



# THE ROLE OF SOCIAL AUDIT IN TRANSPARENCY AND ACCOUNTABILITY OF MGNREGS: A PERCEPTION-BASED ANALYSIS

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**Abstract**

MGNREGS is the first programme in India where the government has officially made social audits mandatory (Acharya, 2010). Section 17 of the MGNREGS Act states that the Gram Sabha shall perform social audits of all works sanctioned under the MGNREGS at least once every six months (Schjodt, 2018; Aiyar et al., 2023) to ensure transparency and accountability of the programme (Dhaktode & Kumar, 2020). The results of the study indicate that most of the respondents are well-aware about the MGNREGS. Further inferential statistics drawn the inference that there exists a significant association among gender, academic qualification, and income with regards to social audit increases transparency in the MGNREGS, and at the same time, age-wise analysis reveals an insignificant association. Likewise, the study ascertains the significant association between age and educational qualification with regards to social audit determines the accountability of the Social Audit Unit in the MGNREGS, whereas demographic variables of gender and income-wise analysis indicate an insignificant association.

**Keywords:** MGNREGS, Social Audit, Awareness, Transparency, Accountability

**JEL Classification:** D7, D83, I38

## INTRODUCTION AND BACKGROUND OF THE STUDY

The word "Audit" derives from the Latin word “Audire” which means “to hear” (**Karmakar, 2017; Dhaktode & Kumar, 2020**). “Audit is defined as an investigation of some statements of figures involving examination of certain evidence, so as to enable an auditor to make a report on the statement.” –Taylor and Perry. Mainly, two types of audits are in practice in the system, first financial audit and the second social audit. A financial audit is an independent scrutiny of an organization's financial statements and records. It is designed not only to validate financial records but also aims to achieve financial goals and provide sound assurance of financial accuracy. In contrast, a social audit is much broader than a financial audit. Social Audit is also called “Civic Auditing”. It may be explained in several ways. In common parlance, a social audit is a review of how well the firm is achieving its goals for social obligation. In another context, a social audit is an evaluation of a programme that is collaboratively performed by public and government, particularly by those who are impacted by or benefit from the programme.



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The first Social Audit was carried out in Sweden (1985– 88) by John Fry and Ulla Rensner, worklife researchers at the Centre for Swedish Working Life, and published in Sweden in 1988 by Allmänna Förlaget, Stockholm (332 pp) under the title "Social Revision" (**Agarwal, 2022**). In India, Tata Iron and Steel Company Ltd, Jamshedpur, was the first Corporate to take the initiative to conduct social audit in 1979 to measure its social performance. In the mid-1990s, Rajasthan was fighting with corruption in public works. Mazdoor Kisan Shakti Sangathan of Rajasthan introduced the model of social audit to reduce anomalies in public works through public hearings or Jansunvai (**Pande, 2022**). The social audit was also inspired by

public Jansunvai, and the government made it statutory with the official launch of the National Rural Employment Guarantee Act in 2005, later on, this act was renamed as MGNREG Act on October 2, 2009.

MGNREGS is one of the largest public works programmes in the world, guaranteeing 100 days' work assurance in a financial year to all rural households whose adult members are willing to do unskilled manual work (Varghese et al., 2019).



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MGNREGS is the first programme in India where the government has officially mandated social audit (Acharya, 2010). Section 17 of the MGNREGS Act states that the Gram Sabha shall perform social audits of all works sanctioned under the MGNREGS at least once every six months (Schjodt, 2018; Aiyar et al., 2023) to ensure transparency and accountability in the scheme (Dhaktode & Kumar, 2020; Kondalu & Rao, 2023). Andhra Pradesh is the only state in the nation to initiate social audit in MGNREGS in the year 2006 (Jha, 2018). Whereas most of the other states have either not implemented at all or have implemented it only in an ad-hoc way (Afridi & Iversen, 2014). On June 30, 2011, MoRD, after consulting with CAG of India, notified the MGNREGA Audit of Schemes Rules, 2011 (Karmakar, 2017). In order to ensure the independence, credibility, and value of social audits, the CAG of India revised and prescribed minimum auditing standards and norms for social audits in 2015, irrespective of where they are applied (GOI Report, 2020). The purpose of conducting social audit is not to find fault with the individual functionaries but to assess the performance in terms of social, environmental and community goals of the organization (Buhukya, 2014). The overall objective of social audit is to identify anomalies in the programme and address the grievances raised by people in public hearings under a platform of public scrutiny.

