

# NREGS in Rajasthan

## Rationed Funds and Their Allocation across Villages

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The performance of National Rural Employment Guarantee Scheme in Rajasthan was debated for its stupendous performance in the initial years of the scheme, but also for the relative sharp decline after 2010. Based on a large representative primary survey, this paper argues that the decline in performance of this scheme in Rajasthan is not entirely due to the lack of demand. Instead, the supply-driven top-down nature of the programme has led to a “discouraged worker” syndrome with workers showing disinterest in demanding work and passively waiting for availability of NREGS work. Strengthening the demand-based nature of the NREGS may reduce the need for rationing. Simple temporal tracking of NREGS outcomes at the village level along with proper recording of demand through the Management Information System may well help detect discrimination within panchayats.

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As per official statistics released by the Ministry of Rural Development (MORD) for the period between the launch of the National Rural Employment Guarantee Scheme (NREGS) in February 2006 and March 2014, over 1,658.77 crore person days have been provided under the scheme. While this may be, in isolation, a staggering figure, it hides what observers of the programme have known for a few years now – the scheme may be losing steam. This is evidenced by the fact that the budget outlay for the NREGS at the centre has been declining since peaking around 2010-11 even though minimum wages under the scheme have gone up. This has been mirrored by a commensurate reduction in households employed and person days generated.

While various explanations have emerged, there is some consensus within the establishment that the demand for NREGS has satiated (PTI 2014). Given that the years of relative decline in NREGS performance also coincide with years of significant wage increase and sharp reduction in rural poverty, there is some merit in arguments in favour of demand saturation. Nonetheless, there is also ample evidence based on secondary data as well as primary field studies to suggest that not all of the decline in person days generated is attributable to increasing prosperity in rural areas. In particular, supply-side factors such as flow of finances, administrative bottlenecks, minimum wage policy as well as flaws in the programme have contributed to a relative decline in the functioning of the programme (Imbert and Papp (forthcoming); Ravi and Engler 2009; Afridi, Iversen and Sharan 2012; Khera 2011). While this is seen in the case of most states, Rajasthan stands out as a notable case which has seen sharp deterioration not only in terms of person days generated but other indicators of NREGS functioning.

In this paper, using a comprehensive data set from Rajasthan, we argue, that while trends in NREGS expenditure in the state has mirrored those in the country, there is little evidence to suggest demand saturation. Instead, we provide tentative evidence that there is active rationing of NREGS work and that this has distributive repercussions.

This paper has three broad sections: in Section 1, we discuss the general trends in NREGS implementation in India, with a specific focus on Rajasthan. Here, we point out that work-provision under the NREGS has been falling and that Rajasthan follows the national trend, if only more drastically.

In Section 2, we scrutinise the most prominent explanation for this decline in expenditure, namely, the lack of demand for NREGS work in the recent past. We use data from a survey

covering 75 panchayats, 328 villages and 3,916 households in Rajasthan to test for this hypothesis. First, we establish that, NREGS in Rajasthan is not yet demand-constrained. Second, using temporal data on NREGS implementation for the sample, we show that there has been significant rationing in provision of works from the supply-side since 2009.

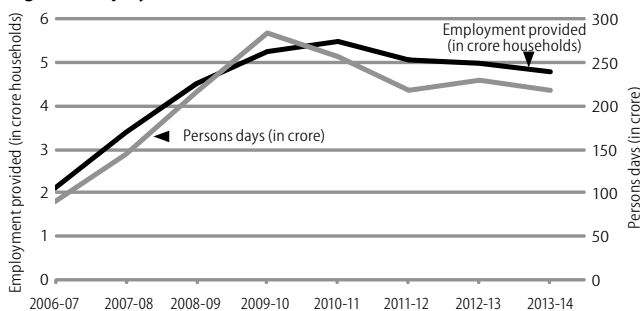
In Section 3, we use data from our survey to suggest possible instruments for rationing of NREGS works. We focus on the rationing of NREGS works at the panchayat level. We show that, given the paucity of funds, the sarpanch of the panchayat tends to favour persons of his own village within the panchayat. These imply differing NREGS outcomes depending on whether a person belongs to a particular village.<sup>1</sup> Section 4 concludes.

### 1 Trends in NREGS: The Rajasthan Story

The NREGS started in the financial year 2005-06 and was rolled out in phases. Initially restricted to 200 “poorest” districts of India (February 2006), it was first extended to 130 more districts in phase II (May 2007) and to all districts by 1 April 2008.

Reflecting this expansion of the scheme, both expenditure on the scheme and the number of households employed rose steadily between 2006-07 and 2008-09 (Figure 1). The number of households provided with employment continued to rise steadily till the financial year 2010-11 and then fell away. The figure in 2012-13 was about 10% lower than the peak achieved in 2010-11. Person days generated fell even more quickly and in a starker manner: the decline began a year in advance (person days peaked in 2009-10) and the figure for the financial year 2012-13 was nearly 20% lower than the peak. Thus, not only were fewer households getting work post-2010-11, households were working fewer days too.

