

©KY PUBLICATIONS  
RESEARCH ARTICLE  
Vol.2.Issue.3.2015  
July-Sept.



<http://www.ijbmas.in>

**INTERNATIONAL JOURNAL OF BUSINESS, MANAGEMENT  
AND ALLIED SCIENCES (IJBMAS)**  
A Peer Reviewed International Research Journal

**FUND MANAGEMENT OF MGNREGA—AN EMPIRICAL ANALYSIS OF HADOTI REGION  
IN RAJASTHAN**

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**ABSTRACT**

The paper is an empirical analysis based on experiences and observations of various official executives of MGNREGA about the fund's allocation procedure, its adequacy for execution, proper utilization, leakages or misuses and scope of misuse of fund of MGNREGA. The analysis is carried out using a conceptual framework. Specially, attempt to identify various factors pertaining fund utilization that prove as beneficial for the rural development. The analysis focuses on identifying and appraising the conditions under which the significant impact and result have been obtained that how the funds are allocated for the various works to creation of durable assets under MGNREGA. The analysis is followed by efficient management practices, process, and procedures, fund management factors that have designed or have contributed to the good performance and factors that may have limited performance. The study captures the views of the official stakeholders i.e. data entry operators, accountants, engineers, assistants, mates, sarpanchs, upsarpanchs and ward members etc. on procedure of allocation of fund, sufficient quantity of fund, assessment of fund allocation and their proper use with efficient management.

Keywords: MGNREGA, Fund, Allocation, Adequacy, Use, Leakages.

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**INTRODUCTION**

The Mahatma Gandhi National Rural Employment Act (MGNREGA) guarantees to every rural household for 100 days employment in a year. It provides to rural poor the right to demand of work and gives a job guarantee that came into force on February 2, 2006 with 200 most backward districts of India. In second phase, it was expanded to cover an additional 130 districts in 2007-08. The Act was notified in remaining all districts of India from April 1, 2008 in phase-III. The objective of the Act is to enhance livelihood security of households in rural areas by providing at least 100 days of guaranteed employment at a statutory minimum wage in a financial year to every household whose adult members volunteer to do unskilled manual work. A large number of rural people of India face the problem of unemployment especially in dry and drought prone

area and it force them to migrate painfully in search of employment. The MGNREGA provides them economic opportunities, assurance of minimum wage, check the distress migration, enhancement of women empowerment. The Mahatma Gandhi National Rural Employment Scheme (MGNREGS) suffers with various problems i.e. inefficient fund management, delay wage payment, unskilled employment, lack of monitoring etc. The paper states the various empirical facets of official executives of MGNREGA in Hadoti region of Rajasthan.

#### **Objectives of the study:**

- To study the perception of office executives of MGNREGA in the Hadoti region.
- To understand the practice and procedure of fund management of MGNREGA.
- To find out the fund adequacy for execution of works in the area of study.
- To examine the proper use and misuse of allotted fund in the Hadoti region.

