL
Department								
DRDA	2.5	33.3		66.7	3.6	75	25	
Panchayat Social Development	11.2	57.1	28.6	14.3	17.5	57.1	33.3	9.5
Welfare Department	17.1	100			1.9	100		

Key: NB=No benefit; LB= Little benefit; AL – A lot of benefit.

3.2 Impact of links on income generating activities

It appears that However, 14% in Gotegaon and 7% in Chichli believe that their links have generated new income earning opportunities (Table 3.2).

Table 3.2: Income Benefits Due to Links with Line Departments (% of Households)

Responses	Name of Block	
	Gotegaon	Chichli
Yes	13.8%	6.8%
No	86.2%	93.2%

Most households agree that the schemes may have existed for a number of years and should have generated some benefits. However, they rarely approach the officials of the Line Department as the procedures are complicate and more importantly they are generally not aware of the schemes being implemented in the village.

3.3 Benefits of Government Schemes

Amongst the respondents, maximum beneficiaries are under the IRDP scheme. Around 46% in Gotegaon Block and 63% in Chichli Block of the beneficiaries feel that the scheme had no impact on their life. However, 36% and 29% of the respondents having benefited by increase in household income. Benefits in the form of increase in non farm income are considerably higher in Gotegaon (18%) than in Chichli. Overall, the beneficiaries are more spread out in the block of Chichli. This might be because of the special focus on this block considering its underdeveloped status (Table 3.3). In Chichli Block it appears that the same 3% of households are aware of the schemes, though they seem not to have benefited from this knowledge.

Table 3.3: Benefits from Government Schemes

Schemes	Gotegaon Block					Chichli Block					
		% of Households						% of Households			
	Y (%)	HH	NF I	EO	NI	Y	HH	NF I	EO	NI	
IRDP	16.4	36.4	18.2	-	45.5	50	29.2	4.2	4.2	62.5	
TRYSEM						2.9				100	
JRY	1.5				100	2.9			100		
EAS	5.9				100	2.9				100	
Jeevan Dhara	1.5	100				2.9				100	
SJGSY						2.9				100	
Mini ITI						2.9				100	
JGSY						2.9				100	
Credit subsidy						2.9				100	
Comp. HS benefit						2.9				100	

Key:*HH Increase in Household income**NFI Increase in non farm income**EO Increase in employment opportunities**NI No impact*

It is interesting to note that in Betul district nearly 10% of households have benefited from wage labour employment schemes like the Employment Assurance Scheme.

Despite the vast network of schemes and large number of Line Departments and the new powers devolved to the local government institutions, the community reports few benefits. However, it must be noted that rural communities consider direct financial benefits as the only real benefit. New information and help to establish new contacts are not real benefits. This would lead to an underestimation of the scheme benefits.

4 Impact of Informal Local Governance Institutions

4.1 Introduction

There are a large number of other institutions involved in development projects at the village level. This chapter looks at the role they play; the number of project committees in the villages; membership of, and benefits from, these committees; and the nature of links between the different user committees and the Gram Sabha.

4.2 Presence of Committees

All project based committees listed in Table 4.1 are operating in the two blocks. It is useful to assess the community's awareness of these bodies. In Gotegaon and Chichli Block more people are aware of the school management committee, parent teacher committee and the forest protection committee. Although 6-8 percent of the respondents in both the blocks have acknowledged the presence of the DPIP committees, none of the sample villages are on the DPIP list. Word about the nature and benefits from DPIP has spread rapidly amongst the entire rural population. The nature of the scheme is such that it gives grants to the community and therefore the aspiration to be a beneficiary of the scheme is high.

Table 4.1: Awareness of Project-based Committees

Schemes	Percentage of Respondents			
	Gotegaon Block		Chichli Block	
	Yes	No	Yes	No
JFM Committee	9.75	90.25	2	98
FPC	22.15	77.85	5.25	94.75
Watershed	7.75	92.25	8.5	91.5
DPIP	6.25	93.75	8.1	91.9
School Management Committee	25.9	74.1	38.5	61.5
SHG	14.5	85.5	22.3	77.7
Parent Teacher Committee	25.4	74.6	32.5	67.5

4.3 Membership in Committees

Membership in the school management committee and the parent teacher committee (15%) in both blocks are popular, followed by SHG membership (Table 4.2). However, the participation rate seems quite low.