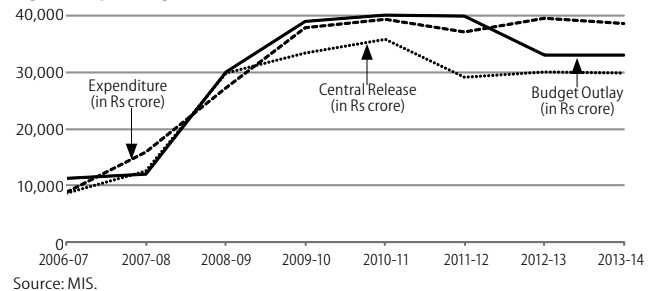
**Figure 1: Employment Trends in NREGS (All India)**



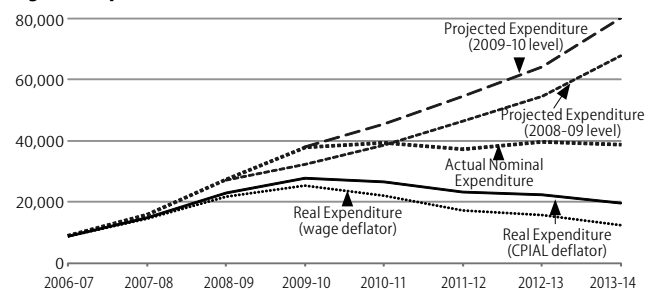
Simultaneously, the central government reduced expenditures – both planned and actual – on the scheme (Figure 2). Budget outlay for the NREGS centrally was Rs 40,100 crore in 2010-11 and stands at Rs 33,000 crore for the current fiscal, even though the notified NREGS wages have risen in all states.

While nominal expenditure shows stagnant expenditure from the peak achieved in 2009-10, expenditure shows a sharp decline when adjusted for inflation. Figure 3 shows the various estimates of NREGS expenditure in nominal as well as real terms. What is obvious from Figure 3 is that the real expenditure declined after 2009-10 irrespective of the choice of deflator. In

**Figure 2: Spending Trends in the NREGS**



**Figure 3: Expenditure on NREGS (in Crores)**



real terms, the decline is from a high of Rs 27,771 crore (2006-07 prices) to as low as Rs 19,605 crore in 2013-14 once adjusted for inflation implicit in the Consumer Price Index for Agricultural Labourers (CPIAL).

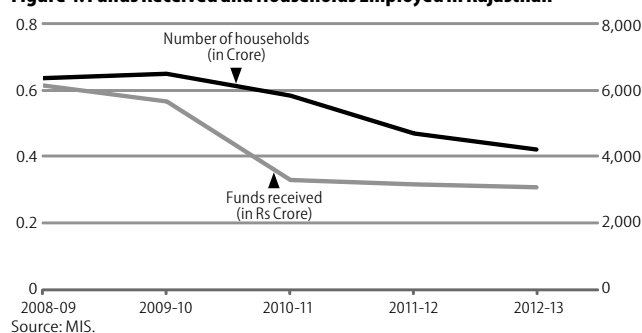
However, since this is a wage employment programme, another way of looking at it is to use the nominal growth of wage rates as the deflator.<sup>2</sup> That is, the real expenditure accounting for wage rate increase. By this measure, the real expenditure declined from a high of Rs 25,461 crore in 2009-10 to almost half at Rs 12,295 crore in 2013-14. However, this decline in real expenditure did not lead to a proportionate decline in person days worked. This was achieved by keeping the wage rates under NREGS fixed, in some states lower than the state minimum wages and in most states, NREGS minimum wages are lower than the comparable private market wages defeating the very rationale of a public employment programme.<sup>3</sup> On the other hand, had the central government indexed the expenditure to the rate of growth of wages in private labour market to the 2009-10 expenditure, the nominal expenditure would have been Rs 79,976 crore in 2013-14.<sup>4</sup>

Rajasthan was the first major state to completely embrace the NREGS. Branding it the “best-performer among all states” for the year 2006-07, Dreze and Oldiges (2008) points out that this was unsurprising because “...employment guarantee has been a lively political issue in Rajasthan for quite a few years, and the state also had a high level of preparedness for the Act, having organized massive public works programmes almost every year in living memory.” In the early years of the scheme, Rajasthan continued to receive the maximum funds for the implementation of the NREGS amongst all states in the country. For instance, in 2009-10 the state received up to 19.2% of the total central allocation of funds for the scheme. This was because in the previous year, Rajasthan had spent Rs 6,164 crore, the highest amongst all states and over 72% more than its closest contender, Uttar Pradesh at Rs 3,568 crore.

However, over the subsequent years, in a more glaring reflection of the national trend, total expenditure on the NREGS fell from Rs 5,669 crore in 2009-10 to Rs 3,278 crore in 2012-13. That this fall was even more, relative to the rest of the nation, is reflected by the fact that it was no longer the “best-performer”: the state ranked as low as fourth (2012-13) and fifth (2013-14) for funds received. For the last fiscal, the state received 7.5% of the total funds.

A fall in spending goes hand-in-hand with a reduction in employment and it was no different in Rajasthan in terms of households receiving work (Figure 4; person days also shows a similar trend). The fall here has been dramatic: between 2008 and 2013, households employed under the scheme reduced by 34%; person days generated more than halved.

**Figure 4: Funds Received and Households Employed in Rajasthan**



In an absolute sense, Rajasthan's decline is significant. However, how does it compare with respect to performance of other states during the same period? Table 1 does a comparison between Rajasthan and other states for three key indicators – households employed, person days generated and NREGS spending – between 2008 and 2013. Indeed, Rajasthan's decline has been unprecedented: it has had the steepest decline in spending amongst all states in the interval; its decline of 54.4% for person days generated is the largest after Assam; furthermore, only Bihar and Assam do worse when it comes to households employed. On the other end of the spectrum are the southern trio of Karnataka, Kerala and Tamil Nadu, all of whom have shown an increase in person day generation of over 100%. Other states such as West Bengal, Chhattisgarh, Odisha, Jharkhand, Andhra Pradesh and Maharashtra have shown modest to high increases in person days.

