

**Performance of local governance: Social capital or Institutional structures?**

**Dr. A Udayaadithya**

**Research Associate, Infosys Ltd.**

**Prof. Anjula Gurtoo**

**Associate Professor, Indian Institute of Science**

## Abstract

This paper critically evaluates the debate on what makes local governments more effective, higher social capital or stronger institutional structures. This study aims at understanding the relationships and processes through which social capital and institutional structures are affecting the local government performance. Andhra Pradesh Rural Employment Guarantee Scheme (APREGS) has been taken as case example. Results acknowledge the indirect influence of formal institutional structures on local governance. Information provision is observed to be one such effective initiative to channelize social capital for effective local governance. However, formal democratic channels are observed to be ineffective. Rather, it is mediated by complex institutional and social capital issues. Higher social capital does not lead to empowerment or trust in the local government and highlights the significant impact of the economically and politically powerful cultivators and household industries on local governance dynamics. The paper calls for a fresh and wider debate on the decision making dynamics in rural India, especially the interaction between government institutions, social capital, and the historical societal dynamics.

*Keywords:* Social capital, Institutional structures, Local governance, PLS modeling, India

## **Performance of local governance: Social capital or Institutional structures?**

Implementation of decentralized democratic institutions has attracted the attention of several researchers in the last few years (*see* Crook and Manor, 1998; Knack, 2002; Paxton, 2002; Tendler, 1997). One of the major arguments for decentralization is that it makes the local government agencies politically answerable to the public through democratic institutions (Crook, 2003; Heller, 2001). It leads to functional and financial devolution of authority, induces more transparency in the system and emphasizes local needs (Bardhan, 1996; Bird and Vaillancourt, 1998). Moreover, it creates a platform to voice and institutionalize the interests of various groups (Crook and Manor, 1998) and brings administration nearer to the public by making all tiers of government accountable directly to the people (Bardhan and Mookherjee, 2005).

However, several complexities govern this effort. Studies have established the limited benefits of participation for the marginalized groups due to powerful local elite or political alignments (Echeverri-Gent, 1992a; Grossman and Helpman, 1996; Tendler, 1997). Democratizing capacity of an institution gets severely hampered in instances where the elected representatives and elected bodies are fractured by pre-existing factions of gender, class etc. (DeSouza, 2000; Narayana, 2005). This perpetuates weak accountability mechanisms due to lack of collective action and ensures maintenance of status quo (Gaiha, 1997; Gough and Steinberg, 1981).

Frequent checks by local political leaders induce accountability and improve effectiveness (Crook and Manor, 1998). However, political intervention apart, the success of local governance is highly dependent on engagement and the capacity of local actors to hold bureaucrats accountable (Heller, 2001). Frequent local body elections, rights for expression, and systems of transparency were identified to be mechanisms to hold public officials accountable

(Blair, 2000; Crook and Manor, 1998; Crook and Sverrisson, 2001; Dreze and Sen, 1996; Manor, 1999; Rondinelli et al., 1989).

Moreover, the development of democratic politics is inextricably linked to the appearance of a strong and vibrant “civil society” (e.g. Harriss, 2000; Luckham et al., 2000; Macpherson, 1973; Mayo, 1960; Moore, 1966; Moore and Putzel, 1999; Putnam, 1993). An effective way of encouraging democratic politics is to improve the distribution of information (Crook and Sverrisson, 2001; Dreze and Sen, 1996). Public disclosure was observed to be an effective means of information provision to improve transparency and accountability downwards (Blair, 2000).

In circumstances of such complexity, two factors significantly influence local governance effectiveness, namely, high social capital in the society (Putnam, 1993; Putzel, 1997a; Harriss, 2001) and institutional structures that promote democracy and participation in decision-making (Lijphart, 1984; Weaver and Rockman, 1993; Meenakshisundaram, 1999). Social capital is the shared resource of the society that promotes social efficiency by way of coordinated action (Putnam, 1993). Three important components of social capital are trust, generalized reciprocity and networks of civic engagement.. Institutional structures are the legal and formal systems set in place by the government to promote effective local governance. Formal institutions are seen to determine performance by altering the socio-political practices (Lijphart, 1984; Weaver and Rockman, 1993). They provide incentives and strategies for better government performance (Shepsle, 1989).

In this paper, we critically evaluate the impact of these two factors, namely, social capital and institutional structures on local governance, through the implementation dynamics of the Mahatma Gandhi Rural Employment Guarantee Scheme (MNREGS) in the Indian state of

Andhra Pradesh (AP). Social capital is operationalized through the dimensions of networks (social groups and associate membership), trust (in public institutions and regulatory authorities), and reciprocity (extent of participation). Institutional variables are operationalized through the structures of transparency, formal rules and mechanisms, information provision and empowerment mechanisms.

Appendix B details the MNREGS scheme. The scheme enforces decentralized decision making and demand-driven policy implementation and responsive administrative structures that unveil these social and administrative dynamics during implementation. MNREGS, by encouraging public disclosure of information and implementing downward accountability systems like public scrutiny, provides democratic rights and platforms for the underprivileged to ‘voice’ their interests through Gram Sabha. Hence, the implementation dynamics of MNREGS can provide a reflection of the decentralization policy implementation dynamics in India. Specifically, we address the following research questions:

- What are the significant social capital and institutional structures that impact local governance effectiveness?
- How do these significant variables interact with each other and what is their interactional impact on the effectiveness of local governance?

The paper outlines the interdependencies among formal institutions and social processes. It also identifies the pathways through which the policy dynamics emerge, and argues for investigating effectiveness of any governance initiative through the institutional and social capital framework. It contends that effort to improve local governance has to be based on the nature of interaction between social capital of the region/area and the formal institutions. The next section looks at literature to explore specifics about social capital and its interaction with

institutional structures. Section 3, 4 and 5 detail the variables, the social structure modelling, and the latent path model. Section 6 highlights the main results and discusses it in the light of the literature. Section 7 concludes the paper, with a call for a wider and more in-depth research on the interaction between government institutions and society.

### **Literature Review**

This section reviews literature specific to social capital, institutional structures and local governance. Social capital is recognized as a feature of social structure and not of individuals (Coleman, 1990; Lochner, Kawachi and Kennedy, 1999).

#### **Complexities in the social capital process**

Robert Putnam's (1993) argument on need for high social capital for successful implementation of decentralization set the stage for the investigations into the area of social capital. Social capital has been investigated through two lenses: policy activism and bureaucratic efficiency.

Policy activism viewpoint contends that higher social capital leads to higher political sophistication of citizens (Tavits, 2006). An important factor for higher social capital is empowerment of participants. More the beneficiaries get empowered; more will be chances for successful implementation of the programme (Hirway, 2004). However, the empowerment of program participants need not be necessarily bottom-up (social capital perspective). Efficiency and effectiveness of local government officials in implementing policy can also affect empowerment of the program participants (Institutional angle). According to social capital literature, government officials' effectiveness can be visualized as endogenous characteristic of a society (Boix and Posner, 1998; Knack, 2002). This has also been discussed in contextual

rational choice literature (Hertting, 2007). So, government officials' effectiveness is not just dependent on formal institutional structure, but on societal structures also, that can lead to the formation of governance networks. Empowerment of the participants can even happen through the way of policy implementation is taking place by changing the perceptions of the actors regarding action situation.

Bureaucratic efficiency viewpoint explains the *modus operandi* of how the bureaucrats work efficiently in the societies with higher social capital. One of the explanations for this behavior being, higher the social capital shared among the bureaucrats, the cost of monitoring reduces and principal-agent relationship shrinks leading to better government performance (Boix and Posner, 1998; Knack, 2002; Rainey and Steinbauer, 1999).

