



## ESID Briefing No. 6

# Supply or demand? How politics influences the implementation of the MGNREGA in Rajasthan

### KEY FINDINGS:

- The recent drop in expenditures under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) does not reflect satiation of demand for work. Supply-side factors play an important role in limiting the amount of work available. This dilutes the key objective of the Act – that those in need of work will be guaranteed it.
- In light of the supply-side rather than demand-based nature of MGNREGA, “discouraged” workers are more likely to wait for work to be provided than actively register demand for it.
- Supply of work to villages is influenced by local political factors such as the affiliation of the elected Sarpanches responsible for allocating work at Gram Panchayat level, who ration work in favour of their own villages.
- The rationing power of Sarpanches is influenced by the funds allocated at the block level. This is in turn determined by political competition, which points to potential problems of decentralised programme implementation.

The MGNREGA guarantees 100 days of work each year to rural Indians. In terms of households covered (50 million in 2012-13), it is the largest social protection programme in the world. Indeed, MGNREGA was a flagship programme of the coalition that was led by the INC between 2004 and 2014.

The recent performance of MGNREGA has been a matter of debate. Rajasthan, especially, impressed with its performance in the initial years of its National

Rural Employment Guarantee Scheme (NREGS), but experienced a sharp decline (even relative to other states) in outcomes from 2010 onwards. Figure 1 illustrates trends in MGNREGA outcomes in Rajasthan in terms of expenditures, and households completing 100 days of MGNREGA work between 2008-09 and 2012-13. This period coincides with the INC-led government in Rajasthan.

On paper, MGNREGA is touted as being demand-driven – with work to be provided to those citizens who ask for it. Following on from this assumption, some have attributed the recent decline in implementation outcomes across India to a satiation of demand, due to work having been provided successfully and declining poverty rates. In other words, the very success of MGNREGA has led to less demand for work.

Taking the case of Rajasthan, researchers sought to establish and explore whether the fall in MGNREGA expenditures reflects falling demand for work, or a failure of the state to supply work. Researchers examined the role of elected heads of Gram Panchayats (Sarpanches) in allocating MGNREGA projects to villages. Since the remit of Sarpanches is linked to funds sanctioned at higher levels, the researchers looked at whether the approval of block level funds is influenced by political competition, in particular, between political parties contesting elections.



### METHODOLOGY

Using socio-economic data from the National Sample Survey and Ministry of Rural Development, researchers conducted a large primary data survey in 75 multi-village Gram Panchayats, 328 villages and 3916 households across eight districts in Rajasthan. The aim was to determine whether the state's declining MGNREGA outcomes owed more to supply-side or demand-side factors, and to ascertain the influence of Sarpanches on the provision of MGNREGA work. The analysis compared data on MGNREGA performance in the Sarpanches' villages with that of non-Sarpanch villages from 2008-09 to 2012-13, using a unique sampling design and a fixed effects regression.

The influence of political competition on MGNREGA funds was studied using longitudinal data from Rajasthan from two rounds of elections (2005 and 2009) and funds sanctioned for MGNREGA work (in 2009-10 and 2012-13). The analysis addressed problems of reverse causality and close elections were studied separately as a special sub-case.

### FINDINGS

#### ***MGNREGA implementation depends on the supply of work (rationing) rather than demand for it***

While MGNREGA is in principle demand-based, the involvement of various levels of political institutions in collating and approving requests for work and allocating projects makes it implausible that supply will match demand perfectly. In fact there is overwhelming evidence that the scheme is top-down, and that this has led to a "discouraged worker" syndrome (with workers more likely to wait for work rather than demand it). This may explain the sharp decline in MGNREGA outcomes since 2010-11 better than the consensus within the establishment that the demand for MGNREGA work has been satiated.

**"MGNREGA is a top-down scheme, and this has led to 'discouraged worker' syndrome"**

Supply-side factors such as flow of finance, administrative bottlenecks, minimum wage policy and the reluctance of authorities to register demand (that they are obliged to meet) have contributed to the decline in MGNREGA outcomes, which has been the steepest in Rajasthan. Researchers found that across eight districts in Rajasthan, though there was considerable variation in the proportions of households who engaged in MGNREGA work (between 39% and 89%), an average of 89% of households were interested in MGNREGA work. Not everyone who expressed interest in work demanded it: overall, only 61% of households actually requested work. These households believed that "villages get work only when it is available". Lack of faith in the system therefore masquerades as lack of demand for MGNREGA work. Demand is far from satiated; it is in fact constrained. Over 94% of the villages claimed this was the case, and more than half of Sarpanches (55%) admitted to "unmet demand".

**"Lack of faith in the system masquerades as lack of demand for MGNREGA work"**

#### ***Supply of work is influenced by the Sarpanches responsible for allocating work at Gram Panchayat level***

At Gram Panchayat level, what emerged from the village survey was the key role played by the Sarpanch in determining which villages get work and what kind of work is given. Of the villagers sampled, 64% felt that the Sarpanch determines the allocation of work among villages within their Gram Panchayat, and 56% felt that the Sarpanch determined which projects were demanded and which were consequently implemented.