The decline of Rajasthan is also evident from independent data available in the socio-economic surveys collected by the National Sample Survey (Table 2, p 55). The data collected for 2006-07, 2009-10 and 2011-12 categorise respondents into three groups. Those who got work in NREGS, those who sought but did not get and those who neither sought nor worked in NREGS.<sup>5</sup> We report household-level results. As seen in the official data of the MORD, Rajasthan's performance improved between 2006-07 and 2009-10 but declined sharply since.

While the percentage of households in rural areas reporting getting some work in NREGS increased from 11% in 2006-07 to 25% in 2009-10, following the expansion of the programme, the next two years saw these come down to 22% only. The corresponding percentage in Rajasthan were 21% in 2006-07 to

62% in 2009-10, but declined to 35% in 2011-12. During the same period, percentage of households which sought work but did not get work declined from 22% in 2006-07 to 11% in 2009-10 but went up again to 16% in 2011-12. In terms of percentage of households who sought work, only 15% were denied work in 2009-10 but this number went up to 32% in 2011-12.

Clearly, the decline in person days of employment generated in case of Rajasthan is not entirely a result of decline in demand. The drastic reduction in person days generated under NREGS is further confirmed from another set of data from the National Sample Survey Office (NSSO). An analysis of comparable data from the daily status employment estimates show a decline in person days worked in NREGS from 45 lakh in 2009-10 to only 7 lakh in 2011-12. In terms of percentage of days worked in NREGS out of total person days in casual work (public+private), the decline is from 15% in 2009-10 to only 2.4% in 2011-12.

The evidence on unmet need from the NSSO surveys is an important indicator of the problems of rationing and governance in the functioning of NREGS. Interestingly, such evidence from the official statistics is hard to come by since most states report none or a negligible number of households whose demand for work has not been met. One of the major reasons for this has been the penal provision of unemployment allowance, which is to be paid by the state governments. It is interesting to note that so far there have only been a few cases where unemployment allowance has been paid on account of

**Table 1: State Trends in NREGS Outcomes**

State	Person Days Generated (lakhs)			NREGS Expenditure (Crores)			Households Employed (Lakhs)		
	08-09	12-13	% Change	08-09	12-13	% Change	08-09	12-13	% Change
	Andhra Pradesh	2,735	3,257	19	2,964	5,095	72	57.0	58.4
Arunachal Pradesh	35	35	1	33	44	34	0.8	1.2	49
Assam	751	314	-58	954	652	-32	18.8	12.4	-34
Bihar	992	942	-5	1,316	1,861	41	38.2	20.9	-45
Chhattisgarh	1,243	1,194	-4	1,434	2,222	55	22.7	26.4	16
Gujarat	213	282	32	196	618	216	8.5	6.8	-20
Haryana	69	129	87	110	381	247	1.6	2.9	80
Himachal Pradesh	205	262	28	332	496	49	4.5	5.2	16
Jammu and Kashmir	79	366	364	88	853	873	2.0	6.5	225
Jharkhand	750	566	-25	1,342	1,153	-14	15.8	14.2	-10
Karnataka	288	619	115	358	1,446	304	9.0	13.3	49
Kerala	154	838	445	225	1,417	531	6.9	15.3	121
Madhya Pradesh	2,947	1,398	-53	3,555	3,082	-13	52.1	35.2	-32
Maharashtra	420	872	108	362	2,190	506	9.1	16.2	79
Manipur	286	285	0	350	599	71	3.8	4.6	20
Meghalaya	86	171	98	89	262	193	2.2	3.3	48
Mizoram	126	154	22	165	290	77	1.7	1.8	1
Nagaland	203	245	21	272	428	57	3.0	3.9	30
Odisha	433	546	26	678	1,178	74	12.0	16.0	33
Punjab	40	66	64	72	158	118	1.5	2.4	60
Rajasthan	4,830	2,203	-54	6,164	3,278	-47	63.7	42.2	-34
Sikkim	26	36	38	43	80	87	0.5	0.6	10
Tamil Nadu	1,204	4,081	239	1,004	4,129	311	33.5	70.6	111
Tripura	351	519	48	491	971	98	5.5	6.0	9
Uttar Pradesh	2,272	1,412	-38	3,569	2,665	-25	43.4	49.5	14
Uttarakhand	104	192	84	136	312	130	3.0	4.4	47
West Bengal	787	2,018	157	940	3,852	310	30.3	58.2	92

Source: Ministry of Rural Development, Government of India.

