

'One Kind of Democracy' Implementing MGNREGS

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Even if we concede that the Mahatma Gandhi National Rural Employment Guarantee Scheme is designed as a demand-driven programme, and that local residents desire to have work projects in their area, whether it translates into effective demand, and whether the work projects actually get initiated depends very much on the dominant voices in local power structures. As this study shows in the case of Maharashtra, however progressive the design of modern democratic institutions, traditional caste hierarchies will try to sabotage their working by using their standing clientelist structures, with class and caste coming together to make this possible.

Ten years ago, the central government launched the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) through a parliamentary act. Making employment a legal right was certainly a bold move. The implementation was, however, always going to be difficult. Indeed, the scheme has been criticised as wasteful for allowing a great deal of corruption and for creating assets of dubious quality. The most serious as well as the most puzzling problem, however, is that despite the dire needs of the households for income-earning opportunities, especially in the slack season, the funds allocated to this scheme have been underutilised in some states. In effect, there seems to be too little demand. How can this be?

There has been wide variation in the rate of fund utilisation across states. In 2009–10, Mizoram spent 97% of its funds, while Maharashtra spent only 52% (Accountability Initiative 2011). Imbert and Papp (2014) and Murgai et al (2013) provide evidence of unmet demand for MGNREGS projects. To understand this phenomenon, some researchers have emphasised the political economy angle (Mukhopadhyay 2012; Chopra 2014), while Maiorano (2014) goes one step further and considers overt MGNREGS demand suppression by landowners. This paper brings these two lines of thought together for Maharashtra. We do this by drawing on Anderson et al (2015)—a study of the general pattern of rural governance in Maharashtra under panchayati raj, based on a household-level survey carried out in 2006–07.

The motivation behind the Constitution (73rd Amendment) Act, 1992 was to invest local governments with more decision-making powers, and responsibilities for implementation, so that they would be more accountable to local populations. The MGNREGS was a perfect test case of whether it worked this way. It was expected that the funds for the MGNREGS would flow from the centre to the states, and from the states down to panchayats. It would be the responsibility of the panchayats to initiate work projects in response to local demand. On the surface, this system seems to be incentive compatible. In rural India, “the poor” are the majority. They can elect a local government they favour, which, in turn, should do its utmost to achieve what the majority of the voters want. And yet, the funds allocated for the MGNREGS remain underutilised in Maharashtra. Is there no need for employment? Or, is the demand suppressed, and if it is, why? To be able to answer this question, we need to examine how rural institutions are really governed in India’s decentralised democracy.

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Our hypothesis is that even if the MGNREGS is designed as a demand-driven programme, and even if there is a desire on the part of local residents to have work projects in their area, whether it translates into effective demand, and whether the work projects actually get initiated depends very much on the dominant voices in local power structures. Typically, these voices belong to the relatively better-off farmers from the locally dominant caste. In traditional agriculture, a major cost item is labour. Moreover, the timeliness of the availability of labour is crucial in the weather-dependent agriculture of India. All this leads to a very high weight being placed on the availability of cheap and compliant labour. The very rationale of the MGNREGS—to offer an additional source of employment and income to labourers dependent on local farm work—runs counter to this concern of priority to local employers. They would thus naturally use their political influence in panchayats to suppress the demand for MGNREGS works. If that is the case, then however progressive the design of modern democratic institutions, traditional caste hierarchies will try to sabotage their working by using their standing clientelist structures, with class and caste coming together to make this possible. The purpose of this paper is to develop this hypothesis further.

In an interesting account of the history of the post-bellum South in the US, Ransom and Sutch (1977) described how newly freed former slaves became tenants, and found themselves bound in a three way relationship with landowners and stores. It was freedom, a welcome freedom, and yet a constrained freedom—One Kind of Freedom. The story we tell here is similar. A modern democracy based on liberal principles and well-designed rules was imposed on a traditional society with its historically determined hierarchies, and indeed, it brought democracy—One Kind of Democracy—to the rural population of India. We argue that because of deeply ingrained traditional clientelist structures, this kind of democracy does not lead to a simple mapping from majority interests to majoritarian policies.

Survey

In 2007, we surveyed approximately 9,000 households from a random sample of 300 villages in three regions (Western Maharashtra, Marathwada and Vidarbha) of Maharashtra. Our villages are relatively small, with populations of around 2,000. They are primarily agricultural, and society is typically caste-based (the population of tribals is very small in our sample). More than 40% of our households are below the state poverty line. In Maharashtra, any given gram panchayat (GP) usually covers a population of approximately 2,000. As a result, in our sample, the GPs are village specific.

We administered questionnaires at the household level, village level, and to the GPs directly. The household questionnaires asked about the economic activities of household members, their social capital (for example, the level of trust they have towards other people in the village), and their views on the functioning of the GP. For some information, particularly

to obtain the balance sheets of GPs, we had to use the Right to Information Act.