## REVIEW OF EARLIER STUDIES

A comprehensive scrutiny of scholarly works pertaining to a particular subject is called a literature review. It summarizes the current state of knowledge, while highlighting relevant ideas, approaches, and research needs. The conclusions derived from the literature are presented in this section. According to Chandhoke (2007) Social audits encourage citizens to get involved in local affairs and create a sense of public responsibility by bringing people together to address issues of collective concern. In a study, Afridi (2008)

asserted that community-based audits have generated pressure from the grassroots level to expose unethical practices. Social audit has a long way to go to achieve its objectives of transparency, empowerment, and good governance, according to **Gopal (2009)**. In another landmark paper, **Vij (2011)** pointed out that a social audit is not only a participatory exercise to evaluate the programme but it also leads to the empowerment of rural inhabitant by making them aware of their rights and raising their voices. In a study, **Kumar (2014)** described that social audit is a key instrument to fight against corruption, and it facilitates an open assessment of public accountability for rural development projects. Research carried out by **Buhukya (2014)** reported that social auditing is an effective and powerful tool for resolving grievances. In addition, the author stated that it raises awareness among rural households and ensures good governance in MGNREGA's administration. A similar kind of finding was reported by **Afridi and Iverson (2014)** that social audit is a low-cost and effective tool that increases people's awareness and improves public service delivery. The analysis conducted by **Das (2017)** portrayed that social auditing ensures community empowerment through participation to prevent misuse of public funds. More than that, it makes the system more accountable and responsible in a transparent manner. Research carried out by **Subba et al. (2018)** observed that people are getting empowered through social audits. A platform that allows individuals to openly share their opinions without fear of repression has been made available by Social Audit. The study led by **Varghese et al. (2019)** noted that the social audit of Sikkim State has shown considerable success in raising public awareness and engaging the public to improve the transparency and accountability of the programme. Social audit has demonstrated its efficacy by increasing accountability and transparency inside the system, which has a favourable impact on the execution of the MGNREGS, according to **Dhaktode and Kumar (2020)**. The analysis conducted by **Shaksaz and Jothe (2022)** highlighted that a social audit is an open community-based monitoring system where participants play the role of judges and their assessment prevents the misuse of public funds. In a recent study, **Singh et al. (2023)** explored that people's participation in social auditing and training has strongly influenced their awareness and performance, resulting in a rise in their level of satisfaction.

## OBJECTIVES OF THE STUDY

- To study the demographic profile of the respondents.
- To know the awareness of the respondents.
- To examine the role of social audit for maintaining transparency and accountability of the rural development programme.

## RESEARCH METHODOLOGY

The present study is purely based on primary data. The collection of data was ensured with the help of a well-structured scheduled questionnaire. For selection of the sample, a multistage random sampling method was adopted. The target population of this study was 350 households from tribal area of Himachal Pradesh, who were directly or indirectly benefiting from the programme. Ultimately, 324 samples were found appropriate for the study, and the response rate was 92.57 per cent. As per the nature of the data and the requirements of the objectives, the researcher has opted to use mathematical and statistical tools like percentage and frequency distribution and the Chi-square test. The Chi-square test was employed to test the hypotheses and

measure the relationship between the variables such as gender, age, education, and income of the respondents with regards to social audit increases transparency and accountability of the MGNREG Scheme.

## HYPOTHESES

**Testing of Hypotheses:** The study is based on the formulation of the following null hypotheses:

- There is no association between demographic variables of respondents and social audit increases transparency in MGNREGS.
- There is no association between demographic variables of the respondents and social audit determines the accountability of Social Audit Unit in MGNREGS.

## ANALYSIS AND INTERPRETATION

**Demographic Profile of Beneficiaries'**  
**Table No. 1**

Demographics	Category	No. of Respondents	Valid %
Gender	Male	198	61.1
	Female	126	38.9
Age	Below 30	52	16
	30-45	108	33.3
	45-60	117	36.1
	Above 60	47	14.5
Academic Qualification	Illiterate	84	25.9
	Below Matriculate	95	29.3
	Plus Two	100	30.9
	Graduate	35	10.8
	Above Graduate	10	3.1
Annual Income	Below 40,000	48	14.8
	40,000-80,000	140	43.3
	80,000-1,20,000	92	28.4
	Above 1,20,000	44	13.6
Frequency Appraisal	Total No. of Respondents	324	100

Source: Author Compilation

### Interpretation

The demographic analysis of any region reveals basic things of that particular province. The demographic features of the respondents have been analysed on the basis of various parameters like gender, age, education, and income. For accomplishment of demographic analysis, the researcher has chosen four independent variables with two or more than two dependent indicators to study the demographic status of the population.

On the basis of domicile, the table no. 1 shows the gender-wise analysis. It can be seen from the table, the majority of respondents, i.e., 61.1 per cent are males, while the remaining 38.9 per cent are females. The age is an important demographic variable, which not only determines the level of physical and mental maturity, but also reflects on the life experiences as well as the society at different points of time lived by an individual. The breakup of the beneficiaries according to the age has been given in the table. It reveals that 16 per cent of the respondents are quite young and belong to the class interval of below 30. While 30-45 and 45-60 class intervals have almost the same per cent i.e. 33.3 and 36.1 per cent respectively, and above 60 are

only 14.5 per cent. Education is an important characteristic that affects the person's attitude and the way of looking at, understanding and monitoring the particular socio-economic and financial situations. On the basis of education, the table depicts that the highest proportion of households belong in the percentage of 25 to 30 per cent i.e. Illiterate, below Matriculate and Plus Two. And graduates are just 10.8 per cent, followed by above graduates 3.1 per cent. Income is also considered as a key variable in shaping the financial stability of an individual. The analysis indicates that highest 43.3 per cent lies between Rs. 40,000-80,000 and 28.45 per cent lies between Rs. 80,000-1,20,000 annual income brackets. Only 13.6 per cent of respondents have annual income over Rs.1,20,000 per annum.