Unsurprisingly, 43% of the Sarpanchs mention that the allocation of MGNREGA funds is demand-driven. But there was a clear statement that they had felt constrained for funds in the past (43%), with nearly 45% citing the prominent role of higher-up officials.

A fund-constrained Sarpanch has to ration work in some manner. Ideally, the Sarpanch would provide work first to those most in need. However, identifying need is difficult, and Sarpanches may employ their own political strategies. Rationing can occur if the Sarpanch favours households from certain villages over others within the Gram Panchayat. The Sarpanch may favour households from his/her own village as a repayment for voting, because of caste affiliation, or simply due to ease of access. Equally, a Sarpanch may prefer giving work to households from other villages in order to woo voters there.

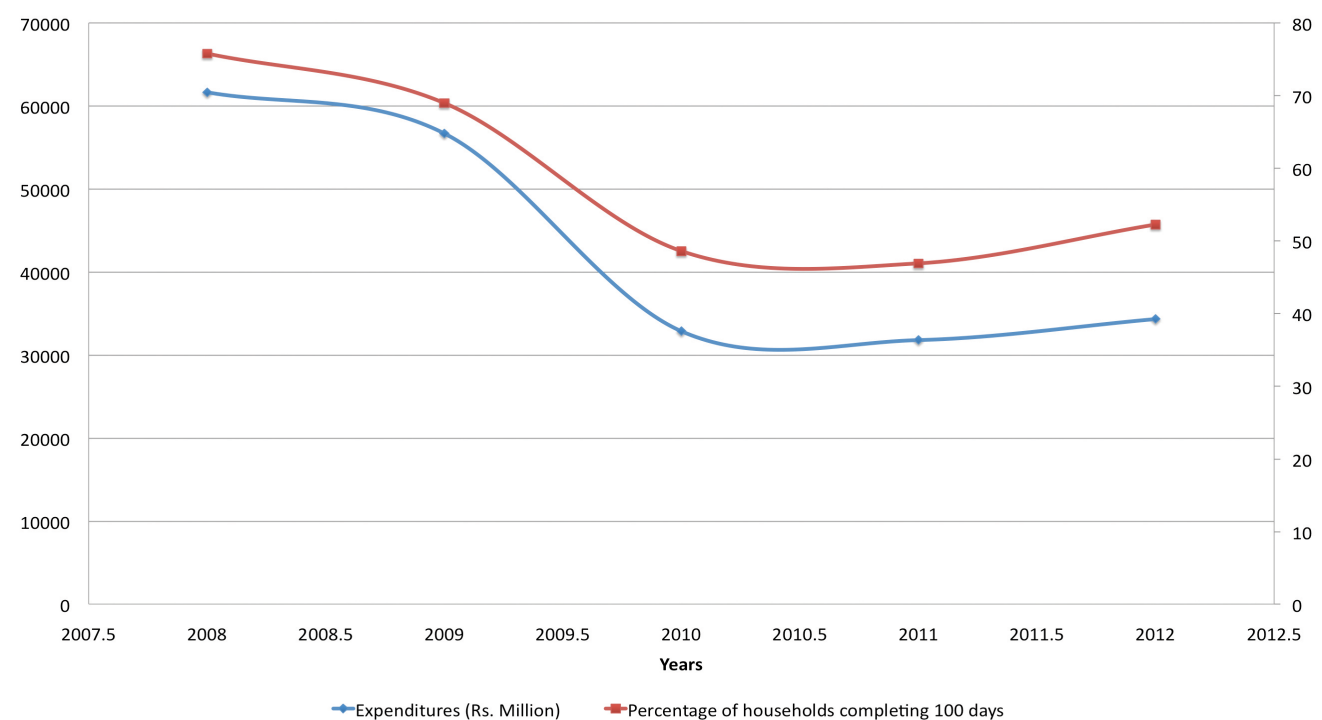
The researchers found a much better perception of the Sarpanches amongst respondents from the Sarpanches' own village – where over 64% thought their Sarpanch had done well as opposed to 39% of respondents in other villages. This is tentative evidence of bias on the part of Sarpanches, but quantitative data analysis backs up the qualitative outcomes. It shows that the percentage of households with job cards getting work in Sarpanch villages (24%) is almost double that in non-Sarpanch villages (12.4%), and person days of work per household were more than double in the Sarpanch villages (almost 15 days) compared with non-Sarpanch villages (7 days). There is therefore significant rationing of work by the Sarpanch in favour of his/her own village, manifested both in villagers' perceptions and in actual outcomes.

#### ***Supply of MGNREGA work is influenced by political competition***

Programme implementation can be influenced positively by local political competition, in particular between parties in local elections. In the context of land reform in West Bengal, Bardhan and Mookherjee (2010) find that even if political will to implement a scheme is driven by party ideology, implementation may actually be dictated by political opportunism.

