Are Checks and Balances in MGNREGS Effective?

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Elite capture is likely to occur in development schemes in societies where socioeconomic inequality is more pronounced and where people are unable to raise their voices against the powerful elite. Checks and balances are, therefore, incorporated into a development scheme such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) to prevent misuse. This paper examines the extent to which these checks and balances have worked. The authors argue, that, notwithstanding checks and balances in the design of MGNREGS, the evidence shows misuse of resources in several forms and makes some suggestions towards making checks and balances effective.

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INTRODUCTION

Growth rates have gone up in India in recent years; but, the growth is perceived to have excluded disadvantaged groups of Scheduled Castes (SCs), Scheduled Tribes (STs), minorities and women as Indian society is stratified in terms of social, economic and human capital endowments. It is now believed that rapid economic growth could exacerbate pre-existing inequalities rather than narrowing them in an inclusive way and hence, inclusive growth (wherein people contribute to and benefit from economic growth) policies are needed. Given the persistent inequalities in the access to public infrastructure and social services such as education and health, it is believed that decentralised institutions can play a significant role in fostering inclusive growth. The Eleventh Five-Year Plan sought
to substantially empower and use Panchayat Raj Institutions (PRIs), that include Zilla Panchayat, Taluk Panchayat and Grama Panchayat, as the primary means of delivering essential services that are critical to inclusive growth (Government of India 2006).

Through the 73rd Constitutional Amendment Act in 1992, the Indian government has provided a framework for constituting decentralised institutions at various levels. By adopting a three-tier model with democratically elected governments at the village, block and district levels, the Amendment provided for mandatory elections once in five years, with the Grama Sabha as a mechanism facilitating participation and accountability, reservation of seats (including executive positions) for women and people belonging to SC/ST communities for representation of these disadvantaged groups, transfer of powers, functionaries, finances, and the constitution of the Finance Commission. The Amendment has also entrusted local bodies with the responsibility for implementing anti-poverty programmes and delivering public services. These features have the potential to promote participation of depressed castes and women in decentralised bodies, transparency and accountability in their functioning, and bottom-up planning, implementation and monitoring of development work.

The disadvantaged groups of women and those belonging to SC/ST communities have entered the PRIs. But, factors such as power relations, level of citizen organisation, participatory skills, political will and insufficient financial resources have been acting as barriers to participation of citizens in general and those belonging to disadvantaged sections in particular (Gaventa and Valderrama 1999). Inbanathan (2003) and Inbanathan and Sivanna (2010) found that dalit elected representatives are unable to exercise effective power because of their recent entry into decentralised governance and existing social structure.

The representation of women in PRIs has been equal to or more than the seats reserved in these bodies not only in the country as a whole but also in a few states. Chattopadhyay and Duflo (2004) find evidence of beneficial effect of the policy of reservations to women. Rajasekhar and Manjula (2012) show that women-headed gram panchayats tended to be better in the provision of streetlight services. However, studies argue that the political participation of women has been less than what is desirable (STWFD, 2008). The level of awareness among women gram panchayat members about schemes and programmes to improve agriculture was found to be poor (Mankar and others, 2005). Vijayalakshmi (2007) argued
that the political participation of women depends on the socio-cultural constraints which manifest in gender inequalities, differences among women, and how they deal with their multiple identities.

In this context, the distinction between administrative and political decentralisation (Hansen 1999) becomes relevant. While the administrative decentralisation approach claims that mere structural changes lead to a higher degree of development, the political approach argues that mobilisation of people and devolution of powers are necessary to obtain real decentralisation. Viewed from this perspective, the 73rd Constitutional Amendment can be questioned on the grounds that reservations cannot break the traditional patterns of socioeconomic and political structures in the countryside and bring awareness and power overnight to marginalised groups.

It is in this context that the policy-makers have incorporated checks and balances in the design of the programmes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) to prevent misuse of resources under these schemes. In this paper, the authors document the checks and balances that have been incorporated in the MGNREG scheme, and review the literature to discuss the extent to which these have worked in the past.

**MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME**

In view of the employment insecurity faced by agricultural labourers in India (Rajasekhar and Suchitra 2007), the National Rural Employment Guarantee Act (NREGA), 2005, is both timely and significant for the poor including rural wage labourers as it has an in-built targeting mechanism.³ In 2006, the Act came into force in 200 of India’s most backward districts, and was extended to all of rural India in the following two years.

This Act provides for the enhancement of livelihood security of rural households by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. In addition, every applicant is entitled to a daily unemployment allowance when s/he is not provided employment within 15 days of receipt of her/his application seeking employment. This allowance will be at least one-fourth of the wage rate for the first 30 days during the financial year and at least half of the wage rate for the remaining period (Government of India, 2008). This Act is a step forward in India’s history
of wage employment generation programmes because for the first time, the state has a legal responsibility to provide employment to those seeking it.

MGNREGS has now become one of the largest social protection programmes in the world. In 2011-12, the total expenditure on the scheme was Rs. 3,763,766 million. With this amount, a total of 7.4 million works were undertaken in rural India; of which 1.50 million (20.26 percent) were complete. Given that there were 6,41,000 villages in India in 2011, the average number of works undertaken and those completed are 12 and 2, respectively, in 2011-12! In this year, 99.04 percent of 50.38 million households demanding for work were provided with employment. The total persondays of employment generated in the country was 2,117 million in this year; of these, 40.26 percent were provided to SC and ST households, and 48.17 percent were provided to women. This is truly a creditable achievement.

**Checks and Balances in MGNREGS**

According to the Webster Dictionary, checks and balances is a system that allows each branch of a government to amend or veto acts of another branch so as to prevent any one branch from exerting too much power. The term checks and balances is not explicitly used in the Act. It can be, however, argued that the following NREGA guidelines (Government of India, 2008: 2) act as checks and balances in the same manner as defined above.

**Job cards**

Adult members of rural households willing to do unskilled manual work can register with the Gram Panchayat (GP) through an oral or written application. The GP must issue job cards within fifteen days of an application. The job card, which is free, will bear the photograph of all adult members of the household willing to work under MGNREGS.

**Provision of work and payment of wages**

When a job-cardholder applies for work, the GP has to issue a dated receipt of the written application for employment. Employment will be given within 15 days of an application; if not, daily unemployment allowance must be paid.

Wage rate should not be less than the mandated minimum wages. Wages, which are equal for both men and women, are to be disbursed on a
weekly basis (but not beyond a fortnight) in the form of cheques and shall be deposited in banks and post offices.

**Numbered Muster Roll**

Numbered Muster Rolls (NMR) should be maintained on the work-site and no *katcha* muster roll is to be used. A 60:40 wage and material ratio has to be maintained. No contractors and machinery are allowed.

**Social Audit**

MGNREGS makes a provision for social audit, which involves the checking and verification of the implementation of schemes by primary stakeholders including the beneficiaries (Singh and Rajakutty 2007: 1). Accounts and records relating to the scheme should have open access so that the public can scrutinise the same.

Different states have adopted different models of ensuring that checks and balances work. In Rajasthan, civil society plays an important role in seeking information through the Right to Information Act and conducting social audits. In Andhra Pradesh, the state government takes a more pro-active step by appointing village auditors for social audit. In Karnataka, district and taluk social audit coordinators are appointed for conducting social audit.

**ARE CHECKS AND BALANCES WORKING?**

It appears that the design of MGNREGS is good in incorporating checks and balances to counter elite capture. It has been noted that MGNREGS was initially successful in Rajasthan, Assam, Madhya Pradesh and Chhattisgarh (Dreze and Oldiges, 2007). A recent review of the scheme conducted by MoRD (2012) shows that the programme has been successful on a number of counts.