Especially, in case of Indian agrarian societies, an effective way of encouraging democratic politics is, therefore, to improve the dissemination of information among stakeholders (Crook and Sverrisson, 2001; Dreze and Sen, 1996). Public disclosure is an effective means of information provision to improve transparency and accountability downwards (Blair, 2000). Civil society organizations are observed to empower the poor by transmitting information about their rights and political opportunities and thereby encouraging collective action (Bratton, 1990; Clark, 1991; White and Runge, 1995; Harriss, 2000; Luckham et al., 2000).

Investigation of some other variables influencing social capital highlights some noteworthy points. Societal fragmentation negatively influences social capital (Putnam, 1993; Costa and Kahn, 2003). Similar is the case with high income disparity (Knack and Keefer, 1997; Stolle, 2003). Especially in rural agrarian societies, where our study is focused, land-holding patterns and access to irrigation facilities shows a significance influence on the level of social

capital. High socio-economic heterogeneities has inverse impact on social capital (Blalock, 1967; Oliver and Mendelberg, 2001), and leads to competition for governmental resources and benefits (Stolle, 2003).

This, in turn, may result in the lobbying process, either direct or indirect, to influence the decisions of local bureaucrat or elected official. Extent of a group's influence on rural decision-making was noted to be dependent on how organized the group is relative to others and its relationships and networks with other groups, which again refers back to inter- and intra- group social capitals. Hence, strength of social networks in a society defines the level of social capital. It can be said that social capital is embedded in the social structure (Narayan, 1997; Coleman, 1990). Therefore, to understand formation of advocacies and networks in the context of a specific policy implementation, we need to consider the social structural dimensions that have direct and/or indirect influence on policy implementation processes and outcomes.

### **Interactional dynamics between institutions structures and social capital**

Studies have indicated higher social capital formation when policy is pushed actively by the government through formal institutions, also called policy activism (Tavits, 2006; Rice and Alexander, 1997; Jackman and Miller, 1996) whereas some other studies have indicated the importance of administrative effectiveness rather than policy activism in the process of achieving better government performance (Knack, 2002).

However, few focus on understanding their influence on each other (Vedeld, 2003; Blair, 2000). Societies can be rich in social capital within social groups, and yet experience debilitating poverty, corruption and conflict (Narayana, 2005). Making democracy work requires mechanisms and processes to reconcile conflicts among major social groups, as well as among individuals or smaller and narrowly focused interest groups (Becker, 1983; Drazen and Limão,



2003; Rice and Alexander, 1997). Literature also shows that government policies and their structures can significantly influence the social capital either positively (Stolle and Rochon, 2003) or negatively (*see* Morne, 1998) by affecting the trust of the citizenry (Tarrow, 1996, Stolle and Rochon, 2003, Berman 1997).

Woolcock (1998) proposed a framework linking social capital and institutional structures, using the terms ‘embeddedness’ and ‘autonomy’ at both levels. At the social capital level, embeddedness refers to intra-community ties and autonomy refers to extra-community networks. At the institutional structures level, embeddedness refers to state-society relations and autonomy to institutional capacity and credibility. The important contribution of Woolcock’s framework was its emphasis on linkages between the two important components of democratic local governance.

Literature on networks also deals with the interactional effects of social capital and institutional structures on local governance by stressing on the importance of complementary and conflicting interest group networks. Presence of interest group networks influences resource allocation (Kickert et.al., 1997; See Knoke, 1990; Sabatier, 1988). The conflict of interests among the groups can impact decision-making process despite the presence of a democratic institutional platform. This relationship between networks and political parties / bureaucrats can either be legitimate (Kickert et.al., 1997; See Knoke, 1990), illegitimate (Minkin, 1991), parantela (LaPalombara, 1964; Weiner, 1962), clientele (Wirth, 1986; Vowles, 1993) or combination of these relationships (LaPalombara, 1964).

### **Summarizing the literature**

The understanding of processes through which social capital affects the government decision making process would be simple - one way through policy activism and the other through

bureaucratic performance, if not for literature on institutional structures which argues for effect of institutions such as traditional patron-client relationship, existence of local elite (informal) and government sponsored awareness campaigns and right to work laws (formal) on the government performance.

However, the same literature also highlights the effectiveness of these institutional structures depends on the strength of social capital like social networks, trust and social embeddedness. The level of social capital, moreover, is understood to be defined through the socio-economic and cultural factors, but can be reorganized based on policy interests. At the same time, formal institutional structures, driven by state's intervention, have influence on the performance of the government and thereby on the socio-economic and cultural factors, either positively or negatively. This literature also highlights the importance of formal institutional structures created by state to improve accountability and transparency such as monitoring mechanisms, formalizing civic engagement, and information provision mechanisms, on social capital.

APREGS policy formulation has recognized importance of social capital as well as institutional structures at the local governance level. APREGS emphasizes conduction of Gram sabha to select and prioritize works, which is a gathering of villagers (GoI, 2005). People will participate more in the decision making process, if they realize their institutional entitlements and consequently get empowered (Persson and Tabellini, 2000; Crook and Sverrisson, 2001; Dreze and Sen, 1996). So, provision of information regarding entitlements and provisions of the scheme (either proactively or reactively) to the program participants can improve participation rate in the decision making process, given an opportunity by increasing social capital.

Another element that was discussed in the context of participation in decision making is the empowerment of the program participants through their own internal organization leading to

positive lobbying (Crook and Sverrisson, 2001; Dreze and Sen, 1996). Therefore, it can be hypothesized that the strength of institutions in a particular societal context can influence participation (Rondinelli et.al., 1989; Crook and manor, 1998).

In this paper, we take all these factors, to build a comprehensive model, and test it through primary data, in order to understand the influence of social capital and institutional structures on the processes of local governance. We ask the following questions:

- What are the significant social capital and institutional structures that impact local governance effectiveness?
- How do these significant variables interact with each other and what is their interactional impact on the effectiveness of local governance?

### **Operationalizing the Variables**

The context of the study is APREGS and the variables are operationalized on this case example. The main headings operationalized are, institutional structures, social capital, and government efficiency and effectiveness. Table 1 summarizes the model variables, their data sources, and their abbreviated form used in the model.

Keeping in mind the size of the sample at hand, least distributional assumptions, theory-building, Latent Variable Path analysis Method (LVPM) was chosen as appropriate method for testing the framework (Chin, 1998; Falk and Miller, 1992). This methodology is used to understand the process through which the institutional structures setup by government, capabilities and perceptions of the program participants and the social capital of the community act and interact among themselves to result-in output and outcome of the programme.

#### **Social capital variables**

Literature on measuring social capital in a community especially in the context of local governance highlights two dimensions critical for the measurement, namely, structural and cultural dimensions (Paraskevopoulos, 2007; Narayan and Cassidy, 2001). Associated membership and activism (Norris, 2001) and social trust (Onyx and Bullen, 1997) along with outcome and determinant proxy measures have been used in literature to develop these dimensions. Literature has also stressed on the variables like, confidence in institutions (Sudarsky, 1999), perceptions of corruption (della Porta, 2000), participation (Putnam, 2000; Sudarsky, 1999), confidence in street-level bureaucracy (Newton and Norris, 2000). Paraskevopoulos (2007) summarized these variables to measure social capital through a model built/proposed in the context of Greece. We have adopted this model in the context of India.

