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## EFFECTIVENESS OF NREGA'S IMPLEMENTATION IN INDIA

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**ABSTRACT**

*National Rural Employment Guarantee Act (NREGA) was introduced in 2005 with the objective of providing one hundred workdays per year of employment in every financial year to one household<sup>1</sup> willing to do unskilled manual work at the wage rate fixed by the Act. This paper attempts to critically evaluate the working and implementation of NREGA. The present study scrutinizes various performance indicators like Average Persondays per Household, Total Available Fund, Total Expenditure, Share of Women, SC and ST participation etc. Although NREGA has successfully provided last resort employment to rural population who is incapable of finding any other means of livelihood, it has serious limitations. Due to lack of skill development and durable infrastructure, workers remain dependent on the scheme for income. There is a wide gap between the available funds and actual expenditure of funds in majority of States. There is a lack of good governance which is reflected through the fact that Gram Sabhas and Gram Panchayats are incapable of funds disbursement in productive channels. Lastly, the weak areas of NREGA are discussed and required solutions are suggested to correct them so that NREGA could infuse better prospects of economic development in rural India.*

**JEL CLASSIFICATION**

G1

**KEYWORDS**

National Rural Employment Guarantee Act, NREGA.

**INTRODUCTION**

Rural poverty and unemployment has grown at unprecedented rate in India in the past few decades. There has been a consistent growth in illiteracy, malnourished children, anaemic pregnant women, farmer suicides and starvation deaths resulting from inappropriate employment opportunities and thereafter emerging poverty. To resolve such inter related issues and provide subsistence employment security in rural areas, Government of India (GoI) enacted the National Rural Employment Guarantee Act (NREGA) on 25<sup>th</sup> August, 2005. The Act came into force in 200 districts in February, 2006 and within a year it came to 130 districts. The popularity of the scheme universalized in 2008 bringing the entire country under its horizon with the exception of districts that have 100 percent urban population. Soon the scheme was renamed as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on 2<sup>nd</sup> October, 2009. This is the biggest poverty alleviation programme in India which started with an initial outlay of Rs. 11,300 crore in year 2006-07 and now its Rs. 40,000 crore in year 2012-13.

<sup>1</sup>A household is defined as members of a family related to each other by blood, marriage or adoption, and normally residing together and sharing meals.

**MANDATE AND OBJECTIVES**

The mandate of the Act is to provide 100 days of guaranteed wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work. The objectives of the programme include:

- Ensuring social protection for the most vulnerable people living in rural India through providing employment opportunities,
- Ensuring livelihood security for the poor through creation of durable assets, improved water security, soil conservation and higher land productivity,
- Strengthening drought-proofing and flood management in rural India,
- Aiding in the empowerment of the marginalized communities, especially women, Scheduled Castes (SCs) and Scheduled Tribes (STs), through the processes of a rights-based legislation,
- Strengthening decentralized, participatory planning through convergence of various anti-poverty and livelihoods initiatives,
- Deepening democracy at the grass-roots by strengthening the Panchayati Raj Institutions (PRIs),
- Effecting greater transparency and accountability in governance.