MGNREGS has had unintended positive consequences regarding empowerment of rural women. Women have benefited as the scheme has provided an opportunity to earn independently. The data from the official website shows that about 49 percent of the total persondays of employment generated by the scheme in 2010-11 have been provided by women. “Independent and monetised earnings have increased consumption choices and reduced economic dependence. This has helped women in registering their tangible contribution to the household’s income. The overall effects of these have translated into an increased say for women in household affairs” (Pankaj and Tankha, 2010: 54). Narayanan (2008) also finds that the scheme has brought a major change in the lives of women.
Another unintended effect was the positive impact on wages of agricultural labourers employed outside the MGNREGS. By using data from *Agricultural Wages in India* on month- and district-wise agricultural wages for 19 major states in India for the period 2000-2011, Berg and others (2012) found that MGNREGS had led to a 5.3 percent increase in the real agricultural wages. Imbert and Papp (2012) analysed NSSO data and found that public employment increased by 0.3 days per prime-aged person per month after the introduction of MGNREGS, especially in those districts where the scheme was introduced during the first phase. Azam (2012) shows that MGNREGS has had a positive impact on labour market outcomes, especially women’s labour market participation and wages.

However, the data compiled from the official website of MGNREGS shows that the average number of days of employment provided in a year was only 42.43 in 2011–2012 as against the minimum of 100 days guaranteed by the Constitution (as provided in ‘DMU report’ in www.nrega.nic.in). Added to that, only 7.81 percent of the households (obtaining employment under the scheme) have worked for 100 days during 2011–2012. The proportion of households obtaining 100 days of employment has sharply declined from 14.45 percent in 2008–2009 to 7.81 percent in 2011–2012. The question that needs to be addressed, therefore, is the following: are checks and balances incorporated into the scheme working in practice? With the help of studies on MGNREGS the authors have attempted to answer this question in the ensuing paragraphs.

**Issue of Job Cards and Provision of Work**

In the past, public works programmes failed in the enrollment of needy workers and provision of work because there were fewer mechanisms in the design to promote the interests of the poor. The job cards introduced by MGNREGS work as a safeguard against unemployment.

On the most positive side, the proportion of households obtaining job cards under the scheme has been increasing (World Bank 2011: 74). Primary surveys confirm that the proportion of households having job cards to total households in a village is also high; at times, it is close to 100 percent, thus raising doubts on whether the programme is able to target the needy or not. While all the needy households do not possess a job card, those that do not depend on wage employment have come to possess them. Anecdotal evidence shows that some of the households obtain a job card under the misconception that it would provide access to the other welfare schemes of the government. Though the number of job cards has been
increasing, the proportion of job cards issued to total persons registered under MGNREGS has stagnated around 32 percent in Maharashtra during the period 2006-07 to 2009-10 (Shah and Mohanty, 2010).

Although the registration of households into MGNREGS is quite high, there is a widening gap between those registering for the programme and those demanding work. This could be positively interpreted as the tendency of rural households to have some form of risk mitigation measures. However, this could also be due to the inability of the government to provide employment to those registered with the programme. Dutta and others (2012) analysed NSSO data for 2009-10 and found considerable unmet demand for work in all the Indian states, especially in the poorer ones. This is also supported by the low average number of days of employment provided under the scheme. Interestingly, there is not much difference between those demanding work and those actually provided with the work.

This can be attributed to the lack of awareness among MGNREGS beneficiaries (Bhatia and Dreze, 2006; PAC 2008; Kumar and Maruthi 2011; Rajasekhar and others, 2012; Devandra Babu and others, 2010; Pani and Iyer, 2011). These studies also show the lack of accountability and poor maintenance of records. The other anomalies highlighted by these studies are non-compliance of maintaining the required records, denial of registration to eligible applicants, participation of workers in MGNREGS activities without job cards, maintenance of fake muster rolls (in the name of non-workers, migrants, school children and dead people), underpayment of wages, and discriminatory payments to women.