A questionnaire survey was conducted to capture the above data, from the beneficiaries and the government officials. This data were collected from two districts of Andhra Pradesh (Kurnool and Mahabubnagar) on APREGS. Mahabubnagar district is rated as one among the most under developed districts by Planning Commission of India (2003) and is one of the poor performers of APREGS. It is also an agriculture intensive area. Kurnool district is one of the best performers of APREGS and is a labor intensive area. The selection of these complementary and extreme cases is to understand the dynamics and processes in a more comparative manner. The questionnaire asked the beneficiaries on the following variables: Opinions, evaluations and assessment on APREGS rules, information provision, participation, local bureaucracy, work Progress, efficiency and effectiveness of scheme, and outcomes of the programme. A total of 12 villages were visited during data collection. 5-point likert scale is used for survey. Response of 110 beneficiaries on various issues of implementation, and secondary data from the Census of India was used for the model. All social capital variables are summarized in Table 1.

## **Institutional structure variables**

In the context of APREGS, the institutional structures in place to enforce the performance of local government officials are of two folds: information provision mechanisms, and, implementation processes. Information campaigning regarding the entitlements of the beneficiaries, information about rules and regulations, and benefits of APREGS are some of the information sharing structures of the scheme ((Bhatty, 2006; ARC-II, 2006; Blair, 2000; Bhatia and Dreze, 2006). The operational guidelines provided by government and the MGREG Act compel the local government officials to display the information regarding the policy implementation proactively. Right To Information (RTI) Act initiative by the government legalizes citizens' right to get the information regarding decisions and processes involved in the administrative structures. These institutional structures are meant to improve transparency and accountability in the system at the local level.

For the better implementation of APREGS, government has initiated many structural check points. Grievance redressal mechanism, clearly defined responsibilities of government officials, their legal accountability directly to the public, ombudsman system and social audit/public hearing process are some of the unique features of this scheme (GoAP, 2006; ARC-II, 2006). Furthermore, under this scheme, employment needs to be provided by local government officials as and when work is demanded. In case of failure of doing so, the program participant is entitled to get an unemployment allowance for those days.

These upward and downward accountability mechanisms along with information provision systems are supposed to increase faith in institutions, thereby empowering the program participants to hold the local government accountable. Measurement variables for institutional structures are present in Table 1.

Table 1: Variables for measurement\*

Concepts	Dimensions	Variables	Indicators	Data source
Social capital (Measurement model proposed by Paraskevopoulos, 2007)	Determinant measures (DTG and ITG)	Structural dimensions- Demographic	Caste: SC/ST/Others	Census of India
			Size of the land: Marginal/Small/Semi-medium/Medium/Large	Agricultural Census
			Irrigation Status: Irrigated/Partially Irrigated/Un-irrigated	Agricultural Census
		Structural dimensions- Occupation	Labor distribution: Cultivators/Agricultural laborers/Household industrialists/Other Workers	Census of India
			Local wage rate compared to NREGS wage rate	Information from local authorities and NGOs
			Education	Literacy rate
	Social capital dimensions	Work occupation	Work participation rate	Census of India
		Associated membership	Participation in gram Sabha	Primary questionnaire survey: scheme participants
		Trust (Participation)	Importance given to their priorities in decision-making	
	Outcome measures	Institutional performance and confidence in public institutions (Emp)	Perceptions about performance and useful of scheme	
		Perception and measure of corruption (GO)	Opinion about local officials effectiveness and fairness	
		Political interest and participation (PL)	Socio-political activism	
	Institutional structures	Social protection (FRM)	Ombudsman system	
Social audit				
Information provision mechanisms (IPM)		Information about Right to Information Act Information about APREGS		
Governance effectiveness	Providing Social security (SS)	Timely provision of work and wages	Primary questionnaire survey: scheme participants	
		Adequate wage rate for daily requirements		
	Creating assets (AC)	Quality of assets created		
		Usefulness of assets		
	Perceptions about effectiveness of scheme (Percept)	Usefulness of the scheme		
		Performance of the scheme		
	Outcome of the programme (Outcome)	Effect on rural-urban migration		
Effect on bargaining Power				

\*Corresponding latent variables are mentioned in parentheses

### Performance effectiveness variables

The performance of APREGS needs to be measured in terms of its objective. Therefore, the following dimensions are considered for the measurement of output and outcome of the programme: 1) Efficient programme implementation and its ability as social net as well as create productive assets; 2) Empowerment of program participants and its reflection in the outcome of the programme in terms of reduced migration and increased bargaining power. Therefore, the following proxies are identified (refer Table 1).

### Operationalizing the Societal Dimensions

The base model of the society was build using secondary data of the social-economic and agrarian variables of the region. To come to a final scenario, factor analysis based iterative procedure was followed by eliminating the variables based on their loadings and cross-loadings. At the end of each step, communalities were also checked. This process was stopped once variables are loaded each for a factor and hold communality more than threshold (0.6). The final details of factor analysis can be observed in table 2. Analysis yielded two factors explaining 97.177% of the total variance. Table 2 lists the characteristic components of the society and their associated variables.

*Table 2: Variables of social dimension and their factor analysis*

<b>Rotated component Matrix- Varimax with Kaiser Normalization</b>			<b>Communality</b>
Variables	Factor Component		
	1	2	
Work Participation Rate	.994	.071	.992
SC (marginal community)	-.064	-.880	.779
ST (marginal tribe)	-.007	-.647	.418
Others	.062	.951	.908
Cultivators	.969	.195	.977
Agricultural Laborers	-.119	-.991	.996
Household Industrialists	-.209	.950	.946
Other Workers	-.952	.253	.970

Irrigated	-.824	.365	.812
Un-Irrigated	.914	-.218	.882
Partially Irrigated	-.894	.378	.942
Marginal	.896	.439	.996
Small	.996	-.071	.997
Semi-Medium	.974	.161	.975
Medium	.882	.340	.894
Factor component and definition		Total variance explained	
		Eigen values	% of variance explained
Factor 1 – Indirect impact group		8.734	58.214
Factor 2 – Direct impact group		4.752	31.692

Variables that loaded significant for Factor Component-1 are largely related to the agrarian scenario, especially the unirrigated farmer group. Higher positive correlations with work participation rate, cultivator population proportion, and, proportion of land-holders with unirrigated land; and, negative correlation with proportion of irrigated, and, partially irrigated land-holdings represent that mostly this group represents the group which is being influenced by the programme and engaged in agriculture oriented activities. So, this component is named as “Indirect Impact Group”, as it represents the group which takes up APREGS as additional job opportunity.

Variables that loaded significant for Factor Component-2 facilitate taking up the APREGS job as a prime job opportunity. Not relatively very dominant agricultural laborers’ proportional population (which otherwise lead to labor group formation, that can fetch better local wage rates resulting in lesser necessity for APREGS works) along with larger proportion of household workers represent the population group that may take up APREGS work as a necessity. Negative signs for Agricultural laborers, SC and ST population proportions represent relative variations among the regions. In the regions where population proportion of agricultural laborers is relatively higher. Based on the above facts, this group is named as “Direct Impact Group”.



### **Analysis: Partial Least Square Regression**

The effect of social capital and institutional structures is evaluated statistically using path analysis with latent variables methodology. This method is used because of its exploratory nature of relationships based on partial correlations. The data for analysis is at two different levels, viz. individual perceptions and understanding, and, socio-econ-agrarian characteristic components of the society (group level). Therefore, while constructing the outer model (construct level model), multi-level regression modeling concepts were applied. But, as these multi-level regressions are part of latent variable path modeling, it tries to operate in iterative process based on partial least square (PLS) error conceptualization.

Almost all the latent variables in the model are reflective and their loadings are above the threshold value (0.6). As per PLS model building steps, insignificant and/or superfluous indicator variables of latent variables and paths between latent variables were removed. The latent variables with low  $R^2$  values ( $< 0.1$ ) were also removed. The variable “Direct Impact Group” was removed because of its low composite reliability (0.242). This may indicate that the latent variable is not one dimensional given the model framework in place. Therefore, factor analysis was done to observe if there are any further conceptual components in the latent variable. Factor Analysis resulted in only one factor indicating that the latent variable does not give any consistent directional influence. Hence, we dropped that latent variable from the model. This iterative process continued till all the model parameters were significant.