**Table 2: Some NREGS Outcome Indicators from NSS**

State	2006-07			2009-10			2011-12		
	Worked in NREGS	Sought But Did Not Get	Neither Sought Nor Worked	Worked in NREGS	Sought But Did Not Get	Neither Sought Nor Worked	Worked in NREGS	Sought But Did Not Get	Neither Sought Nor Worked
Andhra Pradesh	12.88	9.33	77.79	35.4	11.75	52.85	30.19	8.24	61.57
Arunachal Pradesh	5.66	29.57	64.77	21.72	29.89	48.39	34.09	4.19	61.72
Assam	4.77	9.5	85.73	18.18	23.07	58.75	22.95	8.24	68.81
Bihar	4.66	28.26	67.08	9.93	36.16	53.9	10.44	7.94	81.63
Chhattisgarh	20.1	22.03	57.87	47.9	21.11	30.99	53.9	7.43	38.67
Goa	0	0	100	2.16	5.54	92.3	4.13	0	95.87
Gujarat	3.55	4.81	91.64	21.45	16.75	61.8	6.31	8.05	85.64
Haryana	3	12.07	84.93	5.11	14.37	80.52	4.61	0.41	94.99
Himachal Pradesh	8.3	9.31	82.39	33.37	8.46	58.18	31.32	7.26	61.42
Jammu and Kashmir	5.47	6.2	88.33	9.71	23.65	66.64	28.79	3.58	67.63
Jharkhand	9.18	26.7	64.12	19.24	32.47	48.29	20.98	9.46	69.56
Karnataka	2.92	2.54	94.54	8.04	14.78	77.19	9.14	5.82	85.04
Kerala	1.08	2.04	96.88	11.21	12.01	76.78	18.42	1.38	80.2
Madhya Pradesh	19.66	17.01	63.33	40.61	23.96	35.43	19.27	12.39	68.34
Maharashtra	8.4	6.72	84.88	4.42	23.24	72.34	4.56	7.02	88.42
Manipur	2.53	8.32	89.15	76.73	3.93	19.34	73.3	1.06	25.64
Meghalaya	8.88	6.3	84.82	45.8	15.44	38.77	66.03	4.6	29.38
Mizoram	39.4	18.83	41.77	91.28	3.59	5.13	73.15	21.88	4.97
Nagaland	11.35	21.91	66.74	59.55	15.61	24.84	79.05	9.13	11.82
Odisha	15.23	14.86	69.91	21.96	28.7	49.34	23.08	12.41	64.51
Puducherry	0.32	4.74	94.95	27.01	16.45	56.54	23.93	11.95	64.12
Punjab	1.05	3.92	95.03	5.2	26.01	68.8	6.76	3.81	89.43
Rajasthan	20.78	21.59	57.63	61.84	11.34	26.82	35.33	16.39	48.27
Sikkim	18.98	1.34	79.69	44.09	1.89	54.03	52.86	6.48	40.67
Tamil Nadu	4.33	3.79	91.88	33.51	7.84	58.65	38	4.48	57.52
Tripura	39.27	23.21	37.52	78.21	7.82	13.97	66.66	11.9	21.44
Uttar Pradesh	9.36	9.05	81.59	16.24	18.75	65.01	18.75	3.91	77.34
Uttarakhand	21.59	15.1	63.31	29.22	11.35	59.43	26.35	5.29	68.36
West Bengal	22.42	19.38	58.2	43.16	22.61	34.23	36.21	15.37	48.42
All India	10.54	12.63	76.83	24.85	19.81	55.33	21.9	8.06	70.04

The data for 2006-07 and 2011-12 were collected from individuals (aggregated at the household level) while data for 2009-10 were collected on household basis.

Source: National Sample Survey.

non-fulfilment of demand. In cases where it has been paid, it has been after a long struggle. However, independent surveys including the NSS surveys have consistently shown unmet demand under NREGS. Dutta et al (2012) have examined the unmet demand using NSSO data for 2009-10 and have found that poorer states tend to have higher unmet demand which is a reflection of the poor administrative capacity in these states. The 2011-12 data further confirms the lower unmet demand.

## 2 Falling Expenditure: Lack of Demand?

Rajasthan's relatively poor performance in the recent past has not gone unnoticed. As recently as January 2014, the state's Panchayati Raj and Rural Development Minister G C Kataria, responding to a question in the state assembly, declared that villagers were not opting for NREGS work because of the "low wages offered under the central scheme as opposed to the state government's minimum wages and the availability of permanent works" (PTI 2014).

This chain of reasoning, contrasting "low" NREGS wages with higher wages outside thereby ensuring limited demand for work, is a familiar one, gaining much traction amongst elected representatives and members of the bureaucracy

alike.<sup>6</sup> However, independent studies also pointed out to bureaucratic delays in flow of funds and other administrative measures which may have contributed to lower employment generation under NREGS.<sup>7</sup>

To investigate this issue, data was collected to test for the lack of demand for NREGS work. The survey covered 75 gram panchayats (GPs), 328 villages and 3,916 households across eight districts. Since the focus of the study was to study intra-GP distribution of NREGS work, the 75 GPs were sampled at random from the list of GPs in Rajasthan that had at least two villages. Around 91% of GPs in Rajasthan have more than or equal to two villages.<sup>8</sup> The survey was carried out from May to August 2013 and covered NREGS participation in the last 365 days.

Three instruments were administered in each of the GPs surveyed: a GP questionnaire, a village questionnaire and a household questionnaire. GP-level data was compiled from interviews conducted at the NREGS administrative offices at the panchayat; the information on the current and the former sarpanchs were obtained by conducting direct interviews with them; "village-level data" was procured from discussions with various knowledgeable participants residing in the village of a GP (efforts were made to include people from each jati residing in the village), where possible, village-level data was verified with village-level administrative records. For household-level data, households unlikely to work in NREGS were excluded. A random sample was drawn from the remaining.<sup>9</sup> The study excludes large landlords and over-samples poorer households, since they are more likely to work on NREGS.

Table 3 provides a district-wise breakdown of NREGS performance, focusing on two basic indicators: proportion of surveyed households having worked on the NREGS in the past year, conditional on having worked, the number of days worked on the scheme. On an average, about 68% of the households claim to have done some work on the NREGS in the

**Table 3: NREGS Outcomes – Survey Results**

District	Proportion of Households Worked (Survey)	Days Worked (Survey)	Proportion of BPL Households Who Have Worked (MIS)
Baran	0.81	66.86	0.60
Dholpur	0.43	42.14	0.50
Dungarpur	0.89	85.64	0.84*
Hanumangarh	0.39	58.96	0.53
Jodhpur	0.72	57.90	0.65
Karauli	0.45	44.37	0.51*
Nagaur	0.87	81.48	0.66
Pali	0.80	61.05	0.75
Total	0.68	66.94	

\* MIS for Karauli and Dungarpur do not report the numbers for BPL households. Hence we use the proportion of households that have worked on NREGS.

last 365 days; the mean number of days worked for these households was 67.