In Rajasthan, however, things appeared to be different from the beginning. Bhatty’s (2006) account based on reports of social audits conducted in Dungarpur district shows that job cards were issued, works were started on time and publicly displayed, and muster rolls were accurate. However, the awareness of entitlements was found to be low.

**Bank accounts**

Learning from the experiences of past schemes wherein the wages in cash did not reach (or partially reached) the beneficiaries, the central government, in 2008, directed that wages under MGNREGS must be paid through banks and post offices. By introducing this measure, the government sought to separate the implementing agency from the payment agency with the hope that this would reduce (if not end) the embezzlement of funds. Mehrotra (2008) advocates payment of wages through banks and post offices as an important measure to combat corruption.
Although state governments agreed to follow the suggestion of the central government, there were many practical problems at the ground level. First, the sudden demand to open thousands of bank accounts created considerable workload, and led to the inability on the part of bank officials to open bank accounts on time. Second, the banks that managed to open accounts realised that they could make the system of payment of wages through cheques fully operational, only if these were computerised. Third, the administration had to rely on post offices because of insufficient number of rural bank branches in some parts of the country such as Chattisgarh, Bihar, Jharkhand and Rajasthan. Fourth, post offices presented a number of problems such as lack of sufficient staff, insufficient number of passbooks, lack of computerisation, and so on. All these problems resulted in a situation where the process of opening accounts has remained incomplete and that some payments had to be made in terms of cash (Khera, 2010).

Even in those cases where bank accounts were opened, vested interests devised their own ways to corner the benefits meant for the poor. The vested interests cheated the system by either colluding with workers or illegally operating bank accounts of workers or forcibly extracting wages after they withdrew money (Khera, 2010). Based on their study in Orissa, Vanaik and Siddhartha (2008) argued that bank payments are not a foolproof system to check corruption.

Passbooks with identity photographs can prevent wrong people claiming money from post offices and banks (Mehrotra, 2008). Mehrotra (2008) notes that the Act, however, does not make/provide safeguards against the malpractices of non-payment of wages, non-distribution of job cards and non-preparation of muster rolls. In such cases, how does the labourer get his grievances addressed? To examine such grievances and provide justice, the authors suggest the appointment of an official (along the lines of Lokayuktas) at the sub-district level.

Adhikari and Bhatia (2010) found that although bank accounts are indeed substantial protection against embezzlement, especially where commercial banks are involved, this system is far from foolproof. They note that the cases of embezzlement through ‘deception’ and ‘exploitation’ will come down as workers gradually gain more familiarity with the banking system. However, the possibility through ‘collusion’ remains. They suggest measures such as bringing MGNREGS bank related documents in the public domain, proactive disclosure of GP bank accounts, distribution of cheques in public and ‘ultimately the empowerment of NREGA workers’ (Adhikari and Bhatia, 2010: 37).
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Muster Roll Manipulation

Despite the fact that MGNREGS has very good operational guidelines relating to the maintenance of muster rolls and reduction of corruption, primary studies suggest violation of guidelines and misuse of funds leading to corruption (Mehrotra, 2008). Shah (2008a: 79) writes “displaying remarkable ingenuity, the old order is already finding ways to side-step the radical provisions of the Act. Contractors deploy machines with impunity, even as forged muster rolls are filled up with fictitious names and thumb-marks of workers to show as if the work was done by labour. The ostensible purpose is to overthrow the old contractor raj but little has been done to offer an adequate replacement.”

The Numbered Muster Rolls (NMR) is a tool to check fraudulent practices. Aakella and Kidambi (2007) provide interesting insights on how the muster rolls are fudged by the rural elite and the funds embezzled. These authors note that social audits, if conducted on a regular basis, would ensure the transfer of power from the hands of those implementing the scheme to the beneficiaries of the scheme, ending ‘the stranglehold not challenged before’ (Aakella and Kidambi, 2007: 19). Shah (2008b) narrates the chilling incident of the brutal murder of a social activist from Jharkhand, who resisted the massive corruption in the MGNREGS funds and was murdered just a day before the social audit was to take place.