The detailed results are tabulated in Appendix-A. The  $R^2$  values ( $>0.1$ ), composite reliabilities ( $>0.6$ ) and AVEs ( $>0.5$ ) are well above the acceptable thresholds (as per Chin, 1998; Falk and Miller, 1992). Even though  $R^2$  value of ‘Outcome’ construct is less than 0.1, which is normally considered to be a threshold in this technique; it was retained on the grounds of

theoretical necessity. All the loadings of outer model are found to be statistically significant at 99% confidence level. Goodness of Fit measure for the model is 0.426 indicating good fit of proposed conceptual model for the data (which is greater than the 0.36 threshold for a cut-off of 0.5 for communalities- tables of Cohen, 1988). Please refer to Figure 1 for full details of the model.

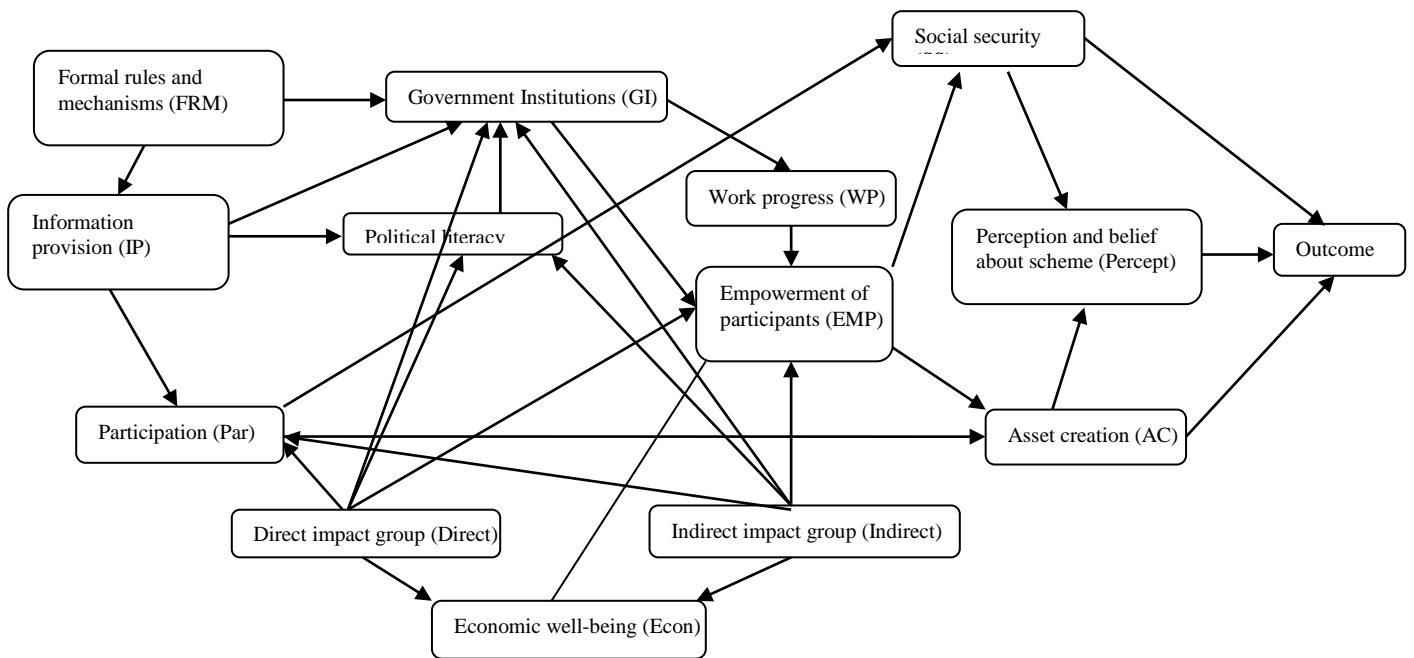


Figure 1: The emergent theoretical model of the social system

## Results

The analysis presents some very interesting results. While they confirmed some dynamics highlighted by literature, we also got unexpected results. Four sets of results provide significant focus towards our attempt to understand the interactional dynamics between social capital, institutional structures, and local government performance, and are discussed below.

First, the results confirmed the importance of information dissemination on the effectiveness of governance. The ‘Right to Information Act’ and formal information

dissemination structures in the MNREGS had a significant positive influence on participation effectiveness, political literacy, and effectiveness of the government agency. Figure 2 presents the impact structure. The results confirm Putnam's (1993) argument that features of policy activism like aggressive information dissemination can improve the performance of the government officials. The link between democracy and information was first highlighted by Macpherson (1973), Mayo (1960) and Moore (1966) in their studies on political rights and collective action. These studies argued for the development of democratic politics through citizen empowerment. Since then seminal work by Crook and Sverrisson (2001), Dreze and Sen (1996), and Blair (2000) have stressed on the positive significant impact of information dissemination and information on local governance. Our results add to this literature that highlights the importance of information, democracy and collective action (figure 3).

Secondly, the results also confirmed the link between local bureaucracy effectiveness and its positive influence on the output / outcome of any government intervention. Results show a significant positive link between government officials' effectiveness and efficiency of asset creation, efficiency of social security and the increase in empowerment process. The results, however, also highlight the government officials' effectiveness in turn being significantly influenced by the social capital of the program participants (Figure 4). Political literacy, informal dissemination and indirect impact of cultivators (large farmers) impacts government officials' effectiveness. These results are further explored in the next set of results.