Salient Observations from the Survey

(1) Underutilisation of Funds

At the time of our survey, the employment guarantee scheme (EGS), which was the precursor to the MGNREGS, was in place in Maharashtra. The EGS showed great promise. Ravallion et al (1991) claimed, “The EGS in Maharashtra India is the most famous and most successful direct governmental effort at reducing absolute poverty in rural areas.” Indeed, the EGS programme was more generous to beneficiaries than the MGNREGS. Like the MGNREGS, the EGS was supposed to be universally available. However, the programme is seen in only 20% of the villages sampled. This is alarming, given the extent of dry land agriculture and poverty in our sample. Identical to the MGNREGS, the EGS in Maharashtra was directly funded by the centre and the state, and only needed to be administered by GPs, which represented local residents. In this paper, we use the term MGNREGS, even though the scheme was referred to as the EGS in Maharashtra at the time of our survey.

(2) Maratha Dominance

In Maharashtra, the Maratha caste has been the historically dominant political and economic group. Its economic dominance continues today. Marathas are the largest landowners and cultivators in our sample. In 60% of the villages studied,

Table 1: Marathas and Other Castes in Sample

Variable	Marathas	Other Backward Classes	Scheduled Castes
Cultivators (%)	0.83	0.65	0.33
Labourers (%)	0.10	0.19	0.53
Landless (%)	0.13	0.31	0.62
Average land owned (acres)	6.74	6.00	3.67
Number of households	3,259	2,659	2,019

Marathas own the majority of land. It is only when Marathas are a minority in a village that an Other Backward Class (OBC) holds the bulk of the land. Table 1 shows the contrast between Marathas and other castes in our sample.

(3) Maratha Economic and Political Power

Menon (2012), drawing on the work of Suhas Palshikar, describes the transformation of the Marathas from a backward community to the dominant caste in Maharashtra. To quote her,

From 1962 to 2004, of the total of 2,430 MLAs [members of the legislative assembly], 1,336 or 55% were Maratha. Nearly 54% of the educational institutions in the State are controlled by them. Of the 105 sugar factories, 86 are headed by Marathas, while 23 district cooperative banks have Marathas as chairpersons. Marathas dominate the universities in the State, with 60% to 75% presence in the management. About 71% of the cooperative institutions are under the control of this community. In Maharashtra, 75% to 90% of the land is owned by the community. In addition, all the milk cooperatives and cotton mills are either owned or controlled by them. In 54 of the 288 assembly constituencies, only Marathas have ever been elected—even without any reservations.

Marathas constitute the largest community in Maharashtra. It is not surprising that they hold more political offices than

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members of any other caste. However, Maratha power also arises from land dominance. In our sample of villages, after controlling for Maratha population numbers, comparing a village where Marathas are the dominant landowners to one where they are not, the probability of the gram pradhan being Maratha increases by 22 percentage points. But this understates the effect, since many such villages operate under randomly applied reservations where Marathas (as upper castes) are not allowed to contest. The same comparison, restricted only to unreserved villages, shows the probability of a Maratha pradhan rising by 40 percentage points in Maratha-land-dominated villages.

But we treat the caste of the pradhan as only an imperfect indicator of the source of power. There is evidence that powerful groups have been able to employ proxies (from other castes) to overcome the effects of the reservation system. These proxy politicians may serve the interests of the powerful even if they are not from their caste. Things may also work the other way. The non-Maratha majorities may elect Marathas to further their interests simply because of their connections and history of political experience.

Marathas have a disproportionately large representation in all levels of government, on credit cooperative societies, and in trading networks. They clearly have superior access to the government machinery, which is so valued in India's informal economy. For example, for ration cards, job cards, water connections, electricity connections, loan waivers, and credit from cooperatives and other banks. Many support schemes of the government such as the Indira Awas Yojana or disability pensions need certifications of eligibility by local bureaucrats and politicians. Similarly, the access to government health clinics and other delivery channels of government services is a scarce commodity for which there is a huge excess demand. Rationing this demand is a source of enormous power in the countryside. When the local elites provide access to government services to their clients, the clients feel indebted to their patrons. It is easy to see that a worker lacking such access will be hugely grateful to a Maratha landlord for getting him credit for a family wedding or helping a family member gain admission to a government hospital during a medical emergency. The superior access that Maratha landowners have can serve them well as an instrument of patronage.

A very important element of this access is access to information. Those who control local governments control information. This means that often local residents learn about the existence of government schemes created for their benefit through their panchayat leaders. Note that there was widespread ignorance about the MGNREGS in many areas that we surveyed.