**SCOPE OF NREGA**

- **Registration:** Adult members of a rural household willing to do unskilled manual work, may apply for registration to local Gram Panchayat (GP). The unit of registration is household, which is entitled to 100 days of employment every year.
- **Job Card:** Each Job Card is issued within 15 days of registration and hold a unique identification number. Job Cards are also supposed to be updated with days of work and payment made to the beneficiary as and when the work is undertaken.
- **Application of Work:** A written application seeking work is to be made to the GP or Block Office, stating the time and duration for which work is sought. The GP will issue a dated receipt of the written application for employment, against which the guarantee of employment within 15 days operates.
- **Unemployment Allowance:** In case employment is not provided within 15 days, the state will pay an unemployment allowance to the beneficiary.
- **Provision of Work:** Work is provided within 5 kilometres (kms) radius of the village. In case, work is provided beyond 5 kms, extra wages of 10 per cent are payable to meet additional transportation and living expenses. Priority is awarded to women, such that at least one-third of the beneficiaries under the Scheme are women.
- **Wages:** Wages are to be paid as per the State-wise Government of India (GoI) notified MGNREGA wages. Payment of wages has to be done on a weekly basis and not beyond a fortnight in any case. Payment of wages is mandatorily done through the individual/joint bank/post office beneficiary accounts.
- **Planning:** Plans and decisions regarding the nature and choice of works to be undertaken in a Financial Year (FY) along with the order in which each work is to be taken up, site selection, etc. are all to be made in open assemblies of the Gram Sabhas (GS) and ratified by the Gram Panchayat (GP).
- **Cost Sharing:** The GoI bears the 100 per cent wage cost of unskilled manual labour and 75 per cent of the material cost, including the wages of skilled and semi-skilled workers.
- **Worksite Management:** To ensure that the workers are directly benefitted under the Scheme, the Act prohibits the use of contractors or machinery in execution of the works. As wage employment is the main focus, the Act mandates the wage expenditure to material expenditure ratio should be 60:40 in the total cost of work undertaken in a GP.
- **Transparency and Accountability:** Social audit to scrutinize all the records and works under the Scheme are to be conducted regularly by the GS. Grievance redressal mechanisms and rules have to be put in place for ensuring a responsive implementation process. All accounts and records relating to the Scheme should be available for public scrutiny.

NREGA is a demand-driven programme where provision of work is triggered by the demand for work by wage-seekers. It overcomes problems of targeting through its self-targeting mechanism of beneficiary selection. It incentivizes States to provide employment as 100 per cent of the unskilled labour cost and 75 per cent of the material cost of the programme is borne by the GoI. The order of devolution of financial resources to GPs (with GPs implementing 50 per cent of the works in terms of cost) is unprecedented. The bottom-up, people-centred, demand-driven architecture also means that a great share of the responsibility for the success of the MGNREGA lies with the wage-seekers, Gram Sabhas and Gram Panchayats. The self-targeting approach of NREGA works on the opportunity cost framework. The individuals who do not show up to work either do not need money or can find better paying jobs. Therefore, the State need not search who is poor and eligible.

## REVIEW OF LITERATURE

Jean Dreze (2010) advocates the transition to a right based framework has led to a major decline in labor exploitation in rural public works and there has been an increase in the wages paid since the initial phase of NREGA.

In an interview to The Economist, the Minister of Rural Development of India, Mr. Jairam Ramesh (2011) has said that because MGNREGA's pay is better than any other rural jobs, it has given workers a bargaining power to demand higher wages from private employers. He pointed out that NREGA is plagued by a number of implementation problems. There is a lack of capacity and uneven happenings of Gram Sabha.

Datta Polly (2007), in the Report of Comptroller and Auditor General (CAG) described the lack of appropriate administrative and technical manpower as a big obstacle in the success of NREGA because it undermines the preparation of plans, security, approval and monitoring of the work being funded.

A study by Sjoblom, Disa and John Farrington (2008) reveals that the program is facing corruption problems with respect to implementation and work allocation. Local officials in Gujarat, Madhya Pradesh and Jharkhand were found demanding bribe for job cards, as high as a daily wage. There have been discrimination with regard to caste, age and gender, evidently single women households being denied registration.

Wright, Tom and Harsh Gupta (2011) study reveals that concentration of power lies in the hands of few people who tend to control the employment lists and a set of individuals is paid irrespective of their work contribution.

The All India Report on Evaluation of NREGA (2008), a survey of 20 districts claimed that 80 percent of Households expressed that they did not get the work within the stipulated 15 days time. In addition, they were not paid the employment allowance as per the Act. The survey observed that the number of Households spending less on food has come down sharply and there is a rise in number of families who are spending more on food and non food items.

Anshmann and Paulomee (2007) found that emphasis of NREGA is on the creation of assets which form a part of basic infrastructure for the society. Forty two percent of work cases included creation of new ponds and cleaning of the existing ones, twenty six percent of cases were work related to road construction and maintenance, sixteen percent of the cases formed check-dam related work like canal maintenance and mud work.