In the case of Rajasthan, such opportunism was found to govern the relationship between vote share of the INC in blocks and subsequent MGNREGA fund allocations. In blocks where the INC has a very

Figure 1: Rajasthan: NREGS



low or a very high vote share (that is, where political competition is low), implementation in terms of fund allocation is low. With close elections, however, more funds go to blocks where the INC had a lower vote share. This is plausible because in areas with high political competition, where no single party dominates, it may be possible to influence votes through the transfer of funds. However, these results only hold true when the district member of parliament (MP) is from the INC (which in the period under study was in power at state level). This is credible as the district MP is an important member of the body that approves block funds.

In the case of the Bharatiya Janata Party (BJP), which was in opposition in Rajasthan at the time of the study, there is no significant correlation between vote share and funding. Only in the special case when the district MP is from the BJP and the focus is on closely contested blocks is there a negative relationship between vote share and fund allocation. However, given that very few MPs were from the BJP, this correlation disappears once the analysis is extended to all closely contested blocks.

This difference in relationship between vote share and fund allocation for the INC and BJP may be due to two reasons. First, it may not be optimal for the BJP to follow the same strategy as the INC, as MGNREGA may be identified by voters with the INC. Second, even if the BJP wanted to implement a similar strategy, they may have been unable to do so because they did not have sufficient control over block allocations in the period studied. While these two explanations cannot be disentangled without extending the analysis to a BJP-governed state, the evidence that there is a negative correlation between vote share and fund allocations when the MP is from the BJP provides some support for the latter explanation.

## POLICY IMPLICATIONS

These results shed light on the political dynamics of national programme implementation by focusing on both political competition and the role of elected representatives.

In establishing that Sarpanches ration MGNREGA work in favour of their own villages, this research contributes to the extensive literature on local level dynamics, particularly the role of elected representatives in channelling and meeting demand in MGNREGA. Discriminatory rationing may be a problem where there is more than one village within a Gram Panchayat, as in other states in India.

While better data management at the village level may help unravel the level of existing discrimination, the problem of intra-village dynamics within Gram Panchayats needs further study. In particular, issues of subcaste/caste, population composition and size of village may be relevant in understanding the dynamics of

**“A fund-constrained Sarpanch has to ration work in some manner”**

employment generation in Rajasthan. At the very least, these results indicate that a temporal tracking of villages through the Management Information System may readily help detect instances of discrimination within Gram Panchayats.

The finding that political competition may influence allocation of MGNREGA funds points to the potential problems of decentralised programme implementation. When schemes involve political institutions such as those embedded in the Panchayati Raj system in India, they can often be held hostage to political games among parties. The fact that parties are able to influence funds, over and above what is determined by structural factors like rainfall and demographics, underlines this.

These results also bring out the role of local politics in affecting economic outcomes. Studies that try to examine the impact of MGNREGA on economic outcomes are generally limited by their focus on variation in implementation outcomes. In providing a political explanation for fund allocation, the research seeks to understand better the source of variation of the scheme across different parts of India, and unearth the impact of MGNREGA on employment and poverty rates.

**“There is significant rationing of work by the Sarpanch in favour of his/her own village”**



## FURTHER READING

- ESID Briefing No. 1 (2014): Success and failure in MGNREGA implementation in India.
- ESID Working Paper 15 (2012): The political economy of implementing the National Rural Guarantee Scheme in India, by Abhiroop Mukhopadhyay.
- ESID Working Paper 31 (2014): 'They don't want to work' versus 'They don't want to provide work': Seeking explanations for the decline of MGNREGA in Rajasthan.
- ESID Working Paper 35 (2014): The National Rural Employment Guarantee Scheme in Rajasthan: rationed funds and their allocation across villages, by Himanshu, Abhiroop Mukhopadhyay and M. R. Sharan.
- Bardhan, P. and Mookherjee, D. (2012) 'Political clientelism and capture: theory and evidence from West Bengal, India.' Working Paper Series UNU-WIDER Research Paper, World Institute for Development Economic Research (UNU-WIDER).
- Gupta, B. and Mukhopadhyay, A. (2014) 'Local funds and political competition: evidence from the National Rural Employment Guarantee Scheme in India', IZA Discussion Paper No. 8196, May.
- ESID Working Papers and Briefing Papers are available at [www.effective-states.org](http://www.effective-states.org)

## ABOUT THIS BRIEFING

This brief was produced from an ESID project examining the political determinants of MGNREGA's implementation in Rajasthan, which was undertaken by Dr Himanshu (Centre de Sciences Humaines and Jawaharlal Nehru University), Dr Abhiroop Mukhopadhyay (Indian Statistical Institute – Delhi Centre), and associates. It was drafted by Rabi Thapa, with inputs from Dr Himanshu, Dr Abhiroop Mukhopadhyay, Dr Deepa Chopra (Institute of Development Studies, UK) and Professor Kunal Sen (University of Manchester).

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