(4) Different Outcomes in Villages with Maratha Land Dominance

(a) Lower Incidence of MGNREGS Implementation: Curiously, if we look at the subsample of villages (59% of the total) in which the dominant landowning caste (the caste that owns

more land in the village than any other) is Maratha, the data show a lower (by about 8%) incidence of MGNREGS implementation. A key feature turned out to be how the outcomes in this subsample of villages were different in many respects from others despite all of them being the same in terms of geographical, climatic, and other characteristics, such as soil quality. Clearly, there was a story here, and Maratha land dominance was investigated by the Anderson et al (2015) study. In addition to the lower level of implementation of the MGNREGS, it documents other notable differences as well.

(b) Lower Wages, Higher Productivity, and Higher Profits: Wages are lower and yields are higher in villages where a majority of the land is in the hands of Marathas. On average, daily wages are 8% to 10% lower in Maratha-land-dominated villages (compared to when an OBC caste holds the most land), whereas days worked by labourers are not significantly different. In turn, a Maratha-land-dominated village has kharif yields that are more than Rs 7,000 per acre higher than in a non-Maratha-land-dominated village. The profits from cultivation are also significantly higher.

(c) Higher Levels of Social Capital: Interestingly, social capital as conventionally measured by responses to "trust" questions is much higher in Maratha-land-dominated villages. There seems to be much greater harmony between agricultural workers and their employers in villages where Marathas own the majority of land. Individuals are more likely to report that people in their village can be trusted in Maratha-land-dominated villages, and that they are less likely to be cheated by large landowners. Another measure of social capital is said to arise from voluntary donations of both time and money by individuals. The surveyed households were 18 percentage points more likely to have donated cash, or labour to village-level development initiatives in the past year if they were in Maratha land-dominated villages. These are significantly large effects, because on an average, 50% and 30% of people donated cash and labour respectively, a 36% and 62% increase respectively in these villages. They were also more likely to report that someone from their village would "repair" any damage they happen to notice on their farm. In all, the data suggest that social capital, as conventionally evaluated, is better in villages dominated by Maratha landowners.

The Clientelism Hypothesis

A possible explanation for Maratha land dominance leading to political power is that the insurance and access to vital private and government services provided by Maratha landlords plays a key role in building social cohesion, moderating direct demands for programmes by the poor, and sustaining political support for large landowners. But, for this to be the case, we need to see why landowners would be willing to expend the resources necessary to sustain such political support.

One reason could be that they stand to lose out from implementation of pro-poor policies, such as the MGNREGS, as labour demand and labour's opportunity cost would both increase.

This could adversely affect landlords by lowering labour compliance and effort, while raising wages and lowering yields. This is a reason that was informally suggested to us in the field. For example,

Timeliness makes a big difference to the yields. And this is why farmers don't like government schemes that create other employment opportunities for labour. On the banks of Godavari, I can point out a whole belt of villages where Maratha farmers have prevented the government from building roads. Finally, the roads got built when the roads were built with labour brought in from outside (Kalidas Aapet, Marathwada farmer and Shetkari Sanghatana activist).

At an informal level, this is consistent with political scientists' accounts of activities in Maratha-dominated villages. Carter (1974) studied the social determinants of Maratha caste power in Maharashtra. According to him, successful politicians recruit popular support by forming a series of horizontal political alliances with other Maratha leaders who deliver the votes of individuals within their own settlements. But how do local leaders obtain votes from their villages? According to Carter, vertical alliances are based on patronage transactions linking the mass of voters with elite leaders who control the land, the GP, and credit institutions. As the following quote from a farmer in one such village makes clear, these transactions clearly involve an element of quid pro quo.

Marathas have always been the rulers and so it is natural for people to accept their leadership. They have *daanat* (obligation to give). When labourers go to them for help in times of need (especially for marriage ceremonies and illnesses), they give (Kalidas Aapet, Marathwada farmer and Shetkari Sanghatana activist).

This is consistent with Scott's description of traditional patronage amongst the peasantry in Southeast Asia. According to him, the subordinated in traditional villages willingly accede to their subordination in return for consumption insurance.

Within the village context, a wide variety of social arrangements typically operated to assure a minimum income to inhabitants ... They are not radically egalitarian. Rather they imply only that all are entitled to a living out of the resources of the village, and that living is attained often at the cost of a loss of status and autonomy (1977: 5).

The suggestion here is that it is a political transaction, which, in our context, amounts to clientelist vote trading. The logistics of undertaking such a political transaction in the villages are not very difficult even with anonymous balloting. As the villages are small (about 400 households), they are broken up into five or six wards for panchayat elections.

For this to be going on, we should see that the provision of transfers from large landowners or upper castes to the poor or lower castes is more prevalent in Maratha land-dominated villages. The transfers that are most important to the poor are insurance transfers, and it was these that were specifically targeted in the Anderson et al (2015) survey.