Lastly, NREGA seems to affect migration with mixed results. Since the program employment is provided within 5 kms of distance, there seems to a fall in migration due to local insurance (Basu & Arnab, 2011) but migration is important to join productive sectors of the economy. Mobility is crucial for the channelization of resources, development and economic growth (Kochhar, Anjini, 2006)

## DATA ANALYSIS

Census data reveals that rural population decreased from 72 percent to 69 percent in India. Since it is well known that rural areas have higher fertility rate than urban areas, 3.2 and 2.2 children per women, respectively, the decrease in the rural population is likely due to rural-urban migration (Table 1). The urban population has risen from 28 percent to 31 percent.

**TABLE 1: RURAL-URBAN POPULATION DISTRIBUTION IN INDIA**

Distribution	2001 Census	2011 Census
Rural	72	69
Urban	28	31

Source: Ministry of Home Affairs, Government of India. Census data retrieved from [www.censusindia.gov.in](http://www.censusindia.gov.in)

The total number of Job cards issued increased roughly twice in magnitude in the first successive year of the introduction of NREGA. (Table 2) Although from 3.78 crore in FY 2006-07 to 12.79 crore in FY 2012-13, the rise in the issuance of Job cards has been four times, but it has not shown much increase since the past three consecutive years. The Employment Provided to Households has shown a consistent rise from 2.10 crore in 2006-07 to 4.98 crore in 2012-13 except for few years in between the time period shown. NREGA is expected to have a significant impact on migration due to 100 days of employment guarantee (which is the estimated number of days farmers remain idle in agriculture) and therefore have lesser incentive to migrate to urban areas. However, the extent of rural-urban migration resulting from the introduction of NREGA is a matter of a detailed econometric analysis.

**TABLE 2: JOB CARDS AND EMPLOYMENT GENERATED IN NREGA**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (Provisional)	2013-14 (Till Dec, 13)
Total Job Card issued (In Crore)	3.78	6.48	10.01	11.25	11.98	12.50	12.79	12.72
Employment Provided to Households (In Crore)	2.10	3.39	4.51	5.26	5.49	5.06	4.98	3.81

Source: [www.nrega.nic.in](http://www.nrega.nic.in)

The participation of Scheduled Castes, Scheduled Tribes and Women has been significantly large and this shows the success of the scheme to reach weaker sections of the society and a road to financial inclusion. From 40 percent in FY 2006-07, the Women participation has risen to more than half of all the participants, being 54 percent in 2013-14(Till Dec.,13) However the participation of SCs and STs comprise of around 40 percent and has shown a decline since the scheme has been introduced. Average number of Persondays (workdays) per Household has increased since 2006-07 from 43 to 54 in 2009-10 but again decreased to 46 in 2012-13( Table 3) which is not even half of the guaranteed 100 days. Such a low figure may be a result of a number of reasons like lack of knowledge and worker rights in some villages. Sometimes, well aware individuals do not get job because of lack of good relations with administrators.

**TABLE 3: NREGA PARTICIPANTS AND NUMBER OF PERSONDAYS PER HOUSEHOLD**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (Provisional)	2013-14 (Till Dec, 13)
SCs	25	27	29	30	31	22	22	23
STs	36	29	25	21	21	19	18	16
Women	40	43	48	48	48	48	51	54
Persondays per Household (Days)	43	42	48	54	47	43	46	35

Source: [www.nrega.nic.in](http://www.nrega.nic.in)

Financial performance of NREGA is shown in Table 4. The budget outlay of the scheme has increased three times since 2006-07. The percentage of expenditure has been showing mixed trends and is at 88 percent out of the total budget. The expenditure on wages has increased from 66 percent to 76 percent. This indicates that wage share expenditure has been able to generate more employment compared to previous years. The gap between the works taken up and the works completed has risen sharply over the years. This is due to lack of good governance and administration on the part of employers in NREGA.