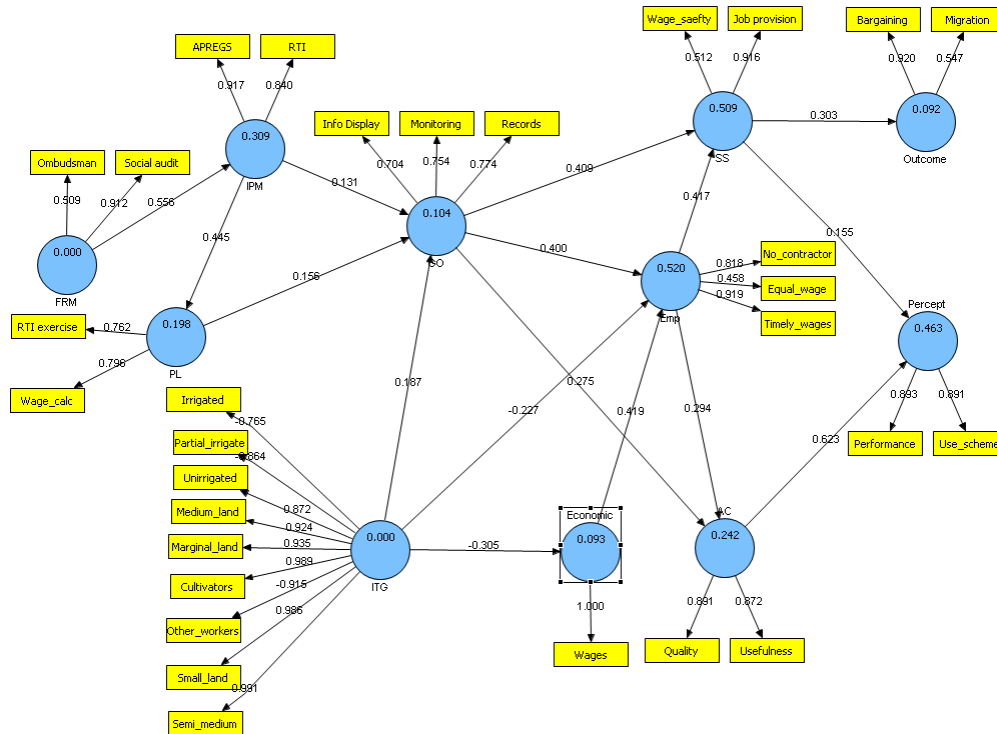


Fig 2: Final model after iterative process

Abbreviation	Full form	Abbreviation	Full form
FRM	Formal rules and mechanisms	Ombudsman	Effectiveness of top-down accountability
IPM	Information provision mechanisms	Social audit	Effectiveness of bottom-up accountability
PL	Political literacy	RTI exercise	Usage of right to information
GO	Government official’s effectiveness	Wage_calc	Understanding the wage calculation
ITG	InDirect impact beneficiary group (Cultivators)	Info_display	Proactive information dissemination
DTG	Direct impact beneficiary group (Laborers)	Monitoring	Regular monitoring of activities
Economic	Economic well-being	Records	Proper record maintenance
Emp	Empowerment of beneficiaries	Wages	APREGS wages compared to local wages
SS	Effectiveness in providing social security	Quality	Quality of assets created
AC	Effectiveness in creating assets	Usefulness	Usefulness of assets created
Percept	Perception about scheme performance	Wage_safety	Adequacy of wages for social security
Outcome	Outcome of the scheme	Job_provision	Provision of job whenever necessary
		No_contractor	Non-involvement of contractors
		Equal_wages	Non discrimination in wage payment

Abbreviation	Full form	Abbreviation	Full form
Timely_wages	Provision of wages on-time	Marginal_land	Proportion of land-holders based on size of holding
Performance	Perception about performance of scheme	Small_land	
Use_scheme	Usefulness of the scheme in general	Semi_medium	
Bargaining	Increasing bargain power	Medium_land	
Migration	Reduction in rural-urban migration	Cultivators	
Irrigated	Proportion of land-holders based on irrigation status	Other_workers	Proportion of cultivators and other workers in whole worker population
Un-irrigated			
Partial irrigate			

Participant empowerment, especially in marginalized rural communities, is a significant component of any government policy process (Blair, 2000; Crook and Manor, 1998; Dreze and Sen, 1996; Rondinelli et al., 1989). What influences their empowerment? The third set of results highlighted this sect of rural dynamics. Participant’s empowerment, while being positively influenced by government officials’ effectiveness, was significantly negatively impacted by the indirect impact group (Table 2), i.e. large cultivators and house hold industries.

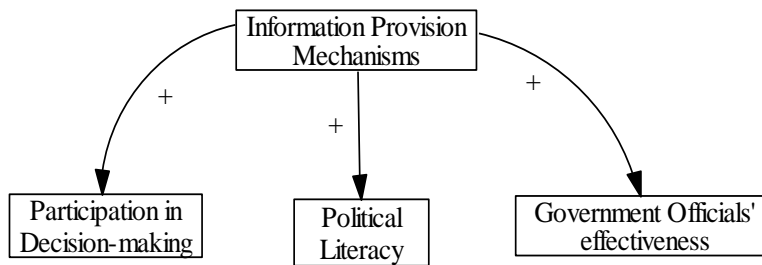


Figure 3: The impact of institutional structures for information dissemination

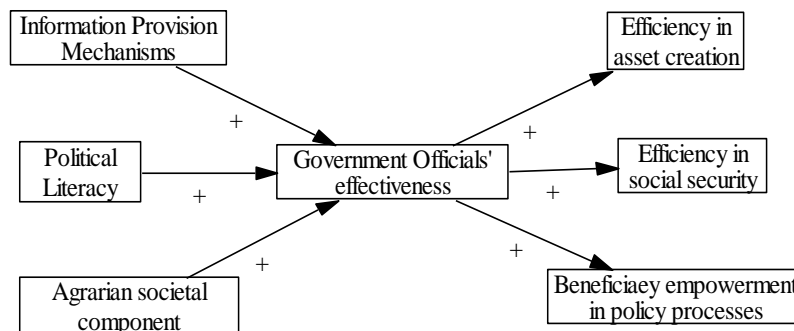
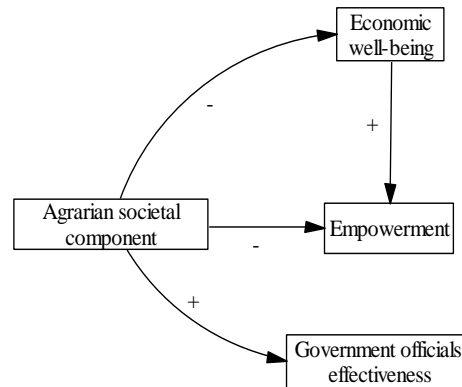


Figure 4: Influence and impact of bureaucracy effectiveness

The indirect impact group (large cultivators and house hold industries) economics gets impacted when labour goes to the government schemes for work. Government schemes like APREGS hinder farm cultivation work during the agriculture season, as labourers give preference to the better paying APREGS scheme. However, support of APREGS from the large farmers (who are politically strong and organized) is critical for the success of the program. So how do these dynamics play out? Figure 5 highlights these dynamics.



*Figure 5: impact of indirect group on the government scheme*

Results show the presence of these agriculture based economic and political factors, as significantly influencing APREGS dynamics. The cultivators and house hold industries have a negative influence on the economic well being of the beneficiaries (wage rate), and do not support their empowerment through this scheme. Moreover, they have a strong impact on government officials' effectiveness, possibly due to their political and economic strength. The second set of results clearly shows government officials effectiveness significantly influencing participant's empowerment. Consequently, we can say that this powerful group of cultivators and house hold industrialists directly, as well as indirectly, control the empowerment and economic well being of the participant workers.

Responsiveness of the bureaucracy and government institutions, therefore, became very significant. Bad governance and poor accountability can severely undermine the interest of the poor and the socially vulnerable (Crook and Manor, 1998; Dreze and Sen, 1996; Meenakshisundaram, 1999). Studies investigating the ability of decentralized systems to provide 'voice' to the vulnerable, the key concept of empowerment, argue that the only way to break through the barriers of participation (lack and cyclity) is through long-term empowerment of the disadvantaged (Marsden and Oakley, 1990; Marsden 1991; Meenakshisundaram, 1999; Moris, 1991). Direct participation, however, though public meetings or similar channels, may not

ensure empowerment or facilitate further ‘democratic’ processes (Rigg, 1991; Evans, 1996). Responsiveness and legitimacy of the institution is critical (Crook and Manor, 1998; Tandler, 1997; Tandler and Freedheim, 1994; Webster, 1990).

Fourth set of results confirm the argument that direct participation need not necessarily facilitate further ‘democratic’ processes to be followed (Rigg, 1991; Evans, 1996). Even though the information on entitlements, rights and performance, encouraged participants to take part in decision making (Result 1), but at the same time, they had no impact on the outcome of the programme. Figure 6 illustrates that the link between feeling of social security (SS) and program outcome (outcome) and positive perception and belief about the scheme (percept) was not significant. What does this reflect?

These results could be highlighting the significant impact of the economically and politically powerful cultivators and household industries on the scheme. Meenakshisundaram (1999) and Blair (2000) have argued for governments to show stronger accountability in peripheral rural areas for any economic and political transformations to take place, through the ‘growing self-confidence on the part of the poor’. Policies like Land-Ceiling Act and Right to Work have dismantled the traditional systems like debt-bondage and dependency on large landlords.