**Review of literature:** Misra Anurag and Nalini Rani, "MGNREGA Sameeksha", *Employment News, Weekly*, Vol. XXXVII NO.29 New Delhi, Oct., 20-26, 2012, pp.1&56 presented MGNREGA Sameeksha as an anthology of independent research studies and analysis on the Mahatma Gandhi National Rural Employment Guarantee Act from 2006-2012 provides a platform for evaluation of a law desired to assist the most invisible people in India. Dre'ze Jean and Sidarth Lal, "Employment Guarantee": NREGA, *The Hindu*, July 13, 2007 delineated about NREGS in Rajasthan have come to the conclusion that Rajasthan comes first in terms of employment generation per rural household under the National Rural Employment Guarantee Act (NREGA). The share of women in NREGA employment is around two thirds in Rajasthan, and that of Scheduled Caste and Scheduled Tribe households is as high as 80 percent. The inspection team visited three blocks of Jhalawar district (Bakani, Dag and Sunel), verified job cards and muster rolls in half a dozen villages, and had detailed discussions with labourers, mates, sarpanchs, gram panchayat secretaries, engineers, Programme Officers and block development officers, among others. *The Mahatma Gandhi National Rural Employment Guarantee Act 2005 Operational Guidelines, 2012*, 4th Edition, Draft Submitted By Mihir Shah Committee to Ministry of Rural Development, Government of India, February 2012 presented the guidelines of MGNREGA that should be kept in mind by the officials. Centre for Science and Environment (CSE), An Ecological Act: A Backgrounder to the National Rural Employment Guarantee Act, New Delhi: CSE, 2009. In the context of rural poverty, the MGNREGA should be seen more as a livelihood-generating programme than a wage-earning scheme. In many ways the NREGA is a replication of earlier schemes in letter and spirit, but with a legal guarantee. So past failures do haunt the NREGA like, lack of right planning, focus on local needs and also dominantly bureaucratic roles. The study posits that if implemented efficiently, NREGA can be used to regenerate local ecology, and help trigger real economic growth. Its focus on irrigation, land and plantation gives it the necessary capacity to rescue rural India from its crisis. Bhalla, S. S., 'No Proof Required: Corruption by any Other Name', *The Indian Express*, 4 February 2012. This is a secondary analysis based on both official MGNREGA and NSS data. The author has developed a corruption index for MGNREGA based on difference in participation of the poor and non-poor and the expenditure on the poor and non-poor under the programme.

#### **Research Methodology**

**Rational behind the study:** over 300000 crore have been allotted over eight years under this scheme that's why it is necessary to find out that funds are actually utilized successfully for the implementation of scheme in Hadoti region of Rajasthan. MGNREGA has also led to emergence of a local mafia that siphons off funds, misuse of tax payer's money or large scale corruption that several anomalies have been detected during the implementation of MGNREGA since its launch in 2006 therefore it became necessary to obtain the quantitative and qualitative data from the official stakeholders of MGNREGA.

**Scope of the study:** The study is limited to the Hadoti geographical region which constitutes by the districts of Baran, Bundi, Jhalawar and Kota thus the study covers the areas of the Hadoti region in the state of Rajasthan.

**Type of research study-** This study is an empirical research based on experiences, observations and evidences with preponderance of qualitative and quantitative techniques used in the region.

**Type of sampling:** The selection of official executive stakeholders of the four districts of the Hadoti region is based on random sampling without replacement.

**Sampling size;** B.D.O.'s (Block development officers), assistants engineer, junior engineers, technical assistants, accountants, account assistants, secretaries, mates, sarpanchs, up-sarpanchs, ward members and other official stakeholders comprise in the sample respondents from MGNREGA's fields at gram panchyat, block offices and district offices of Hadoti region. At this level, 50 officials stakeholders from each district engaged in MGNREGA's works were selected at randomly without replacing with totally 200 samples. The following table 1 indicates the classification of demographic profile of the sample respondents of official executives in each district of Hadoti region.

Table 1: Demographic profile of the sample respondents of official executives

Sex	Baran		Bundi		Jhalawar		Kota		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Male	40	80	42	84	40	80	37	74	159	79.5
Female	10	20	8	16	10	20	13	26	41	20.5
Total	50	100	50	100	50	100	50	100	200	100

Source: The author

The following figure 1 presents the gender-wise distribution in percentage of samples of the respondents of official executives in the Hadoti region.