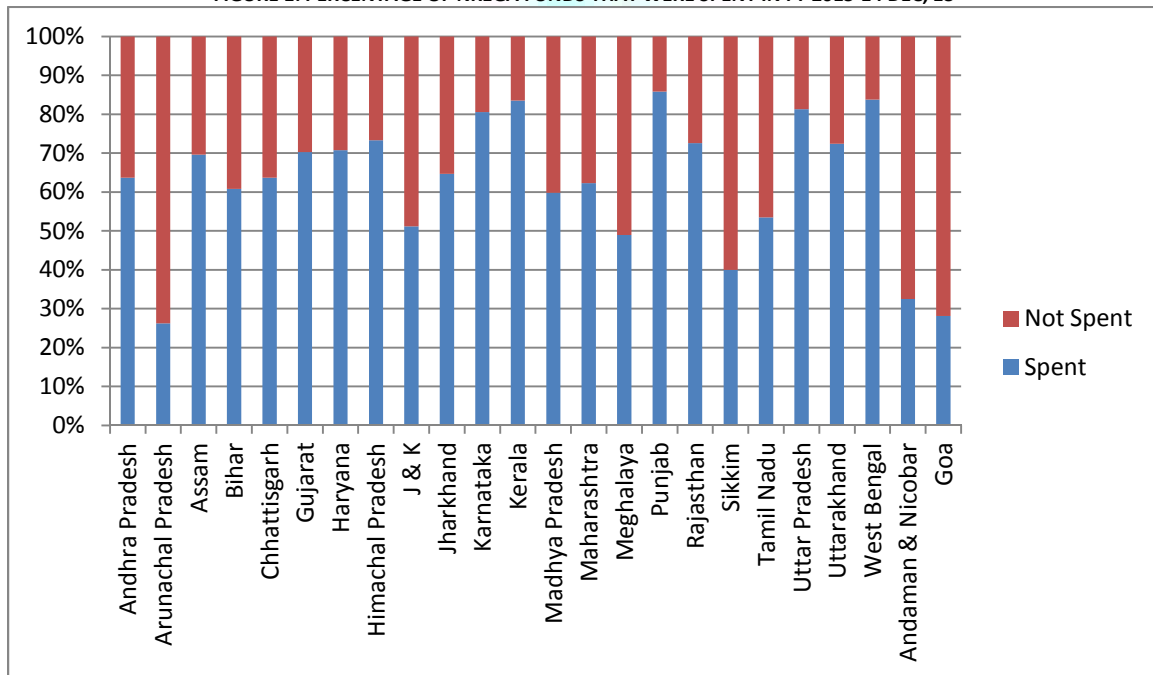
TABLE 4: FINANCIAL INDICATORS OF NREGA

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13(Provisional)	2013-14 (Till Dec, 13)
Budget Outlay (In Rs. Crore)	11300	12000	30000	39100	40100	40000	33000	33000
Expenditure (%)	73	82	73	76	73	76	88	67
Expenditure on Wages (%)	66	68	67	70	68	70	72	76
Total works taken up ( in lakhs)	8.35	17.88	27.75	46.17	50.99	80.77	106.51	111.64
Works completed ( in lakhs)	3.87	8.22	12.14	22.59	25.90	27.56	25.60	11.17

Source: www.nrega.nic.in

Each State proposes a Labour Budget to Central government which calculates expected demand for unskilled manual work. The central government releases NREGA funds on the basis of this proposal and an analysis of utilization of funds previously released. There is a large variation in the percentage of share spent by States. Many States spent less than 70 percent of the disbursed funds in the current year. Figure 1 shows that States vary widely in their expenditure/total funds ratio, and the average ratio is 67 per cent. Goa and Arunachal Pradesh spent less than half of the funds available. Kerala and Punjab spent more than 80 per cent of funds wherein a quarter of the financial year still left. This graph poses serious questions on the working and efficiency of the scheme for society's best interest. The possible explanations seem to be poor allocation of resources allowing for leakages or idleness of funds.