Table 4.2: Membership of Committees

Types of Committees	Gotegaon Block		Chichli Block	
	Yes	No	Yes	No
JFM Committee	7.1	92.9	7.4	92.6
FPC	7.9	92.1	7.4	92.6
Watershed	7.1	92.9	7.4	92.6
DPIP		100		100
School Management Committee	11.7	88.3	13.5	86.5
SHG	10.3	89.7	14.0	86.0
Parent Teacher Committee	11.9	88.1	15.5	84.5

4.4 Membership Benefits

Amongst those who are members of the committees (Table 4.3) 88% and 86% of the members in Gotegaon and Chichli respectively, feel that they have not benefited in any manner because of the membership. On the other hand 5.2% and 25.6% in Gotegaon and Chichli respectively, of the members did not give any response to the nature of benefit accruing from membership of committees. This implies that around 90% have either not benefited at all from the membership or did not respond to this query. This is cause for concern as it implies that the membership is more nominal in nature and does not even allow space for articulating benefits. Other benefits like livelihood security; non-farm income and increased social status have featured more in the block of Gotegaon. Only 1.2% of the members in Chichli have been able to increase their non-farm income as a benefit from membership.

Table 4.3: Benefits from Membership in Committees
(% of Households)

Type of Benefits	Gotegaon Block	Chichli Block
Not benefited	87.9	69.5
Greater Livelihood Security	1.7	2.4
Increased non-farm income	-	1.2
Increased Status	3.4	1.2
Other	3.4	-
No Information	5.2	25.6
Total Respondents	58	82

4.5 Control over Decision-Making in the Committees

Only 2-3% of the members believe they have control over decision-making processes of the committee. This clearly shows the limited participation of the members in the matters of the committee. 87% of the members feel they have no control over the decision making in the committee. According to this majority, the decisions taken are not implemented. It was noted that generally the more powerful people in the village alter these decisions. Frequently, project officials tend to manipulate the decisions.

Table 4.4: Control over decision-making in the Committees (% of Households)

Control over committee's decision making	Gotegaon Block	Chichli Block
None	87.5	86.4
Very little	2.5	3.7
Some	7.5	6.2
A lot	2.5	3.7

4.6 Performance of Project and Gram Sabha Committees and their Relationships

Households were asked to compare the performance or effectiveness of the project and Gram Sabha committees. It is essential to know the perceptions of the community about the functional efficiency of the Project Committees and the Gram Sabha committees. Around 20.4% and 26.6% of the respondents in Gotegaon and Chichli respectively, feel that project committees can perform better (Table 45). However, nearly a third of households (34.3% and 36.4% of the respondents in Gotegaon and Chichli respectively), think that Gram Sabha committees have performed better. Opinion on this is quite divided as 30% feel that neither performs effectively. This has important implications for who should be the preferred partner for development projects.

Table 4.5 : Functional Efficiency of Project Committees and Gram Sabha Committees (% of Households)

Types of Committees	Gotegaon Block	Chichli Block
Project Committees	20.4	26.6
Gram Sabha Committees	34.3	36.4
Both	15.3	8.7
Neither	29.9	28.3
Total	137	173

As the Gram Sabha and the development projects are expected to have similar agenda, it was important to know if there were overlaps and/or synergies in the way they operate at the village level.

Not only is there no links exchange of information between the different actors at the village level, round 29% and 38% of the respondents in Gotegaon and Chichli respectively think there is considerable overlap in the work being done by different committees (Table 4.6). The level of response that third are aware of multiplicity of institutions working in the community. Notable is the fact that in both blocks, a substantial number of the respondents do not know or could not respond to this question.

Table 4.6: Overlap in the Functions of Project Committees and Gram Sabha Committees (% of Households)

Response	Gotegaon Block	Chichli Block
Yes	29.2	37.5
No	14.9	17.7
Don't know	55.8	44.8

Table 4.7: Types of Linkages between Project Committee and Gram Sabha Committees

	Gotegaon	Chichli
No Relationship	29.0	6.9
Financial	2.3	.6
Line Department	6.9	13.1
Common Membership	4.6	3.4
Don't know	57.3	75.4

Majority of the respondents, 57.3% in Gotegaon Block and 75.4% in Chichli Block, did not know enough to respond to the question. 29% of the respondents in Gotegaon and 6.9% of the respondents in Chichli thought it was a cause for concern that there were no relationships between the two types of committees. It implies that there are no synergies at this level.