An evaluation study of MGNREGS by NIRD (2008) in 19 districts of Orissa states that the fudging of muster rolls and inefficient social audits have led to huge corruption in the scheme. The study, however, cautions that the data presented include the verbal statements of workers, who had difficulty recalling the exact number of days of their employment and wages received.

Berg, Rajasekhar and Manjula (2012) have analysed the extent of muster roll manipulation with the help of data from 150 villages in Karnataka. They found that 56.2 percent of the sample workers figuring in the official website, as those taking part in MGNREGS works and receiving payment did not actually work, and most of them have not received any wages. These were ghost workers. Close to 34 percent of the sample workers stated that they have worked and obtained all the payment. Another 10 percent of the sample workers received amounts that fell short of wages due to them. Manipulation of muster rolls led to widespread corruption.
Social Audits in MGNREGS

Social audit is the process of reviewing official records to determine whether the reported expenditure reflects the actual money spent on the ground. It seeks to enable the participation of beneficiaries or stakeholders at every stage—from implementation to monitoring and evaluation of the project. Social audit aims to improve transparency and accountability, and expose corruption. The Right to Information Act 2005 is also expected to help the process of social audit. MGNREGS assigns considerable importance to social audit to act as checks and balances to prevent corruption.

Many studies have brought out the implications of social audit on the corruption and mismanagement of funds. Aakella and Kidambi (2007) note that since the start of social audit in Andhra Pradesh, as much as Rs. 60 lakhs embezzled by corrupt officials have been returned to the system or to wage workers cheated by officials. However, Gopal (2009) points out subsequent adjustment of financial frauds identified in the social audits. He provides evidence from Ananthapur district in Andhra Pradesh where the recovery was substantially lower than frauds identified in the public meeting.

Social audits conducted by an NGO in several villages of Mandya district in Karnataka brought out the misuse of funds and corruption. The audit revealed fraudulent practices in the implementation of MGNREGS such as fudging of muster rolls, fictitious names of job-seekers and inflated wages. The officials, however, have not taken any firm action against the concerned individuals. In a GP meeting held in Karnataka to discuss social audit, a villager spoke about the misappropriation of funds in a MGNREGS work implemented around a year ago. The response of the nodal officer was shocking: projects implemented only six months prior to the social audit meeting could be discussed. This not only discourages people from raising questions, but also raises doubts about the credibility of officers! Gopal (2009) indicates how the lack of remedial action on the issues raised in the social audit meeting can lead to frustration among the people. Afridi (2008: 39) also emphasises that unless substantive action is taken against corrupt officials, the credibility and effectiveness of public monitoring would be insignificant.

Farzana Afridi (2008) terms the Rajasthan model of the social audit process as a grass-root or bottom-up approach as the social audits are conducted by the Mazdoor Kisan Shakti Sangathan (MKSS) along with local NGOs and local citizens. The MKSS and the local NGOs first obtain the official records
on MGNREGS through an RTI. A thorough scrutiny of a randomly selected work of each GP will be done by the MKSS, the NGO and the local citizens. Testimonies are obtained from the labourers on persondays and wages received. In addition, verification of data on materials used is conducted at the worksite. The findings of the audit are presented in a public meeting called Jansunwai at the GP. Necessary steps are taken to ensure maximum people’s participation to testify the findings and report anomalies (Afridi, 2008). Mukhopadhyay (2005: 5) endorses that “Jansunwais have touched a social chord…the willingness of people to testify at Jansunwais against persons in power who often belong to a higher caste with a social standing that is intimidating, is in stark contrast to the phenomenon of witnesses turning hostile at formal court hearings”.