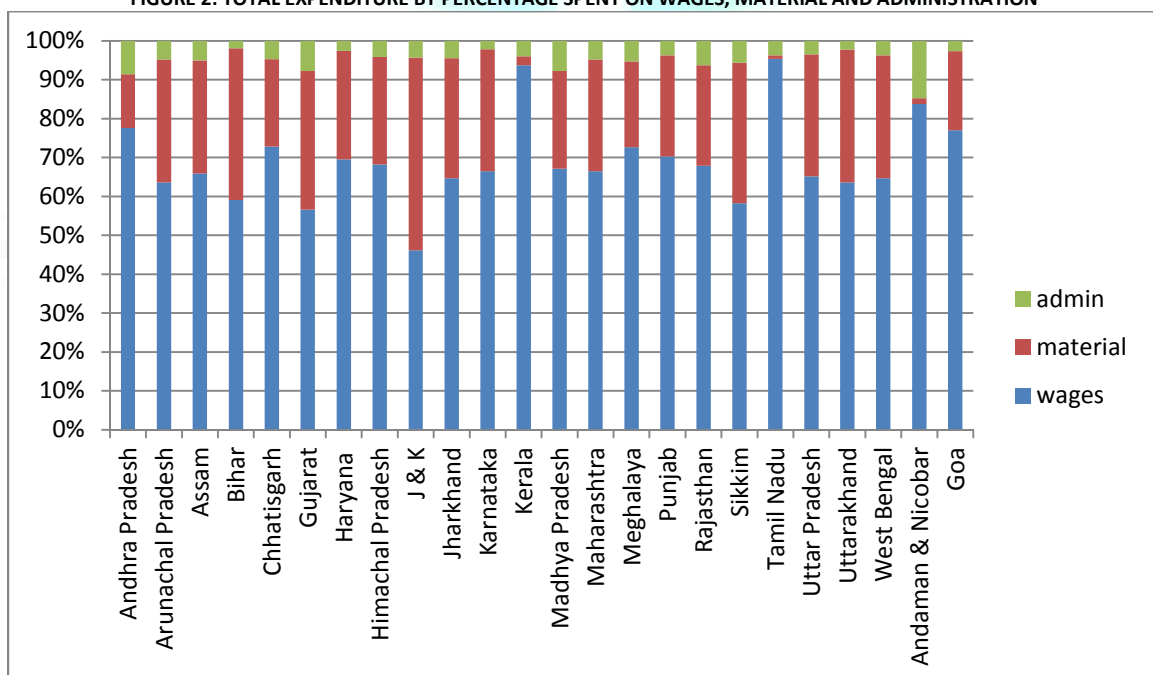
FIGURE 1: PERCENTAGE OF NREGA FUNDS THAT WERE SPENT IN FY 2013-14 DEC, 13



Source: www.nrega.nic.in

However, there seems to be no correlation between corruption level and expenditure. Infact the least and most corrupt states (Andhra Pradesh & Bihar, respectively) have almost the same expenditure ratio. States expenditure also varies sharply according to the share dedicated to the wages, material and administration costs. (Figure 2)