There is, however, considerable district-wise variation. Nagaur, Pali, Dungarpur and Baran have provided work for over 80% of households, whereas Dholpur and Karauli provided work for a little over 40%.<sup>10</sup> Households in Hanumangarh report having worked the least with 38.6%. Since our study oversamples the poor, an adjacent column shows proportion of below poverty line (BPL) households who worked based on the data in the Management Information System (MIS).<sup>11</sup>

Do these numbers match the demand for NREGS in these districts? The household survey was specifically designed to capture the demand for NREGS works in the village. Table 4 shows that a very significant 89% of the households were interested in doing NREGS work across the eight districts. There is some inter-district variation, but even the district with the smallest proportion of households working (Hanumangarh) had 70% households that wanted to work. Not everyone who expressed interest actually requested work: this is particularly true in the case of Pali where an overwhelming majority (94%) expressed interest in the NREGS, but only 2% actually demanded work. Overall, despite this, 61% of households requested work. The overwhelming number of respondents who were interested in working under NREGS should also put to rest some of the doubts raised on the demand for NREGS. It is also worth mentioning that the interest in working in NREGS was fairly similar across districts.<sup>12</sup> It is also worth mentioning that almost two-thirds of those who expressed disinterest in working for NREGS did so because they perceived the wages in NREGS to be too low.<sup>13</sup>

**Table 4: Interest and Demand – Household Survey**

District	Was the Household Interested in Doing NREGS Work in the Past Year?	If Yes, Did the Household Demand for NREGS Work?
Baran	0.94	0.93
Dholpur	0.94	0.80
Dungarpur	0.97	0.89
Hanumangarh	0.70	0.17
Jodhpur	0.90	0.90
Karauli	0.96	0.77
Nagaur	0.85	0.69
Pali	0.92	0.02
Total	0.89	0.61

Since requesting work is a critical indicator for eliciting demand, we focus on the process of work request and why work is not requested. We found that over 40% of the households demanded work only by oral request (Table 5). However, what is interesting is that the district-level proportion of oral requests did not correlate to the proportion of households getting work (conditional on interest). It has often been argued that since demand requests are not written down/documented in case of oral requests, this leads to an under-reporting

**Table 5: Demanding Work – Household Survey**

District	(% of total households who demanded work)		
	Only Oral Demand	Only Written Demand	Both
Baran	54.98	33.84	11.18
Dholpur	42.40	33.20	24.40
Dungarpur	34.78	41.78	23.44
Hanumangarh	35.80	44.44	19.75
Jodhpur	36.67	45.95	17.38
Karauli	57.96	13.06	28.98
Nagaur	22.99	60.54	16.48
Pali	0.00	100.00	0.00
Total	40.23	39.81	19.95

of demand. However, clearly NREGS outcomes seem to be invariant to whether requests are oral or written.

Significantly, the chief reason for not requesting work is that households genuinely believed their request would not be taken seriously (Table 6). Almost 83% of the households interested in NREGS work did not request work because they believe that “villages get work only when it is available”. Here, the lack of faith in the system – borne, to some extent at least, from previous experience – masquerades as lack of demand for the NREGS.<sup>14</sup> Indeed, households by themselves do not believe that there is no demand for the NREGS – 38% disagreed with the notion that NREGS expenditure should be reduced because of prevailing low demand. Only 5% agreed.

We now extend these results with findings from the village survey.<sup>15</sup> The results mirror those in the household survey, essentially representing aggregated versions of responses seen there: of the 328 villages surveyed, over 94% of the villages claimed that they were demand constrained. However, only a shade over half the villages (53.42%) actually made a request to someone in the administration. Of those that made no request, all but one village implied that the scheme was essentially supply-driven: a bulk of them (88.19%) said villagers would get work when it was “available”, others said that there was no point asking because the sarpanch would not listen to them (11%). Thus, a mere 4.57% felt that households in their villages got work whenever they demanded it.

Indeed, what emerged from the village survey was the key role played by the sarpanch in determining both, which villages get work and what work would be given.<sup>16</sup> The sarpanch did not merely represent people’s preferences, he seemed to impose his/her own preferences on the scheme. A mere 14% of the villages felt that intra-GP allocation of NREGS work was determined by the demand for work from that village (Table 7). Over four times that figure felt that the sarpanch determines intra-GP allocation. A similar number pointed out that it was the sarpanch who determined what projects got demanded and which ones were consequently implemented (Table 8).

**Table 6: Not Requesting Work – Household Survey**

(% of households interested in NREGS work)		
Why, If Interested, Was Work Not Requested?	Frequency	Percentage
Sarpanch determines demand	38	2.9
Villages get work only when it is available	1,089	83.19
Other	182	13.91
Total	1,309	100

**Table 7: Intra-GP Allocation of NREGS Work – Village Survey**

Who Determines Intra-GP Allocation of NREGS Works?		
Who Determines Intra-GP Allocation of NREGS Works?	Frequency	Percentage
Based on demand	45	13.72
Based on sarpanch’s preference	210	64.02
Based on preference of other admin person	26	7.93
Based on funds allocated by BDO	16	4.88
Based on funds allocated by DC	4	1.22
Other reasons	27	8.23

**Table 8: Project Demands by Gram Panchayat – Village Response**

Who Determines What Projects Get Demanded by the GP?		
Who Determines What Projects Get Demanded by the GP?	Frequency	Percentage
All villagers in gram sabha meeting	116	35.37
Preference of sarpanch	184	56.1
Preference of other villages in GP	20	6.1
There is no demand for projects	2	0.61
Others	6	1.83

To get the view of all the local players in the panchayat, we also interviewed sarpanchs. We asked the sarpanchs in the 75 GPs if they felt that the demand for NREGS was falling. About 55% of the sarpanchs disagreed. Furthermore, about 36% of the sarpanchs said that there was at least one village in their GP where they could not provide as much work as was demanded. The main reasons cited were either political (“the villagers are from the opposite party/allege false complaints/too small in number”), geographical (“lack of work-sites”) or inefficiency in the bureaucracy (“Work hasn’t been sanctioned/lack of funds/BDO doesn’t care”).