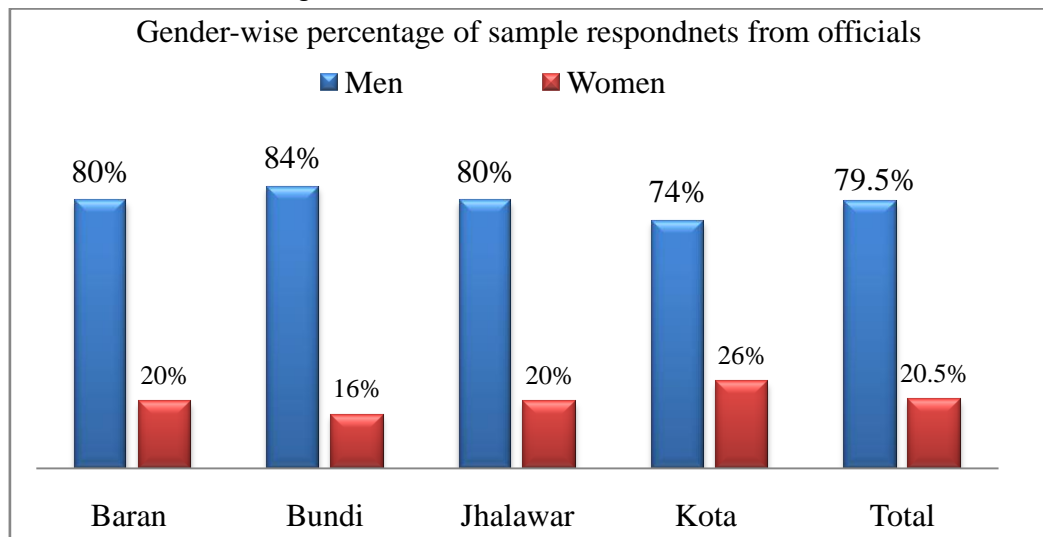


Figure 1: Gender-wise samples of respondents of official executives

The above figure 1 represents that 20.5% (41 nos.) of the respondents were women in the sample size of official stakeholders in the region.

**Tools & techniques of the collection of data:** Quantitative data collected through the structures questionnaires of official executives while qualitative data gathered by conducting the unstructured interviews, interactions and reactions with official executives of MGNREGA in the Hadoti region.

**Statistical tools & techniques used:** Percentage has been calculated to draw the inferences in tabular analysis. It is very scientific and perfect analysis. For analysis of the data collected, simple statistical techniques such as diagrams, graphical presentation, percentages and averages have been used to present the quantitative data analyzed.

#### Empirical Analysis and Findings:

The analysis focuses on identifying and appraising the conditions under which the significant impact and result have been obtained as a part of efficient management practices, process, and procedures, fund management factors that have designed or have contributed to the good performance and factors that may have limited performance. The study captures the views of the official executives i.e. Data Entry Operator, Accountant, Engineers, Assistant, Mate, Sarpanchs, Upsarpanchs And Ward Members etc. on fund management, social audit, grievance redressal, process, wage payment etc.

#### Procedure of allocation of fund:

The success of implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) depends on proper planning and utilization of funds. The basic object of the planning process is to ensure that

the district is prepared planning well and advance to offer productive employment on demand. There are two type of plan in MGNREGA first is development plan (DP) i.e. an annual development plan that comprises a shelf of projects for each village with administrative and technical approval, and secondly, District Perspective Plan (DPP) i.e. a long term development strategy of five years. It is flexible enough to respond to new need of area, the experience of implementation and new works approved by the Government of India. The main object of District Perspective Plan is the creation of durable assets and strengthening of livelihood resources base of the rural poor. The table 2 indicates the perception of officials about the process of allocation of fund.

Table 2: Procedure of allocation of fund

Procedure of allocation of fund-	% age of Respondents
On the basis of works estimate as well as labor budget submitted	56
As per discretion of government	12
As per political approach of local leaders	26
As per size of the district & number of gram panchyats	06
Total	100

Source: The Author

The above table 2 reflects that how the funds are allocated for the various works to creation of durable assets under MGNREGA. Over the fifty percent official executive respondents of the Hadoti region revealed that the allotment of fund is made on the basis of work estimate submitted as well as labor budget. Allocation of funds in a particular area or project influenced by the political approach of local leaders was reported by 26% of the sample respondents that shows involvement of Panchayati Raj in financial activities of MGNREGA and local politicians are also play the prime role to assess the fund allocation in their area while 12% of respondents claimed that it was depend on as per discretion of government. Only 6% of official executive claimed that the fund is allotted according to the size of the district and number of gram panchayats in the block that reflects the unawareness about the process of allocation of fund.