FIGURE 2: TOTAL EXPENDITURE BY PERCENTAGE SPENT ON WAGES, MATERIAL AND ADMINISTRATION

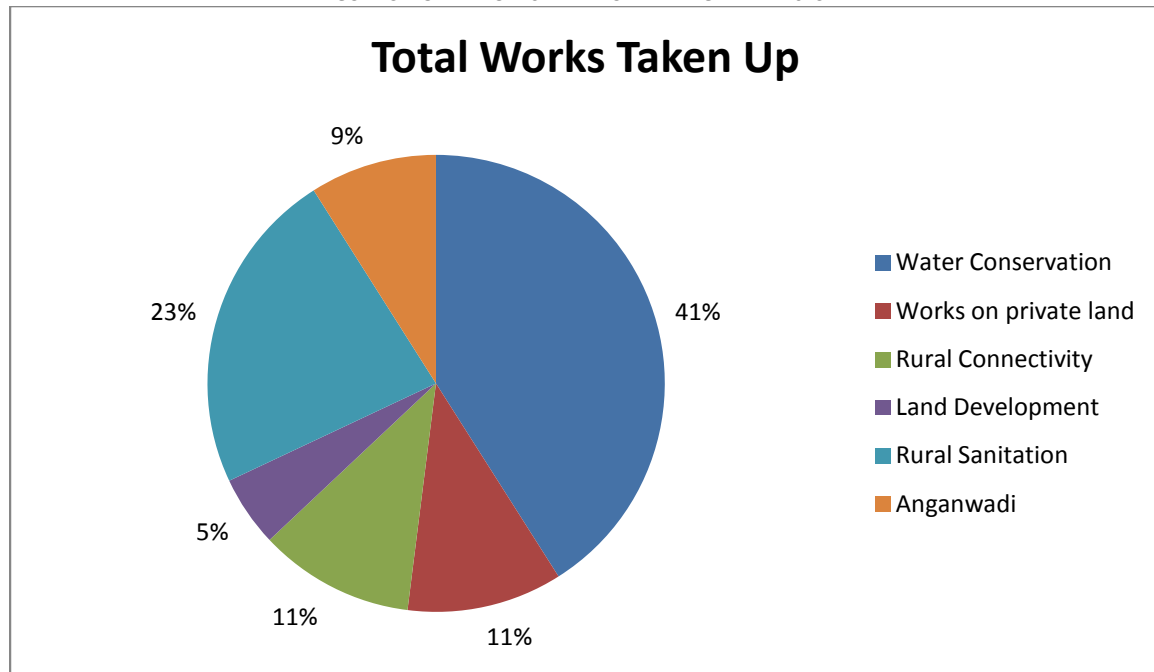


Source: www.nrega.nic.in

Some states like Uttarakhand and Bihar have very low administrative expenses of around 1 per cent. The average for all states is also low, less than 5 per cent. In Jammu & Kashmir, workers' wages are less than 50 per cent of the program's total expenditure while the average for all states is 75 per cent. Clearly NREGA doesn't work efficiently in J&K, Sikkim, Bihar and Arunachal Pradesh. Many of the states do not adhere to the 60:40 wages to material costs ratio prescribed in the scheme's operational guidelines. Tamil Nadu and Andaman & Nicobar show less than 1 per cent expenses on material which is unlikely to actually happen. Either there is a problem of mis-reporting or fund leakage for such vague numbers.

Figure 3 shows the proportion of works taken up in NREGA. Out of 111.64 lakhs in FY 2013-14, till Dec, 13 only 11.17 lakhs worth of work has been completed this year till Dec, 13 which will increase by the year end. Water Conservation accounts for the highest share of 41 per cent while Land development accounts for just 5 per cent.

FIGURE 3: TOTAL WORKS TAKEN UP IN NREGA IN FY 2013-14



Source: www.nrega.nic.in

## DISCUSSION & CONCLUSION

The introduction of NREGA has been a public debate since it is introduced. NREGA has come after almost 56 years of experience of other rural employment programmes, which include both Centrally Sponsored Schemes and those launched by State Govt. These comprise the National Rural Employment Programme (NREP) 1980- 89; Rural Landless Employment Guarantee Programme (RLEGP) 1983-89; Jawahar Rojgar Yojana (JRY) 1989-1990; Employment Assurance Scheme (EAS) 1993-99; Jawahar Gram Samridhi Yojana (JGSY) 1999-2002; Sampoorna Grameen Rojgar Yojana (SGRY) from 2001; National Food For Work Programme (NFFWP) from 2004 were national rural employment schemes. Among these, the SGRY and NFFWP have been merged with NREGA in 2005. Of all these schemes, NREGA has been the most efficient in the work implementation. The analysis of NREGA's implementation shows that program has been a successful measure to fight unemployment on some grounds. Firstly, the scheme's built-in mechanism of "self-targeting" attracts poor and needy people and is less attractive to non-poor people who are capable of finding better employment opportunities. Secondly, the poor individuals are encouraged to demand higher wages from private employers. Thirdly, there has been a significant rise in the employment creation among Scheduled castes, Scheduled Tribes and Women which accounts for the weaker section of the society.