4.7 Impact of Informal Institutions of Local Governance on RNFE

There are many agencies operating in the villages that are involved in village development and welfare activities. Their focus is on creating income generating opportunities, information dissemination, financial assistance, etc. Views were taken to assess the impact of these agencies on non-farm activities in the village.

Table 4.8: Perception of the Impact of Agencies on RNFE (% of Households)

Agencies	Gotegaon Block	Chichli Block	District Average	Rank
NGO	10.2	2.1	5.8	4
CBOs	2.5	3.6	3.5	6
Government Schemes	39.8	35.7	37.6	2
Banks	39	57.1	48.1	1
SHGs	5.9	2.1	4	5
Private Persons/Agency	6.8		2.7	7
Politician	16.1	14.3	15.2	3

48% of the respondents feel banks have had the highest impact (4.8). This is mainly related to the access to credit, the much-required pre-requisite for initiating any non-farm enterprises. There is, however, difference between the two blocks. In Gotegaon 39% of the respondents feel that banks have the impact on non farm activity against 57.1% of the respondents in Chichli. This shows that the dependency on banks is higher in the Chichli block and might be lesser in Gotegaon because of the higher investment base, amongst the few individuals in Gotegaon. Government schemes rank 2nd in importance and have been nearly equally placed in both the blocks. This is surprising as the earlier in the survey the households have noted limited benefits of government schemes. The impact of

government schemes on non farm activities is high because of the availability of the required accessories like loans, information, hand holding, administrative support etc. which aids in promoting RNFE.

In the block of Gotegaon around 10% of the respondents feel that NGOs have a considerable impact on non-farm activities as against the 2% of the respondents in Chichli. Notable is the influence of private persons/agencies in Gotegaon (6.8%), as against their complete absence in Chichli. As has been reflected in previous chapters the influence of the local landlords is over powering and ubiquitously present in all spheres of live of the community. However, it is interesting to note that 15% feel politicians have had an impact on RNFE. In Betul district, the people showed little confidence in politicians.

People's views on which agency would perform better in the future is no different. Banks, government schemes and politicians receive the same support. However, the variations started in the subsequent ranks specially the 4th, 5th and 6th rank. According to the present scenario the NGOs have been ranked in the 4th place, SHGs in 5th and CBOs in the 6th place. Whereas for future impact, placement have slightly change with the CBO featuring in the 4th rank the NGOs in the 5th, SHGs in the 6th. This clearly implies that the community feels that control by community-based organisations can result in higher success in comparison to NGOs and SHGs. Even though banks have been placed first in both the actual and future scenarios yet there is around 10% variation amongst the two. This indicates that according to the perception of the people, banks should continue to play the most important role for promoting RNFEs, however, the decrease in the influence of the banks could reduce (Table 4.9).

Table 4.9: Views on Future Impact of Agencies on RNFE (% of Households)

Agencies	Gotegaon Block	Chichli Block	District Average	Rank
NGO	10.4	5.5	7.95	5
CBOs	8.9	7.1	8	4
Government Schemes	45.5	37.9	41.7	2
Banks	46.3	73.1	59.7	1
SHGs	7.5	3.8	5.65	6
Private persons/agency	3	0.5	1.75	8
Politician	14.9	11.5	13.2	3
Other	1.5	3.8	2.65	7

5 Conclusions

Awareness of PRIs roles and functions: The research findings indicate that for most people, the functions of Gram Sabha, are limited to road construction, maintenance of ponds, wells and water supply and to some extent, upkeep of village forests and forestlands and collection of revenue. Very few people are aware of wider functions of the Gram Sabha and roles of the Panchayats related to the implementation of Government schemes, managing markets/*haats*, levying property tax and construction of toilets and improvement of sanitation, maintaining tribal customs and most importantly controlling the interest rates for money lending in the village. The low levels of awareness in the community are positively correlated to landownership (0.34), caste, household income (0.21) and level of education of household (0.19). This implies that the greater devolution of power has not changed the power relations at the village level. On the contrary, their position may have been strengthened as they now have better access to the information that is available.