This suggests that the involvement of the civil society is a key factor in the success of social audits. In fact, the report of the Comptroller and Auditor General of India (2010) recognised the benefits of involving civil societies in the conduct of social audits and recommended that “summary of the social audit reports of grama sabhas and civil society groups could be incorporated (either to provide a different perspective and/or to strengthen/ supplement our audit findings) in our performance audit reports” (Comptroller and Auditor General of India, 2010: 8)

However, efforts of civil society agencies need not necessarily yield fruitful results. Vaddiraju and Mehrotra (2004) note that despite the efforts of the Society of Participatory Research in Asia (PRIA) in mobilisation of people for GP meetings, people did not turn up because of the inability of the GP to convene proper meetings, and the lack of awareness among people about their rights and duties. Similarly, Lakha (2011: 15) cautions that mere presence of the civil society in the conduct of social audits would not ensure accountability from below. This is because the motivations and objectives of civil society actors may vary and driven by donor guidelines.

In another study conducted in Andhra Pradesh, Aiyar and Samji (2009) argue for an arrangement where civil society agencies are given the responsibility of increasing awareness levels of labourers, enhancement of labourer confidence and self-respect and, more importantly, the ability to engage with the officials (which may give less space for corruption) and maintain transparency and accountability in MGNREGS. Observations from Karnataka, however, show that NGOs are not free to submit a report reflecting the reality on the ground. The payment to NGOs is made by the taluk panchayat. Where office-bearers at the taluk panchayats are involved in corrupt practices, they cause difficulties for the NGOs if the social audit
report brings out the misuse of funds and fraudulent practices. The NGOs are, therefore, forced to submit a moderate report to the government (Lakha, Rajasekhar and Manjula 2012).

Ambasta and others (2008) state that social audit has become a mockery in the hands of elites in several regions of India. A study of MGNREGS in a village in Kolar district in Karnataka state reveals that a person belonging to the Scheduled Castes with a degree in Law and an ex-member of the GP submitted a bill for Rs.17.5 lakh to the GP by submitting fictitious names which included dead people, old age people, school-going children, persons working in the organised sector in far off places (Devendra Babu, Rajasekhar and Manjula, 2010). This incident was brought to the forefront because of an intervention by the local NGO. The case was still pending at the time of this survey.

**CONCLUSION**

MGNREGS is powerful because it gives the right to work that is demand-driven and has an inbuilt targeting mechanism. To ensure that the benefits of MGNREGS reach the poor, checks and balances are introduced in the design of the scheme. Available literature shows that despite checks and balances in the issue of job cards, payment of wages, implementation of work, MGNREGS funds have been embezzled because of the capture of the programme by the rural elite with political backing and official support, lack of voices from below, and the absence of civil society agencies backing the rural poor.

It is, therefore, important that the following corrective steps are taken. First, there is a need to adopt innovative methods to generate awareness among the intended beneficiaries on the entitlements of MGNREGS and how to avail the benefits. Second, the planning process adopted in the preparation of MGNREGS works is seldom participatory. There is no consolidated and integrated plan exclusively for MGNREGS at the district level due to poor devolution of financial powers. Third, the GP is an important mechanism to demand for accountability for the implementation of MGNREGS. However, GP meetings are rarely held. This should be addressed. Finally, the dependency of the local poor on local elites makes the marginalised weak when it comes to raising questions on MGNREGS implementation. People compare rural elite as ‘high-voltage electrical line’, the touching of which will have disastrous consequences for the poor. Hence, the civil society has to back the poor and marginalised in demanding accountability, and ensuring that checks and balances work.
NOTES

1. The proportions of women, SC and ST representatives in all Panchayats in India were 36.9 per cent, 18.5 per cent and 11.3 per cent, respectively, as on July 1, 2011 (Alok 2011: 19).

2. For a useful survey of women participation in PRIs, see the discussion paper by UNDP (nd).

3. Besley and Coate (1992) show that programmes such as NREGS have an in-built targeting mechanisms that would help the poor.

4. As stated in Schedule 1 of the NREGA Act. For instance, see NREGA operational guidelines 2008 on the website http://nrega.nic.in/Nrega_guidelinesEng.pdf

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