Therefore, a holistic picture emerges from our three separate surveys of demand-side question that can be summarised in three points: one, the demand for the NREGS is robust, with very few of the sampled households and villages not interested in working under the scheme; this fact is further underscored by the finding that a significant majority actually requested for work and that the sarpanchs themselves admitted to unmet demand. Two, there is a feeling shared by many that work is provided only when it is “available” and that households or villages demanding work may not actually get any work. Three, the availability of work is partly determined by the sarpanch, though the sarpanch claims to be constrained by local political factors and the lack of funds and interest from the tier above.

### 3 Mechanisms for Rationing Allocations to Villages

Having established the declining expenditure on the NREGS in Rajasthan, the presence of unmet demand and the supply-driven nature of the scheme, we try and put forward mechanisms for rationing of NREGS works. How and why is it that some households get work and others do not, despite both wanting to work under the scheme? Any rationing mechanism comprises causes and consequences, and we looked for these.

We briefly went over the three broad categories of reasons – geographical, political and bureaucratic – that result in unmet demand in the previous section. In the case of the first and to some extent, the third, the matter is beyond the control of the sarpanch. However, using our data set, we could still characterise – especially with respect to fund-flow issues caused by members of the higher bureaucracy – the problem at hand and arrive at some reasonable estimation of the significance of the same. Therefore, here we identify and describe a potential cause of rationing. Given that limited budgets are a reality, a sarpanch has to grapple with identifying the ones he/she would want to give work to under the scheme. Here, thus, we look at the consequence of rationing.

In letter, the NREGS is completely demand-driven. This implies that even funds flowing to a panchayat are determined by the amount of work that has been demanded by its constituent workers. Broadly, demand is registered either in a gram sabha or through applications (primarily written) submitted separately by the sarpanch and the field assistant and is passed on to the higher officials in the state bureaucratic machinery. Funds are then transferred accordingly to the panchayat’s account from above, for both material and labour spending and subsequent payments to workers are made via

cheque. Thus, there is not necessarily always a corpus of funds at the panchayat. It is, therefore, evident that in an environment where funds are scarce – as we have shown for Rajasthan above – favoured sarpanchs are likely to get preference.

We asked the sarpanchs who they thought decided the allocation of funds to their GP. The table below summarises their responses on the most important person in the decision-making process. Unsurprisingly, 43.24% of the sarpanchs mentioned that the allocation of funds was demand-driven. Indeed, there is reason to believe that these responses may be biased, given sarpanchs would be loath to admit that the scheme is not demand-driven. Significantly, a greater number (nearly 44.59%) mentioned that officials at the block level – the panchayat samiti or the block development officer (BDO) – had a prominent role to play in allocation of funds to their panchayat. Clearly, there is potential for the sarpanchs to feel constrained in some way, being dependent on higher-up officials for funds for the NREGS (Table 9).

**Table 9: Project Implemented by Gram Panchayat – Sarpanch Response**

Who Determines Shelf of Work for NREGS in GP?	Frequency	Percentage
Demand-driven	32	43.24
Sarpanch	9	12.16
Panchayat samiti	24	32.43
BDO	6	8.11
District collector	3	4.05

We investigate the issue further. A very significant number – about 43% – responded in the affirmative when asked if they actually felt fund-constrained in the past (Table 10). Of those who did, a little over 60% stated that officials at the block had the most prominent role to play in the allocation of funds to their GP. However, even amongst primarily demand-driven panchayats, a significant minority (18.75%) reported having insufficient funding in the past, suggesting that persons higher up had some role to play.

**Table 10: Determination of Funds Procured by GP – Sarpanch Response**

Funds Procured by	Frequency	Funds Insufficient in What Percentage of Cases
Demand-driven	32	18.75
Panchayat samiti	9	33.33
BDO	24	70.83
District collector	6	66.67
Others	3	66.67
Total	74	43.24

Data at the GP level. 1 Sarpanch did not answer.

In this context, it is interesting to note some of the qualitative responses we got when we asked the sarpanchs why they had not received funding. Many blamed the panchayat samiti. Some suggested that they belonged to a different political party from the one the samiti backed. Others said that the samiti simply asked for bribes that the sarpanchs were unwilling to provide. Some claimed that the samiti was inefficient and made excuses to hide their paltry rate of working. A common non-bureaucratic reason was that the funds from the previous years were not “adjusted” – implying perhaps that accounts had not been settled – and thus, they were denied funds. What binds all these explanations is the sense that fund-flow is driven from above and is rarely completely in the hands of the sarpanch.

A fund-constrained sarpanch has to ration work in some manner. In an ideal scenario, the sarpanch would provide work first to those most direly in need. However, in the current context, this is not the best approach for at least two reasons:

one, identifying a household's need is always tricky and one can often go wrong; two, even if those most in need were somehow identified, a strategy that gives them first preference for work may not be politically the most sagacious. If, for instance, the poorest households belongs to a particular caste that is opposed to the sarpanch's, then it is unlikely that the households will vote for the sarpanch in the coming elections, even if they are given a lot of NREGS work.