Anderson et al (2015) rule out a number of hypotheses—this is not because rich landowning Marathas are more able village representatives. Such villages do not report higher levels of public goods, nor greater availability of resources from the state. As a matter of fact, Maratha land dominance is associated with less use of the available anti-poverty programmes

and other centre-provided resources. This is not because rich landowners are able to divide and conquer, as social capital is higher in these.

The hypothesis that emerges from Anderson et al (2015) is political clientelism. It is akin to the patron–client relationships described by Scott (1977), where landlords (patrons) use their private resources and connections to acquire power over workers (clients) by offering them insurance against consumption and production contingencies. This type of clientelism works through highly personalised relationships that exist in traditional societies. Maratha landlords (dominant farmers) provide private insurance benefits to poor workers, and access to private services through Maratha trading networks and government services through their political connections. In return, the poor vote for the landlords. The landlords benefit from control of the GP by keeping out government anti-poverty programmes that would increase the reservation wage of the poor, directly affecting their profits.

Our study shows that in a developing society such as India, traditional hierarchies (for example, caste) manifest their influence through formally modern democratic structures. Though caste is unique to India, the phenomenon of traditional hierarchies sabotaging modern political institutions is not. Interestingly, our study corroborates a thesis by Sadanandan (2012) that decentralisation tends to create greater scope for clientelism, as relationships in a decentralised set up are more personal, voting behaviour is less secret, and enforcement of implicit contracts is more feasible.

In subsistence economies, the poor place a huge premium on help during a contingency, for which they are willing to give up substantial long-term gains. We believe that the rural elite are able to take advantage of this to make modern institutions work in their interests. In a broad sense, the paper provides evidence of how the vested interests of the dominant caste elites, which developed over hundreds of years, persist under the veneer of modern institutions and still affect policy outcomes. In this sense, it is related to the theoretical work of Acemoglu and Robinson (2008), which analyses how political institutions can influence economic outcomes by distinguishing between *de jure* and *de facto* political power. The establishment of formal democratic structures may lead the elite to implement changes that offset declines in their *de jure* power by building their *de facto* power. Maintaining and strengthening this power can come at the cost of the development process. The Acemoglu and Robinson (2008) model can imply a pattern of captured democracy, where a democratic regime may survive by selecting economic institutions favouring the historical elite.

In villages where the historical elite dominate, clients deeply appreciate their ongoing relationships with patrons. So much so that our surveys indicate surprisingly positive social relations in them. This echoes a recent paper by Acemoglu et al (2014) examining the role of chieftaincy in Sierra Leone. There, villages with negative development outcomes and the most powerful chiefs seemed to exhibit higher social capital. They suppose this to be an outcome of the strong ties built under powerful chiefs and maintained through patronage.

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Most of the well-known studies on how history has been responsible for affecting the present course of development emphasise a difference in the institutional design, or an effect on the level of trust (or social norms) in society that inhibited collective action and well-functioning governance. Some of the more recent literature has tried to dig deeper and analyse how the elite in developing societies manipulate the political system to their advantage. This new strand of literature is paving the way to a deeper understanding of the subtle ways through which traditional hierarchies are shaping the actual functioning of democracies in developing societies, which our paper hopes to contribute to.

Conclusions

An obvious policy conclusion to draw from all this is that for a poverty alleviation scheme to have the desired result on its targeted population, its design must have features that protect it from manipulation by the local elite.

Some lessons can be learned from the differential performance of states in the implementation of the MGNREGS. For example, Kulkarni (2013) suggests that Andhra Pradesh has managed to deliver a vastly superior performing MGNREGS in terms of better utilisation of allotted funds, smaller delays in wage payments, and less corruption compared to Maharashtra. This was accomplished by making greater use of information

technology and bypassing the local elites. In general, Andhra Pradesh has created greater transparency and weakened the monopoly of the local elite to access to information.

It also works to create a stake for the local elite in the implementation of the scheme. It is perhaps for this reason that the digging of private wells was made legitimate in the guidelines for MGNREGS projects.

The lessons from this study are relevant not just for the implementation of the MGNREGS, but also for other poverty alleviation schemes. If the local elites exercise power by granting access to clients, universal access to essential services can be a good antidote. For example, it may be a false economy to try and identify the below poverty line population to determine the eligibility for a food subsidy. It just gives the local elite an instrument of patronage.

There is a widespread belief that collective action is more effective in communities characterised by better social capital, which is typically measured through questionnaires that include trust questions. Our study shows that a community under a patron-client relationship can give very positive answers on trust questions, but whether it has high social capital is an open question. If social capital is something that facilitates collective action, and if the local elites leverage it to block poverty alleviation schemes such as the MGNREGS, it is questionable if it can be characterised as a community with high social capital.

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