#### **Adequacy of fund for works execution:**

An important cause for delay of wage payments is also unavailability of sufficient funds at district, block, and gram panchyat level. There may be a shortage of MGNREGS funds in some districts, blocks, and gram panchyat while in others; it may be a surplus of fund. Once the MGNREGA's funds are allotted to a district/block/ gram panchyat, it is very difficult to perform transfers of the funds across other district/block/GP. Fund allocation hence becomes an arduous task in implementation of MGNREGS. To tackle this problem, the States adopt an integrated fund management system called eFMS (Electronic Fund Management System) which ensures that the MGNREGS fund is not excess or deficient at any level. Under eFMS, the MGNREGA's fund is a centrally pooled fund managed at state level. The users at gram panchyat, block or district level, all-across the state are the users of this centralized fund and have access to this pooled fund with certain restrictions. The users undertake only electronic transactions through the centralized fund, for the purpose of wage/material/administrative payments as per the actual with certain ceilings. All electronic transfers are realized in a span of 24 hours. Based on this principle of Centralized fund & de-centralized utility, the eFMS ensures timely availability of funds at all levels and transparent usage of MGNREGS funds. This improves efficiency of the scheme on the whole and also has a multiplier effect on timely delivery of wage payments.<sup>7</sup>

The following table 3 indicates the distribution of sample respondents about the adequacy of funds received for execution of works under the scheme in the Hadoti region of Rajasthan.

Table 3: Adequacy of funds for execution of works

Does adequate fund allot for execution of works?	% age of Respondents
Yes	60
To some extent	24
No	14
No answer	02
Total	100

Source: The Author

The following figure 2 represents that adequate funds are available to execution the scheme properly in the Hadoti region.

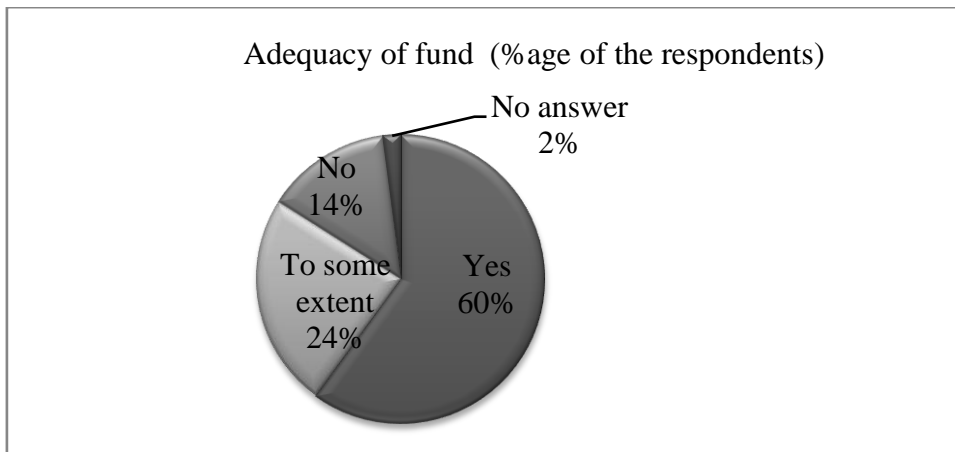


Figure 2: Adequacy or Sufficiency of Funds for Works Execution

It is observed that there is no deficiency of funds for execution of MGNREGA works in the region and funds received in MGNREGA is non-lapsable at the end of financial year on 31 march thus this is positive aspect that unspent money can be utilized in next year.

**Assessment of proper use of fund allocated under MGNREGA**

The Operational Guidelines 2012 of MGNREGA (4<sup>th</sup> edition) focuses about the permissible works under the scheme as per Schedule I of the Mahatma Gandhi National Rural Employment Guarantee Act 2005 thus the fund released from MORD should be utilized in prescribed permissible works. Rule 2 of Schedule I mandates that creation of durable assets is an important object of the Scheme. This implies that assets created should be tangible and measurable in nature. Works like boulder, pebble or shrub removal, silt application and similar activities which are non-tangible in nature are not permissible as stand-alone activities except when they are part of tasks in projects for strengthening the livelihood resource base of rural poor.

The following figure 3 indicates the assessment of proper use of fund of MGNREGA in permissible works as per norms. 34% of the official executive respondents agreed that the fund received under MGNREGA is being properly used in various permissible works while same proportion of the respondents (34%) claimed that the fund is used properly to some extent, thus overall 68% of the respondents revealed that fund is being properly used at least in permissible works therefore MGNREGA has proved itself as a boon to the destitute and poor rural people. Remaining 32% of the respondents perceived that funds received in MGNREGA are not used properly or not according to the norms.