One way rationing can occur is if the sarpanch favours households from certain constituent village over others within the GP. Conditional on there being a preference, there are two competing hypotheses on what kinds of villages are favoured: first, work provision may be skewed in favour of households from the sarpanch's own village. This may be because, very often, these households are the ones that prop up the sarpanch in the first place by voting for him in the panchayat elections and the sarpanch "repays" the households by making them beneficiaries of various government schemes, including the NREGS.

Another reason for the sarpanch favouring his own village might simply be ease of access – households closer in distance to the sarpanch may find it easier to collect information about the scheme and register their demand. A final reason might stem from the fact that many villages are segregated caste-wise. A sarpanch might want to provide more work to his caste-brethren and it is likely that the village he resides in will comprise a significant number of persons belonging to his own caste – thus he ends up favouring his own village without setting out explicitly to do so.

Conversely, a sarpanch may prefer giving work to households from other villages because he believes that households in his own village already constitute his vote bank and do not need to be wooed. By providing more work elsewhere, the incumbent sarpanch is trying to use government schemes to buy votes there and cement his standing among those households. This is plausible theoretically, especially if voters are flexible in their preferences for candidates and reward good governance.

Rationing can also be seen as an instance of negative discrimination against certain households or villages: a calculating sarpanch may purposely provide less work to households belonging to the opposition sarpanch's village in order to "punish" them for their lack of loyalty towards him. A lower-caste sarpanch may want to reverse-discriminate against upper-caste households and villages by ensuring that they do not get work. Of course, a caveat is in order here: all such calculations do not get made in a political vacuum and work provision may be a function of several factors. For instance, some villages may simply be unsuitable for certain kinds of work, a few may have a very visible workers' union that creates both awareness and an urgency regarding work provision. However, rationing could still occur over and above these considerations and we intend to explore this dimension below.

We start off by looking at satisfaction with the NREGS amongst respondents residing in the sarpanch's village and

those elsewhere. If our former hypothesis is true, then it would be represented by increased satisfaction with the scheme amongst respondents in the sarpanch's village. Based on the questions to the households we find that households' perception of the sarpanch with respect to the NREGS is much better in the sarpanch's own village – over 64% of the sarpanch villages think the sarpanch has done well as opposed to 38.85% elsewhere. However, this is only tentative evidence of the sarpanch actually performing better in his own village.

These perceptions and responses could be biased: one, respondents from the sarpanch's own village may be biased in favour of the sarpanch because they share the same living space, having a "geographical affinity" of sorts; or, such households may be less willing to openly criticise the sarpanch fearing that word of their apparent disparagement may reach the sarpanch more easily and there could be a potential backlash.

However, given that these perception questions may be biased and could suffer from framing effects, we provide evidence of actual discrimination in favour of the sarpanch's village. To do so, we look at administrative data on actual performances in the NREGS in the sarpanch's village in two separate periods and contrast it with the performance of non-sarpanch villages. We look at the period 2008-09 to 2012-13 (excluding 2010-11 as it was an election year). The sample size falls to 279 villages (65 GPs) as administrative information is not available for the other GPs. The variables looked at are the proportion of households with job cards getting NREGS work and the number of person days per household holding a job card.

It is clear to see that sarpanch's village seem to be much better, both in terms of the proportion of job card households getting NREGS work and the number of person days per job card household (Table 11). The percentage of job card households getting work in sarpanch villages (24%) is around 12 points more as compared to non-sarpanch villages (12.4%). Analogously, person days per household was almost double in the sarpanch village (almost 15 days) as opposed to non-sarpanch villages (seven days).<sup>17</sup>

**Table 11: Sarpanch Effect – NREGS Outcomes**

	% of Households Holding Job Cards with Work	Number of Person Days of Work Per Household
Sarpanch village (65 villages)	24	14.67
Non-sarpanch village (214 villages)	12.4	7.24

However such comparisons may be biased for a couple of reasons. First, for the "per household" normalisation, we have used the number of households with job cards. However, this does not take into account the fact that all households with job cards do not necessarily demand NREGS. Sarpanch villages may have a different demand for NREGS as compared to non-sarpanch villages. Hence dividing by the total number of households with job cards may underestimate the advantage of sarpanch villages if a lower proportion of households with job cards actually demand NREGS work in sarpanch villages relative to non-sarpanch villages. On the other hand, the observed difference between the two kinds of villages may be

reversed if a greater proportion of households demand NREGS work in sarpanch villages.

To alleviate these worries and to show that our results are statistically robust, we exploit the longitudinal nature of our data at the village level. The dependent variable of interest is the total number of households in a village with NREGS work and the total number of person days of NREGS work in a village. To eliminate the impact of village-level unobservable characteristics, we estimate the equation in a change form; that is, we regress the change in the total number of households in a village with NREGS work on a variable that measures if there is a change in the status of whether the sarpanch belongs to the village.

This estimation in changes (equivalent to a first difference estimator for a panel data model) eliminates the component of the dependent variables that are due to time invariant characteristics of the village: for example, the average poverty of the village. To further smoothen the variables, we consider two periods: 2008-09 and 2011-12 and calculate the mean value of our dependent variables within each period. Results are similar if such smoothing is not done.

The crux of the identification strategy, however, are the sarpanch elections in 2010, whereby each village saw a potential change in status of whether the sarpanch belonged to it. The variable in regression takes the value  $-1$  if the village was a sarpanch village in the period 2008-09 but not after 2010. Similarly it takes the value  $1$  if it become a sarpanch village and  $0$  if there is no change in status. Given temporal data, the changing nature of the external environment (for example: wages, droughts) are important covariates of the demand for NREGS work. These are taken care of with the assumption that these will be the same across all villages within the same GP. Since we explicitly consider the change in all villages within a GP, we are able to better control for the change in external environment. We allow changes in the external environment by looking at deviations of each village change from the change at the GP level (by using GP fixed effects).