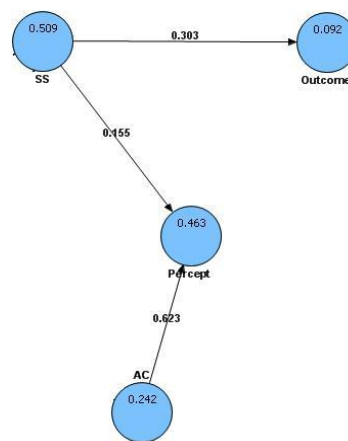


Figure 6: Social security linkages

However, our analysis and results show that the poor may still be waiting and watching the governments in their efforts towards accountability and transparency. Trust in the local governance system may take more time to build. Effective formal institutions of accountability and information can change local political practices (Lijphart, 1984; Weaver and Rockman, 1993). However, the role of trust-worthy government institutions and importance of social trust in the society has more prominence (Shepsle, 1989; Tarrow, 1996; Stolle and Rochon, 2003; Berman 1997; and Morne, 1998). Our results seem to reflect the same.

### **Discussion and Conclusion**

According to the network governance literature, networks were understood to be developed and are continued to exist because of interdependencies among actors (Klijin, 1997). Even perceived mutual dependencies by the actors may lead to the formation of governance networks (Stoker, 1991; Malkin and Wildavsky, 1991). So, as the case of MNREGS shows, mutual dependencies between direct and indirect impact groups need to be understood. As rural India is primarily agrarian, indirect impact group (cultivators and house hold industries) acts as patron and benefactors for the Direct impact groups (labourers). Local wage rates are mainly decided by the socio-economic equilibrium that is arrived at by the patron (indirect impact group) and client (direct impact group) (Udayaadithya and Gurtoo, 2012), and this equilibrium is not just the result of financial benefits (Robinson, 1988; Gough and Steinberg, 1981; Echeverri-Gent, 1992a; Moore and Putzel, 1999; Harriss, 2001). It has social and historical roots (*see* Sen and Dreze (1996) for details on the rural social dynamics in India).

The results also force us to recognize the importance of trust as an important factor for institutional stability. The first set of results confirmed the importance of information



dissemination on the effectiveness of governance. The 'Right to Information Act' and formal information dissemination structures in the MNREGS had a significant positive influence on participation effectiveness, political literacy, and effectiveness of the government agency. Results also confirmed the link between local bureaucracy effectiveness and its positive influence on the output / outcome of any government intervention. However, the lack of trust in the government stops the program participants to take the full benefit of this scheme and its provisions of transparency, accountability and social security. The traditional systems like debt-bondage and dependency on large landlords are still significant, and trust in the local governance system may take more time to build. These results call for a more intense research for more supportive institutional structures, such that people can benefit more from government empowerment initiatives. Analysis of factual information on process and outcome of the scheme along with perceptual data of beneficiaries would add to the robustness of this study. Adaptation of human capability model along with impact analysis of MNGREGS may be helpful in comprehensive assessment of the effect of institutions and social structures on the performance of the scheme.

## References

- ARC-II. (2006). *Unlocking Human Capital: Entitlements and governance- A case study*. Second report of Second Administrative Reforms Commission, Government of India.
- Bardhan, P. (1996). Efficiency, Equity and Poverty Alleviation: Policy Issues in Less Developed Countries. *Economic Journal*, 106, 1344-1356.
- Bardhan, P., & Mookherjee, D. (2005). Decentralizing antipoverty program delivery in developing countries. *Journal of Public Economics* 89, 675– 704.
- Becker, G.S. (1983). A Theory of Competition among Pressure Groups for Political Influence. *The Quarterly Journal of Economics*, 98(3), 371-400.
- Berman, S. (1997). Civil Society and Political Institutionalization. *American Behavioral Scientist*, 40, 562-74.
- Bhatia, B., & Drèze, J. (2006). Employment Guarantee in Jharkhand: Ground Realities. *Economic and Political Weekly*, 41, 3198-3202.
- Bhatty, K. (2006). Employment Guarantee and child rights. *Economic and Political Weekly*, 20, 1965-1967.
- Bird, R. M., & Vaillancourt, F. (1998). *Fiscal Decentralization in Developing Countries*. Cambridge: Cambridge University Press.
- Blair, H. (2000). Participation and Accountability at the Periphery: Democratic Local Governance in Six Countries. *World Development*, 28, 21–39.
- Blalock, H.M., Jr. (1967). *Toward a Theory of Minority-Group Relations*. Capricorn Books.
- Boix, C., & Posner, D.N. (1998). Social Capital: Explaining Its Origins and Effects on Government Performance. *British Journal of Political Science*, 28: 686-93.
- Bratton, M. (1990). Non-governmental Organizations in Africa- Can they influence Policy? *Development and Change*, 2(1): 87-118.
- Chin, W.W. (1998). The partial least square approach for structural equation modeling, In Marcoulides, G.A. (Ed.), *Modern methods for business research*. NJ: Lawrence Erlbaum, 295-336
- Clark, J. (1991). *Democratizing Development: The Role of Voluntary Organizations*. London: Earthscan.
- Cohen, J. (1988). *Statistical path analysis for the behavioral sciences*. NJ: Lawrence Erlbaum Associates.
- Coleman, J.S. (1990). *Foundations of social theory*. Cambridge: Harvard University Press.
- Costa, D.L., & Kahn, M.L. (2003). Civic Engagement and Community Heterogeneity: An Economist's Perspective. *Perspective on Politics*, 1(1), 103-11.
- Crook, R.C. (2003). De-centralization and Poverty Reduction in Africa: The Politics of Local-Central Relations. *Public Administration and Development*, 23(1), 77-88.
- Crook, R.C., & Manor, J. (1998). *Democracy and Decentralisation in South Asia and West Africa*. Cambridge: Cambridge University Press.
- Crook, R.C., & Sverrisson, A.S. (2001). *Decentralisation and Poverty Alleviation in Developing Countries: a Comparative Analysis or is West Bengal Unique?* (IDS

- Working Paper 130). Brighton: Institute of Development Studies.
- della Porta, Donatella, (2000). Social Capital, Beliefs in Government, and Political Corruption. In Pharr, S.J., & Putnam, R.D. (Eds.), *Disaffected Democracies: What's Troubling the Trilateral Countries?* Princeton: Princeton University Press, 202-228.
- DeSouza, P.R. (2000). *Multi-State Study of Panchayati Raj Legislation and Administrative Reform*. Background Paper No 1, World Bank Unpublished Overview of Rural Decentralization in India, Washington DC: World Bank.
- Drazen, A., & Limão, N. (2003). *Government Gains from Self-Restraint: A Bargaining Theory of Inefficient Redistribution Policies*. CEPR Discussion Paper No. 4007.
- Dreze, J., & Sen, A. (1996). Review of India: Economic Development and Social Opportunity. *Canadian Journal of Development Studies*, 17, 554-557.
- Echeverri-Gent, J. (1992). Public Participation and Poverty Alleviation: the Experience of Reform Communists in India's West Bengal. *World Development*, 20,1401–1422.
- Evans, P. (1996). Government action, social capital and development: Reviewing the evidence on synergy. *World Development*,24, 1119-1132.
- Falk, R.F., & Miller, N.B. (1992). *A primer for soft modeling*. Akron, OH: University of Akron press.
- Gaiha, R. (1997). Do Rural Public Works Influence Agricultural Wages? The Case of the Employment Guarantee Scheme in India. *Oxford Development Studies*, 25, 3.
- GoAP (2006). *National Rural Employment Guarantee Act 2005 operational Guidelines*. Ministry of Rural Development, Department of Rural Development, Government of India.
- GoI (2005). *The National Rural Employment Guarantee Act 2005*. New Delhi: The Gazette of India.
- Gough, I., & Steinberg, A. (1981). *The Welfare State, Capitalism and Crisis. Political Power and Social Theory- 2*. Connecticut: JAI press, 141-17.
- Grossman, G.M., & Helpman, E. (1996). Electoral Competition and Special Interest Politics. *Review of Economic Studies*, 63, 265-286.
- Harriss, J. (2000). *How Much Difference does Politics make? Regime Differences across Indian States and Rural Poverty Reduction*. Destin Working Paper (No. 00-01), London: Development Studies Institute, London School of Economics.
- Harriss, J. (2001). *Social Capital Construction and the Consolidation of Civil Society in Rural Areas* (Destin Working Paper No. 00–16). Development Studies Institute, London School of Economics.
- Heller, P. (2001). Moving the State: The Politics of De-centralization in Kerala, South Africa, and Porto Alegre. *Politics & Society*, 29(1), 131-163.
- Hertting, N. (2007). Mechanisms of Governance Network Formation – a Contextual Rational Choice Perspective. In Sorensen, E. & Torfing, J. (Eds.), *Theories of Democratic Network Governance*, Basingstoke: Palgrave Macmillan.
- Hirway, I. (2004). Providing Employment Guarantee in India: Some Critical Issues. *Economic*