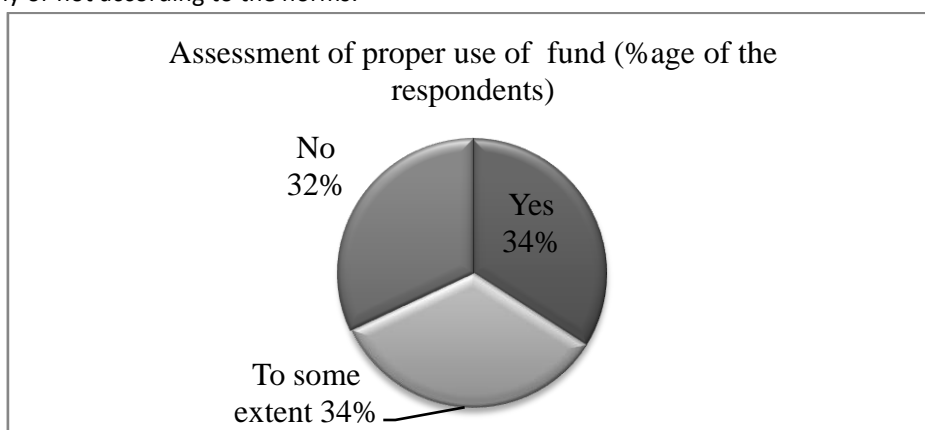


Figure 3: Assessment of Proper Use of Funds

The following table 4 shows the assessment of proper use of funds allocated under MGNREGA in the Hadoti region. Over two third of the respondents were in favour that the funds are being proper utilized either fully or to some extent under the scheme. It is also found during the direct observation that soil based raw works (kachha) are more prefer than pucca works thus the most of the fund are used for soil based raw works in the Hadoti region because The ratio of wage costs to material costs should be no less than the minimum norm of

60:40 stipulated in the Act. This ratio must be maintained at the level of each Gram Panchayat. Thus, the selection of more labour-intensive works and raw works (kachha) are the constraint to proper utilization of funds.

Table 4: Assessment of proper use of funds allocated

Does allotted fund use properly?	Percentage of respondents
Yes	34
To some extent	34
No	32
Total	100

Source: The Author

#### Assessment of the funds allocated under MGNREGA prove as beneficial for rural development

Mahatma Gandhi NREGA is a powerful instrument for inclusive growth in rural India through its impact on social protection, livelihood security and democratic empowerment. The table 5 indicates the assessment of the fund allocated under MGNREGA prove as beneficial for rural development.

Table 5: Assessment of the funds allocated under MGNREGA prove as beneficial for rural development

Allocation of fund prove as beneficial for rural development	Percent of respondents
Yes	46
To some extent	44
No	10
Total	100

Source: The Author

Allocation of fund under the MGNREGA in Hadoti region has been proved as beneficial for rural development reported by 46% of the sample respondents of official executive and 44% of the respondents reported that fund allocate and spent under the MGNREGA became beneficial to some extent for rural development. Only 10% of the respondents reported that it is not fruitful for rural development in the region. Thus the situation is overall satisfactory for this purpose as presented by the following figure 4.