### Awareness about the MGNREGS

**Table No. 2**

Awareness	Frequency	Per cent
Fully	230	70.99
Partially	81	25.00
Not at All	13	4.01
Total	324	100.0

Source: Author Compilation

### Interpretation

In general, "awareness" refers to having common knowledge or understanding of programme. The table no. 2 reveals the awareness about the MGNREGS among the respondents. 70.99 per cent of the respondents answered that they are fully aware. 25 per cent have stated that they are partially aware and only 4.01 per cent of the respondents have said that they are not aware. It can be concluded that most of the beneficiaries have sound knowledge about the MGNREGS.

### Social Audit Increases the Transparency in MGNREGS

**Table No. 3**

Particulars	Demographic Variables			
	Gender	Age	Education	Income
Chi-Square Value	16.186	15.167	30.451	25.261
DF	4	12	16	12
Sig.	0.003	0.232	0.016	0.014
Null Hypothesis	Rejected	Accepted	Rejected	Rejected
Result	Significant	Insignificant	Significant	Significant

Source: Author Compilation

### Inference

On application of Chi-square test to know the significant association between demographic variables and social audit. The calculated value of Chi-square test is 16.186 for gender, 30.451 for education, and 25.261 for annual income, while the p-values are 0.003, 0.016, and 0.014 respectively. These p-values are found less than 5 per cent level of significance. Hence, null hypothesis is rejected and alternative is accepted. It means,

there exists a significant association among gender, education, and income of the respondents with respect to social audit increasing transparency in functioning of the MGNREGS. Whereas age-wise analysis shows an insignificant association, which means there exists an insignificant relationship between the age of the respondents and their perception towards the social audit increases transparency in the modus operandi of the MGNREGA scheme.

### Social Audit Determines the Accountability of the Social Audit Unit in MGNREGS

Table No. 4

Particulars	Demographic Variables			
	Gender	Age	Education	Income
Chi-Square Value	4.971	22.310	29.631	17.044
DF	4	12	16	12
Sig.	0.290	0.034	0.020	0.148
Null Hypothesis	Accepted	Rejected	Rejected	Accepted
Result	Insignificant	Significant	Significant	Insignificant

Source: Author Compilation

#### Inference

In order to study the relationship between the demographic variables of respondents and their responses towards social Audit determines the accountability of the Social Audit Unit of the MGNREGS. A statistical tool Chi-square test was applied to test the null hypothesis. The calculated values of Chi-square test for age and education are 22.310 and 29.631, whereas the P-values are 0.034 and 0.020. P-values are found less than 5 per cent level permissible limit. Hence, the null hypothesis is rejected, and the alternative is accepted. It signifies that there is a significant relationship between the variables, i.e. age and academic qualification of the respondents have a statistically similar perception that social audit determines the accountability of the Social Audit Unit in MGNREGS. While the other side gender and income-wise analysis show an insignificant association, and the researcher fails to reject the null hypothesis. Which signifies that there is absence of significant relationship between gender and income of the respondents and their perception towards the social audit determines the accountability of the Social Audit Unit of the MGNREGS.

### FINDINGS OF THE STUDY

With reference to the objectives of the study, the following findings are presented:

- It is quite clear from the analysis section that female representation is less as compared to male beneficiaries, and maximum beneficiaries come from the age group of 40-60 years.
- More than 80 per cent of the beneficiaries are either illiterate or literate up to senior secondary level, and most of the respondents reported their income Rs. 40 to 80 thousand per year.
- As we all know, the MGNREGS has remained in the top headlines of every news agency from its inception to till date regarding various issues. The majority of the beneficiaries believe that they are fully aware of the MGNREGS and its various provisions.
- The Chi-square test has drawn the inference that there exists a significant association between gender, education, and income of the respondents with regards to social audit increases the transparency in

the working modus operandi of MGNREGS. However, the same time age-wise analysis indicates an insignificant result.

- Further, Chi-square test shows significant results for age and education, and insignificant results for gender and income with respect to social audit determines the accountability of the Social Audit Unit of the MGNREGS.

## CONCLUSION

Over the years, considerable progress has been made in the governance of rural development programme, and social audit has emerged as a useful asset of social governance. Now it is widely accepted and used as an important tool to address corruption and strengthen the accountability of the MGNREGS as well as many other central and state government-sponsored schemes. Social Audit is a powerful mechanism to promote transparency, accountability and provide the ultimate beneficiaries an opportunity to examine and monitor the official records with actual ground realities. The study concludes that respondents have sound knowledge about the MGNREGS and its various provisions. Further, the study demonstrates that beneficiaries have a strong perception that social audit increases the transparency of the programme and it determines the accountability of the audit team. The overall social audit offers a significant opportunity for rural households to participate in the governance of the programmes which meant for them, particularly for the underprivileged segments of society.

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