One of the main objectives for decentralisation was to speed up local development with the local institutions taking the initiative based on local needs. This has not happened. The Panchayats and Gram Sabhas do not consider themselves as agents of economic development. It is considered the responsibility of the Line Departments. The community's views of what activities the PRIs should undertake are not very flattering. They consider them corrupt, inefficient and poorly informed. They recommend that PRIs should focus on creating employment opportunities. This view perhaps reflects the fact that so far this is one of the few benefits they have enjoyed.

Line Departments: Despite the vast network of schemes and large number of Line Departments; and new powers of local governments, little impact is felt on the ground by the community. The most beneficial and popular schemes are those that provide wage employment on a regular basis.

Informal Institutions of local governance: These institutions are major players in development at the village level. Benefits have been generated through establishment of user groups and project committees. However, these benefits may be underestimated by the community as it regards financial benefits as the only tangible benefit. For example, increased access to information and greater awareness of issues are not considered project benefits.

These institutions have not developed any links with the formal institutions of governance leading to duplication of activities, wastage of resources and lack of synergy. The formal and informal institutions work parallel to each other.

The popular view is that the banks have played a major role in enhancing rural non-farm activities. It is pertinent to note that funds from different government schemes are disbursed through these banks, albeit banks have their own schemes.

With respect to future roles of these institutions, the community believes that the PRIs should focus on generating local employment opportunities for wage workers. Furthermore, it was noted that if the capacities of the Panchayats, community-based organizations, and Self-help groups are enhanced in identifying the issues related to non-farm sector considerable benefits could be generated.

Annex 1 Study Area and Methodology

Study Area: The Districts of Betul and Narsimhapur were chosen for research in Madhya Pradesh. Narsimhapur has relatively high agricultural potential and good road access; where as Betul District confronts a number of agricultural constraints, with substantial, but diminishing forest resources. Betul has a high proportion of tribal population.

The Study Area in Madhya Pradesh

State	District	Block	Panchayat	Village	
Madhya Pradesh	Narsimhapur	Gotegaon	Manegaon	Paraswad Manegaon	
			Jotheshwar	Jotheshwar Mawai A	
		Chichli	Batesera	Batesera Bandesur	
			Thalwada	Dahalwada Thalwada	
	Betul	Betul	Devgaon	Devgaon Chowki	
			Janthapur	Ratanpur Bundala	
		Bhimpur	Adarsh Dhanora	Adarsh Dhanora Hidli	
				Palaspani	Palaspani Khatapani

Methodology: A two-tiered methodology was developed to assess the effects of local governance on the development of the RNFE. The research strategy was therefore to undertake a top-down study in Phase 1 to analyse the structures of formal and informal institutions of local governance with the aim to assess their effectiveness. The results of this phase of analysis were reported in NRI Report No 2688. The second Phase of activity undertook a questionnaire-based household survey. It covered 400 households in each district.

The tools and techniques used in this phase were essentially implementing the survey, followed by in-depth discussions to draw out the details of the response; and semi-structured interviews to assess the perceptions of key stakeholders.

The questionnaire survey included the following steps:

- ◆ Brain storming sessions for design of the questionnaire;
- ◆ Preparation of questionnaire which focused on the activities of formal and informal local governance institutions and their impact on local development in general, and more specifically on the rural non-farm sector;
- ◆ Pre-testing the questionnaire;
- ◆ Finalisation of the questionnaire;

- ◆ Preparation of coding manual (by Dr P. Vegas, Independent Consultant);
- ◆ Sampling: A total of 800 households were interviewed in 16 villages belonging to 8 Panchayats. A proportionate sampling was used to reflect differences in size of population;
- ◆ Selection and orientation of field investigators;
- ◆ Data collection;
- ◆ Data cleaning;
- ◆ Data entry into database created by Dr P. Vegas.
- ◆ Data processing and analysis using SPSS, led by Dr P. Vegas; and
- ◆ Report writing.



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