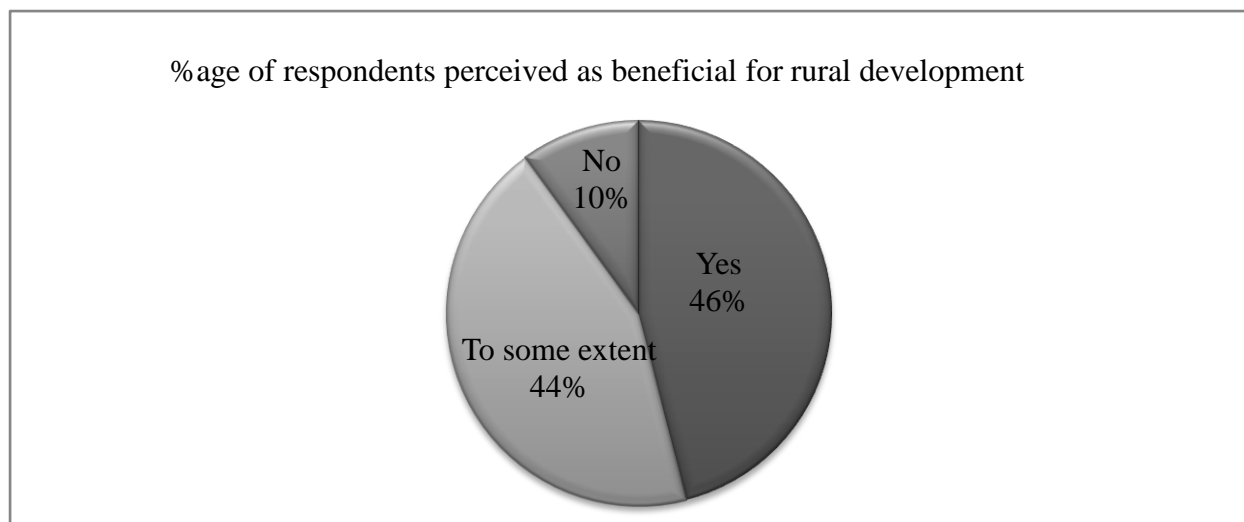


Figure 4: Allocation of fund prove as beneficial for rural development

#### Assessment of Leakages of Fund

As per provisions made in Section 27(2) of MGNREGA 2005, the Central Government may, on receipt of any complaint regarding the improper utilization of funds granted under this Act, order an investigation into the complaint and if necessary, shall order stoppage of release of fund to the scheme if no appropriate remedial measures are instituted for proper implementation within a reasonable period of time as defined by the Central Government. The stoppage of fund will be resorted to only as an extreme step. When this is resorted

to, it will be confined to the defaulting unit i.e. panchayat, block, district or state depending on who was required to take corrective steps, but did not.<sup>5</sup>

All procurement made should be posted in the MIS (Management information system) for monitoring, including details of quality procured, total amount spent, the scheme for which the material was procured, date of delivery of material etc. To ensure procurement of material in an efficient and prudent manner, principles and procedures prescribed in para 7.4 of Operational Guidelines 2012 of MGNREGA should be adopted. The following table 6 shows the assessment of leakages of funds under the MGNREGA revealed by the respondents of official executives in the Hadoti region.

Table 6: Assessment of leakages of fund

Is there any leakage of MGNREGA's fund?	Percent of the respondents
Yes	25
To some extent	45
No	30
Total	100

Source: Author

25% of the respondents reported in straightway that there are some leakages in the utilization of fund. During the interaction with stakeholders, it revealed that it has also led to emergence of a local mafia that siphons off funds, misuse of tax payer's money or large scale corruption that several anomalies have been detected during the implementation of MGNREGA since its launch in 2006 while 45% of the respondents claimed that the leakages in the fund are occurred to some extent, while 30% of the sample from the official executive reveals that there is no leakages in the utilization of fund received under the scheme and it is being properly utilized without any leakage or misuse. The following figure 5 depicts the perception of the official stakeholders about the leakage of MGNREGA's funds.