Using our specification, our findings hold true here too, with the sarpanch's village providing both more households with work and more person days of work (Table 12). Our results show that the impact of the sarpanch's village is roughly in the range of 10% for both outcomes.

Thus, what emerges from the above tables is that there is significant rationing of work by the sarpanch via favouring his/her own village. This is manifested both by people's perceptions and in actual outcomes. It is important to note that this does not immediately imply discrimination but a distortion in the NREGS mechanism, since proximity seems to play a role. This can be through better awareness of the scheme projects for the villagers living in the sarpanch's village.

#### 4 Conclusions

The performance of NREGS in Rajasthan has been subject matter of debate both for its stupendous performance in the initial years of the scheme but also the relative sharp decline after 2010. Using a large primary survey collected from a representative sample across districts, we have shown that the decline in performance of NREGS in Rajasthan is not entirely due to the lack of demand. While demand may have declined somewhat over years, we still report significant demand for NREGS in a survey conducted in 2013. Thus, the lack of demand is only one factor among many that may have contributed to a decline in performance. While administrative issues such as seasonality, flow of funds, low wages, supply-driven approach, etc, are relevant in explaining the low performance, we also find that over the years, this may also have resulted in a discouraged worker syndrome with workers showing disinterest in demanding work. We do not rule out the lack of demand due to improved incomes in rural Rajasthan but we do report that this may not have had the dampening effect on demand for NREGS.

However, this paper does contribute and complement a large set of literature which has looked at local-level dynamics, particularly the role of elected representatives in channelising demand as well as meeting demand in NREGS. In particular, we do find evidence of a significant influence sarpanchs have in deciding the work allocation across villages. In our sample villages, we do find evidence of rationing in favour of the village where the sarpanch resides. We show conclusively that this may actually be a problem where there is more than one village in a panchayat. This contribution to the growing literature on this issue may also be important in other states where multi-village panchayats are common.

While better data management from the MIS at the village level may help unravel the level of discrimination, and extent of capture, the problem of intra-village dynamics within the panchayat needs further study. In particular, issues of jati/caste, population composition, size of village may be relevant in understanding the dynamics of employment generation in Rajasthan. Nonetheless, at a preliminary level the analysis of survey data does suggest that these tendencies may aggravate as a result of supply-driven rationing of NREGS funds. At the very least, our results point out that a temporal tracking of villages through MIS may readily help detect instances of uneven distribution of work within gram panchayats.

**Table 12: Regression – Effect of Sarpanch Village**

Variables	$\Delta$ Person Days	$\Delta$ No of Households
	(1)	(2)
$\Delta$ Sarpanch village	1,317* (749.7)	17.15** (8.89)
GP fixed effects	Yes	Yes
Observations	279	279
R-squared	0.643	0.56
Number of villages	279	279

Robust Standard Errors; clustered by GP.

\*\*\*: 1% \*\*; 5% and \*: 10%

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NOTES

- 1 For a survey of the political economy dimensions of NREGS, see Mukhopadhyay (2012).
- 2 The chart shows the actual nominal expenditure deflated by the Consumer Price Index for Agricultural Labourers (at 2006-07) prices. The wage deflator referred in the chart refers to the rate of growth of nominal wages as obtained from the labour bureau wage data.
- 3 This was challenged in the High Court of Karnataka which ruled against keeping NREGS minimum wages lower than state minimum wages. The Ministry of Rural Development, Government of India appealed against this order. A final verdict on this is awaited from the Supreme Court.
- 4 Since 2009-10 was a drought year, the high expenditure on NREGS may be because of the drought. The chart also shows the projected expenditure if the real expenditure of 2008-09 was maintained in subsequent years.
- 5 Data for 2006-07 and 2011-12 have been aggregated at the household level to arrive at comparable numbers.
- 6 While NREGS continues to pay minimum wages mandated by the NREG Act, the central government put a cap on the maximum wages that can be paid under the wages by the central government. This was a departure from the previous practice where states were allowed to pay the minimum wages prevalent in the state.
- 7 A good anthology of various studies on NREGS is available in MGNREGS *Sameeksha* (2013).
- 8 Moreover, 73% of GPs have more than two villages.
- 9 Sixty households were surveyed in each GP and their allocation across villages was determined

- using the relative weight of each village in the GP population. Only one exclusion criterion was followed: households unlikely to work on NREGS (such as big landlords) were not surveyed.
- 10 Among the districts surveyed Karauli and Durgapur were part of the first phase districts. The rest were part of the last phase districts.
  - 11 The numbers reported by MIS and our survey are not strictly comparable. First, we have excluded single village panchayats. Second, we do not explicitly sample BPL households in our survey.
  - 12 This is also relevant in the context of repeated demands of curtailing the NREGS to only 200 districts. As is obvious, the interest in working is fairly large even in those districts which were not part of the first phase 200 districts.
  - 13 This is particularly important since expression of interest here also means preference of NREGS work over other private work.
  - 14 In fact, the discouraged worker syndrome may also be reflected in lower demand as seen in 2011-12 NSSO surveys. However, it is difficult to disentangle it at this stage using available data.
  - 15 The view of the focus group of the village also reflects that the issues raised through the household survey are not specific to our sample of households.
  - 16 Other studies have also confirmed the role of village elders or influential decision-makers in rationing of NREGS work. See Deininger and Liu (2013) for Andhra Pradesh study.
  - 17 We do not consider only BPL households because there may be demand from other non-BPL households also. Not surprisingly, the proportions fall because many holding job cards do not demand NREGS work.

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