## USE OF E-GOVERNANCE IN NREGA

### • MIS

The ministry has developed a web enabled MIS, www.mgnrega.nic.in dedicated to this ambitious program. The system makes the enormous data obtainable to public in a whole transparent manner. The MIS incorporated independent pages devoted to every panchayat (almost 2.5 Lakh), the data of 619 districts belonging to 34 states and Union Territories. The various stakeholders like common public, Zilla Parishadas, Gram Panchayat, staff, workers, district program coordinators, program officers, and ministry use this MIS system.

The ministry along with National Informatics Centre (NIC) has developed a very comprehensive software package as "NREGA soft". The "NREGA soft" is a local language work flow based transaction level system designed for all MGNREGA related activities. The software is hosted on the portal of Mahatma Gandhi NREGA. The software provides a transparent system across all the areas connected to exchange of data for a variety of users.

### • DEVELOPMENTAL PROJECTS

The innovative technology is being used and tested for implementing the scheme in more efficient manner and to decrease the gaps observed during last few years. The handheld devices like Laptops, mobile phones, are being used for data capturing, downloading and transferring. The NREGA soft after processing the data sends the pertinent information to banks and post offices for fast payments to NREGA workers. Another very significant development is taking place is "Aadhaar" based authentication of a worker which will offer dependable biometric system in future.

Though NREGA produces benefits for rural India through provision of last resort employment, programme has many areas that need improvement in order to increase its efficiency and efficacy. NREGA's weakest areas and effective suggestions are discussed as follows:

#### 1) LACK OF SKILL DEVELOPMENT AND DURABLE INFRASTRUCTURE

The focus of an employment scheme should be achievement of twin objectives of skill development and building up of long term durable infrastructure. NREGA's structure and working limits it to simply generating last resort employment. As workers are uneducated and are not provided any kind of training or skills for the job market, the work efficiency is poor which is reflected in low quality infrastructure. As a result, workers are dependent on the scheme for jobs, and the maintenance of infrastructure is dependent on NREGA funds in rural areas. To correct such a scenario, NREGA should focus on building up a durable infrastructure by recruiting skilled personnel to handle machinery and oversee the works, and by training workers in new skills and roles that they can utilize in job market.

#### 2) CORRUPTION AND UNTIMELY PAYMENTS

The loopholes in the implementation of NREGA clearly limit its scope, interest and impact. Due to corruption, payments are often delayed, sometimes by as long as a few months. This hampers the urgent need of income to a poor household. There is reporting of misuse or wastage of funds in several states to which Central government demands accountability for the scheme's funds. There should be assignment of a team in the Ministry of Rural Development assigned to

tracking funds and ensuring that they are being put to good use. Management Information System (MIS) keeps track of all the transactions involving NREGA funds. This has been quite successful in Andhra Pradesh and has the potential to bring same benefits to other states.

### 3) INEFFECTIVE GOVERNANCE

There is a need of appointing full time professionals at the village councils and governments who are trained to manage work with speed, quality and accuracy, and are accountable to the councils. Use of information technology to improve work and increase transparency in the sanction of works, release of funds, and wage payments (in a process called social audit) and also take appropriate action where there is an evidence of fraud would be a major steps towards efficiency of the scheme. Technical and scientific support can help these organizations monitor NREGA more effectively. Capacity building would be highly beneficial and not too costly. Shah estimated that such an effort would cost only two percent of total NREGA costs, monitoring and evaluation would cost one percent and pure administrative expenses as low as one percent. It is in the scope of effective governance to generate awareness, transparency in registration and increase capacity of local institutions to increase successful implementation of the scheme.

Therefore, the performance analysis reaches us to the conclusion that despite few achievements, NREGA seems to be plagued by several issues and needs corrective measures broadly in the areas of governance and implementation in order to provide sustainable development to rural India and achieve the goal of financial inclusion.

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