- and Political Weekly*, 27, 5117-5124.
- Jackman, R.W., & Miller, R.A. (1996). A Renaissance of Political Culture. *American Journal of Political Science*, 40, 632- 59.
- Kickert, W.J.M., Klijn, E.H., & Koppenjan, J.F.M. (Eds.) (1997). *Managing Complex Networks-Strategies for the Public Sector*, London: Sage publications.
- Klijn, E.H. (1997). Policy networks: An Overview. In Kickert, W.J.M., Klijn, E.H., & Koppenjan, J.F.M. (eds.), *Managing Complex Networks: Strategies for the Public Sector*. London: Sage, 14–34.
- Knack, S. (2002). Social Capital and the Quality of Government: Evidence from the States. *American Journal of Political Science*, 46, 772-85.
- Knack, S., & Keefer, P. (1997). Does Social Capital Have an Economic Payoff? A Cross Country Investigation. *Quarterly Journal of Economics*, 112, 1251-88.
- Knoke, D. (1990). *Political Networks: The Structural Perspective*. Cambridge: Cambridge University Press.
- LaPalombara, J. (1964). *Interest Groups in Italian Politics*. NJ: Princeton University Press, 272–274.
- Lijphart, A. (1984). *Democracies: Patterns of majoritarian and consensus government in twenty-one countries*. New Haven, CT: Yale University Press,.
- Lochnera, K., Kawachia, I., & Kennedy, B.P. (1999). Social capital: a guide to its measurement. *Health and Place*, 5, 259-270
- Luckham, R., Goetz, A.M., & Kaldor, M. (2000). *Democratic Institutions and Politics in Contexts of Inequality, Poverty and Conflict: A Conceptual Framework* (IDS Working Paper, No. 104). Brighton: Institute of Development Studies
- Macpherson, C.B. (1973). *Democratic Theory: Essays in Retrieval*. Oxford: Clarendon Press.
- Malkin, J., & Wildavsky, A. (1991). Why the Traditional Distinction between Public and Private Goods Should be Abandoned. *Journal of Theoretical Politics*, 3(4), 355-378
- Manor, J. (1999). *The Political Economy of Democratic Decentralisation*. Washington DC: World Bank, Directions in Development Series.
- Marsden, D. (1991). *Government and participation: institutional development, decentralization and democracy in the third world*. Bergen: chr Michelsen Institute.
- Marsden, D., & Oakley, P. (1990). *Evaluating social development projects*. Oxford (RU): OXFAM.
- Mayo, H.B. (1960). *An Introduction to Democratic Theory*. Oxford: Oxford University Press.
- Meenakshisundaram, S. S. (1999). Decentralization in Developing Countries. In Jha, S. N., & Mathur, P. C. (eds.) *Decentralisation and Local Politics: Readings in Indian Government and Politics* (2), 54–69, New Delhi: Sage.
- Minkin, L. (1991). *The Contentious Alliance: Trade Unions and the Labour Party*. Edinburgh: University of Edinburgh Press.
- Moore Jr., Barrington. (1966). *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*. Boston: Beacon Press.

- Moore, M., & Putzel, J. (1999). *Politics and Poverty: a background paper for the World Development Report 2000-01*. Brighton: Institute of Development Studies.
- Moris, J.R. (1991). Institutional Choice and Local Development: What Kind of Social Science do We Need?. In R. Crook, and A.M. Jerve. (Eds.) *Government and Participation: Institutional Development, Decentralisation and Democracy in the Third World*, Berge: Chr Michelsen Institute, 170-206.
- Morne, J.A. (1998), *Democratic Wish*. New Haven, CT: Yale University Press,.
- Narayan, D. (1997). *Voices of the Poor: Poverty and Social Capital in Tanzania* (Environmentally and Socially Sustainable Development Network, Studies and Monographs Series no. 20). Washington, DC: World Bank.
- Narayan, D., & Cassidy, M.F. (2001). A Dimensional Approach to Measuring Social Capital: Development and Validation of a Social Capital Inventory. *Current Sociology*, 49(2), 59-102.
- Narayana, D. (2005). *Institutional Change and Impact on the Poor and Excluded: The Indian Decentralisation Experience* (Working Paper 242). NY: OECD Development Center.
- Newton, K., & Norris, P. (2000). Confidence in Public Institutions: Faith, Culture, or Performance? In Pharr, S.J., & Putnam, R.D. (eds.), *Disaffected Democracies: What's Troubling the Trilateral Countries?* Princeton NJ: Princeton University Press, 52- 73,
- Norris, P. (2001). *Making Democracies Work: Social Capital and Civic Engagement in 47 Societies* (RWP 01-036). J.F.Kennedy School of Government, Harvard University Faculty Research Working Paper Series.
- Oliver, J.E., & Mendelberg, T. (2000). Reconsidering the Environmental Determinants of White Racial Attitudes. *American Journal of Political Science*, 41(3), 574-89.
- Onyx, J., & Bullen, P. (2001). Sources of social capital. In Winter, I. (ed.), *Social Capital and Public Policy in Australia*, Melbourne: Australian Institute of Family Studies, 136-164.
- Paxton, P. (2002). Social capital and democracy: An interdependent relationship. *American Sociological Review*, 67, 254277.
- Persson, T., & Tabellini, G. (2000). *Political Economics*. Cambridge, MA: MIT Press.
- Przeworski, A., Alvarez, M.E., Cheibub, J.A., & Limongi, F. (2000). Introduction. In Przeworski, A., Alvarez, M.E., Cheibub, J.A., & Limongi, F. (Eds.), *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990*, Cambridge: Cambridge University Press, 1-30.
- Putnam, R.D. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.
- Putnam, R.D. (2000). *Bowling Alone: The Collapse and Revival of American Community*. NY:Simon and Schuster.
- Putzel, J. (1997a). Accounting for the 'Dark Side' of Social Capital: Reading Robert Putnam on Democracy. *Journal of International Development*, 9(7).
- Rainey, H.G., & Steinbauer, P. (1999). Galloping Elephants: Developing Elements of a Theory of Effective Government Organizations. *Journal of Public Administration Research and*