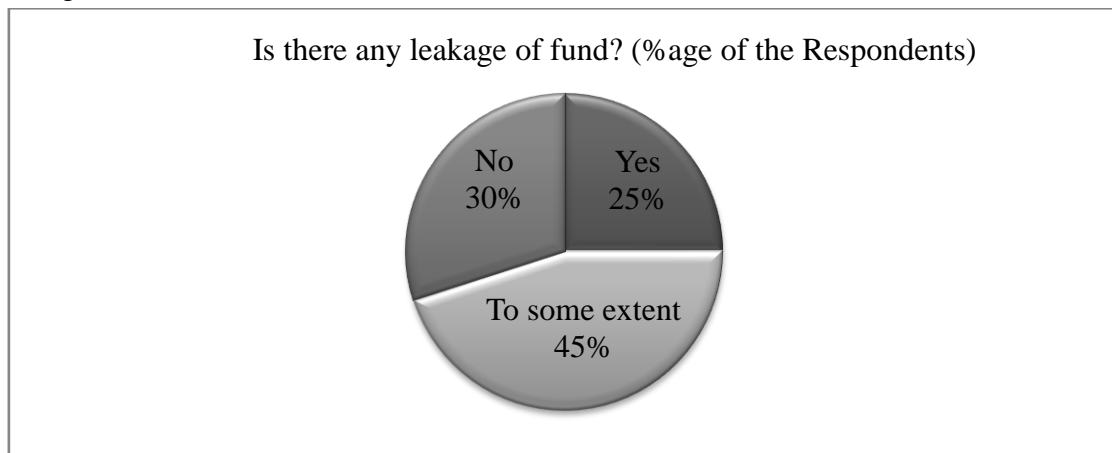


Figure 5: Assessment of leakages of fund

#### Scope of leakages / misuses of fund

According to the act, the following expenditures are not allowed under any condition in the administrative costs of MGNREGA:

1. Purchases of new vehicles
2. Purchases or construction of new buildings
3. Purchases of air-conditioners
4. Salaries or remuneration or honorarium of functionaries who are not exclusively or wholly dedicated to MGNREGA work

The above items are mentioned in the negative list of administration cost and come under preview of misuses of MGNREGA's funds. The following table 7 explains the scope about the leakages or misuses of MGNREGA's funds.



Table 7: Scope of leakages of funds

Scope of leakages / misuses	Percentage of respondents
In the payment of wages	07
In the purchases of materials	33
Both	40
In other area	12
No answer	08
Total	100

Source: The Author

40% of the respondents reported that area of the leakages is related to purchases of material as well as payment of wages from MGNREGA's fund. One third of the respondents claimed that there are leakages in purchases of materials while only 7% of the respondents apprehended that leakages of funds are related to payment of wages to unskilled job seekers. 12% of the respondents claimed that there are some leakages of the funds which are related to miscellaneous components. Only 8% of the respondents did not give response about it.

In this way official executives, perceived that there are more chances of irregularities or leakages of funds in purchases of material and in the payment of wages.

#### Planning of works

A unique feature of MGNREGA is its demand-driven character. Before begin to record demand, there is need to make a prior assessment of the quantum of work likely to be demanded as also ascertain the timing of this demand.

Concomitantly, there is a need to prepare a shelf of projects that would allow meeting this demand. This matching of demand and supply of work is the process of planning under MGNREGA and this is to be achieved through the preparation of a Labour Budget, which has two folds— one is assessment of quantum and timing of demand for work and second is preparing a shelf of projects to meet this demand in a timely manner. The following table 8 shows the assessment of funds allocation as per necessity and urgency of work with proper pre- planning of various works under MGNREGA in the Hadoti region.

Table 8: Allocation of funds is based on urgency and as per necessity of work with proper pre- planning of various works under MGNREGA

Allocation of funds is based on urgency and necessity of work	Percentage of respondents
Yes	30
To some extent	46
No	22
No answer	02
Total	100

Source: The Author

30% of the respondents reported that fund is allocated as per necessity and urgency of work with proper pre-planning under various works of MGNREGA. 46% of the respondents claimed that advance planning's made to some extent as per works of their requirement and urgency. 22% of the respondents reported that fund is not allocated with proper pre-planning as per urgency, necessity, usefulness and significance of works.

#### Conclusion:

- Requirement of funds decided through assessment of quantum and timing of demand for work and preparing a shelf of projects to meet this demand and supply of work in a timely manner.
- Local politicians can also play the prime role to assess the fund allocation in their area.
- There is no deficiency of funds for execution of MGNREGA works in the region and funds received in MGNREGA is non-lapsable at the end of financial year on 31 March and it is positive aspect that unspent money can be utilized in next year.
- Fund is being properly used at least in permissible works therefore MGNREGA has proved itself as a boon to the destitute and poor rural people.



- Expenditure under the MGNREGA in Hadoti region has been proved as beneficial for rural development
- There are some leakages in the utilization of fund with the emergence of a local mafia that siphons off funds, misuse of tax payer's money
- Main scope and area of the leakages of fund is related to purchases of material as well as payment of wages to job seekers.
- Funds are allotted as per necessity and urgency of work with proper pre-planning under various works of MGNREGA

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