- Theory*, 9, 1-32.
- Report (2003). *Identification of districts for wage and self-employment programmes*. Report of Task Force, New Delhi: Planning commission of India.
- Rice, T.W., & Alexander, E.S. (1997). Civic Culture and Government Performance in the American States. *Publius: The Journal of Federalism*, 27, 99-114.
- Rigg, J. (1991). Grassroots Development in Thailand: A Lost Cause? *World Development*, 19(2/3), 199-211.
- Robinson, M.S. (1988). *Local Politics: The Law of the Fishes. Development through Political Change in Medak District, Andhra Pradesh (South India)*. Delhi: Oxford University Pr.
- Rondinelli, D.A., McCullough, J.S., & Johnson R.W. (1989). Analysing decentralization policies in developing countries: a political-economy framework. *Development and Change*, 20(1), 57-87.
- Sabatier, P.A. (1988). An Advocacy Coalition Model for Policy Change and the Role of Policy-oriented Learning Therein. *Policy Sciences*, 21, 129–68.
- Shepsle, K.A. (1989). Studying institutions: Some lessons from the rational choice approach. *Journal of Theoretical Politics*, 1(2), 131–147.
- Stoker, G. (2nd ed) (1991). *The politics of local government*. London,UK: Macmillan, 320.
- Stolle, D. (2003), “The sources of social capital”, in Hooghe, M. and Stolle, D. (Eds.), *Generating social capital: Civil society and institutions in comparative perspective*, Palgrave Macmillan, New York, pp. 19–42.
- Stolle, D., & Thomas R. Rochon (2003). Social Capital, Impartiality and the Welfare State: An Institutional Approach. In Hooghe, M. and Stolle, D. (Eds.), *Generating Social Capital: Civil Society and Institutions in Comparative Perspective*, New York: Palgrave Macmillan.
- Sudarsky, J. (1999). Columbia’s Social Capital: The National Measurement with the Barcus. World Bank, < <http://siteresources.worldbank.org/INTSOCIALCAPITAL/Resources/400219-1150464137254/sudarsky.pdf> >.
- Tarrow, S. (1996). Making social science work across space and time: A critical reflection on Robert Putnam’s Making Democracy Work. *American Political Science Review* 90 (2), 389-397.
- Tavits, M. (2006). Making democracy work more?: Exploring the Linkage between Social Capital and Government Performance. *Political Research Quarterly*, 59(2)
- Tendler, J. (1997). *Good Government in the Tropics*. London: Johns Hopkins University Press.
- Tendler, J., & Freedheim, S. (1994). Trust in a Rent-Seeking World: Health and Government Transformed in Northeast Brazil. *World Development*, 22, 1771–1791.
- Udayaadithya, A., & Gurtoo, A. (2012). Working of decentralized welfare institutions in India: Social dynamics or Institutional rational choice? *Journal of Asian and African Studies*, 47(1), 101-118.
- Vowles, J. (1993). New Zealand: Capture the State. In Thomas, C.S. (Ed.), *First World Interest Groups*, Westport, CT: Greenwood Press.

Weaver, R.K., & Rockman, B.A. (Eds.) (1993). *Do institutions matter: Government capabilities in the United States and abroad?* Washington, DC: Brookings.

Webster, N. (1990). Agrarian Relations in Burdwan District, West Bengal: From the Economics of the Green Revolution to the Politics of Panchayati Raj. *Journal of Contemporary Asia*, 20, 177-211.

Weiner, M. (1962). *The Politics of Scarcity*. Chicago: University of Chicago Press.

White, T. A., & Runge, C.F. (1995). The Emergence and Evolution of Collective Action: Lessons from Watershed Management, *World Development*, 23 (10), 1683-98.

Wirth, W. (1986). Control in Public Administration: Plurality, Selectivity and Redundancy. In Kaufmann, F., Majone, G., & Ostrom, V. (Eds.), *Guidance, Control and Evaluation in the Public Sector*. Berlin: DeGruyter.

Woolcock, M. (1998). Social Capital and Economic Development: Toward a Theoretical Synthesis and Policy Framework. *Theory and Society*, 27, 151-208.

**Appendix- A: Results of statistical analysis using path analysis with latent variable method**

Latent Variable	AVE	Composite Reliability	R Square	Communality	Redundancy
AC	0.777055	0.874529	0.242042	0.777055	0.130621
Economic	1.000000	1.000000	0.092916	1.000000	0.092916
Emp	0.574268	0.790399	0.519992	0.574268	0.185249
FRM	0.545942	0.690018	-NA-	0.545942	-NA-
GO	0.554497	0.788499	0.104430	0.554497	0.030802
IPM	0.773415	0.872020	0.309329	0.773415	0.230761
ITG	0.843835	0.876247	-NA-	0.843837	-NA-
Outcome	0.573117	0.716049	0.091829	0.573117	0.051596
PL	0.606726	0.755144	0.198112	0.606726	0.120059
Percept	0.795670	0.886209	0.462652	0.795670	0.349020
SS	0.550559	0.694029	0.508981	0.550559	0.182788

**Path Coefficients (Mean, T-values):**

Path	Sample Mean	T-Statistic*
AC -> Percept	0.622524	28.660622
Economic -> Emp	0.417256	14.369778
Emp -> AC	0.294294	10.161955
Emp -> SS	0.418224	17.032769
FRM -> IPM	0.556844	29.181669
GO -> AC	0.276313	9.654996
GO -> Emp	0.400937	15.808204
GO -> SS	0.407940	16.484347
IPM -> GO	0.129427	3.321623
IPM -> PL	0.446383	16.794888
ITG -> Economic	-0.303528	10.205765
ITG -> Emp	-0.226768	7.114907
ITG -> GO	0.183941	5.139666
PL -> GO	0.154979	4.356616
SS -> Outcome	0.303647	8.650191
SS -> Percept	0.153805	5.899115

\* All the paths are statistically significant at 99% confidence level

### **Appendix B: National Rural Employment Guarantee Scheme – Provisions and Practice**

The basic objective of the National Rural Employment Guarantee Act (MREGA) is to enhance livelihood security in rural areas by providing *at least 100 days of guaranteed wage employment in a financial year* to every household whose adult members volunteer to do unskilled manual work (Government of India [GoI], (2005); Government of Andhra Pradesh [GoAP], 2006). This work guarantee also serves other objectives: namely, generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity, among others.

The main implementation activities are at the village and block levels, while coordination activities are mainly at the block and district levels. Planning, supervision and monitoring take place at all levels (village, block, district and state). At each level, the concerned authorities are accountable to the community. The Panchayats at each level will be the 'Principal Authorities for planning and implementation of the Schemes under the Act' (MREGA, Section 13[1]). The Panchayats at different levels will need to coordinate with each other for the effective implementation of the act. Similarly, the Panchayats and the district/block administration will have to work together. The overall responsibility for ensuring that the scheme is implemented according to the act belongs to the District Programme Coordinator (DPC) at the district level, and to the Programme Officer (PO) at the block level.

The registration of household needs to be done and should get job cards. After getting job cards, concerned people need to apply for works. Application for the work may be either written or oral. Receipt needs to be given as soon as the application for the work is given. After the application for work, the work should be given within 15 days of application or at the date specified in the application, whichever is later. If not possible to provide, unemployment allowance will be guaranteed. Unemployment allowance will be specified as a percentage of REGS wage rate. The wage rate under the scheme will be decided based on the minimum wages specified for the agriculture as decided by the ministry of labour. The responsibility of providing the job is of Gram Panchayat and the programming officer. If Gram Panchayat cannot provide a job within 15 days of the date of application or the specified date in the application, whichever is later, it is the responsibility of PO to provide a job within 15 days.

REGS is mainly funded by the centre and shared by the state. The cost of wages and material will be financed by the centre whereas the unemployment allowances should be paid from the state government's budget. The share of centre is 75% and the remaining amount needs to be deposited in the state council's account by the state government as soon as the money is deposited by the centre. Funds to the next level will be released if and only if at least 60% of the previously-distributed funds are utilized and proper utilization certificate is produced from the technical committee.

The Gram Sabha will monitor all the works at the village level as well as the employment provided to each person who has applied for work. It will also monitor the registration and issue of job cards and the timely payment of wages. The Gram Panchayat will monitor works executed by other implementing agencies, muster rolls maintained by them at worksites, and the payments made. Social audits should be conducted to monitor the entire process over time.