

AN ACCOUNT OF UNACCOUNTED MONEY IN INDIA

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This presentation deals with concepts related to unaccounted income, followed by sector specific analysis and finally, generation and utilisation of unaccounted income due to graft.

*Takshashila
Discussion Document*

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Unaccounted economy in India

Unaccounted economy comprises of transactions and incomes on which due taxes have not been paid and is not reflected in any other statistics on economic activity within the country. Thus, it is equivalent to income that is unreported in GDP.

Unaccounted economy includes a combination of illegal economy, unreported economy, unrecorded economy and the informal economy.

Illegal economy comprises of income generated by economic activities that are in violation of legal statutes defining the scope of legitimate forms of commerce.

Unreported economy comprises of economic activities that circumvent or evade fiscal rules as set out in the tax code.

Unrecorded economy comprises of economic activities circumventing the institutional requirement of reporting to government statistical agencies.

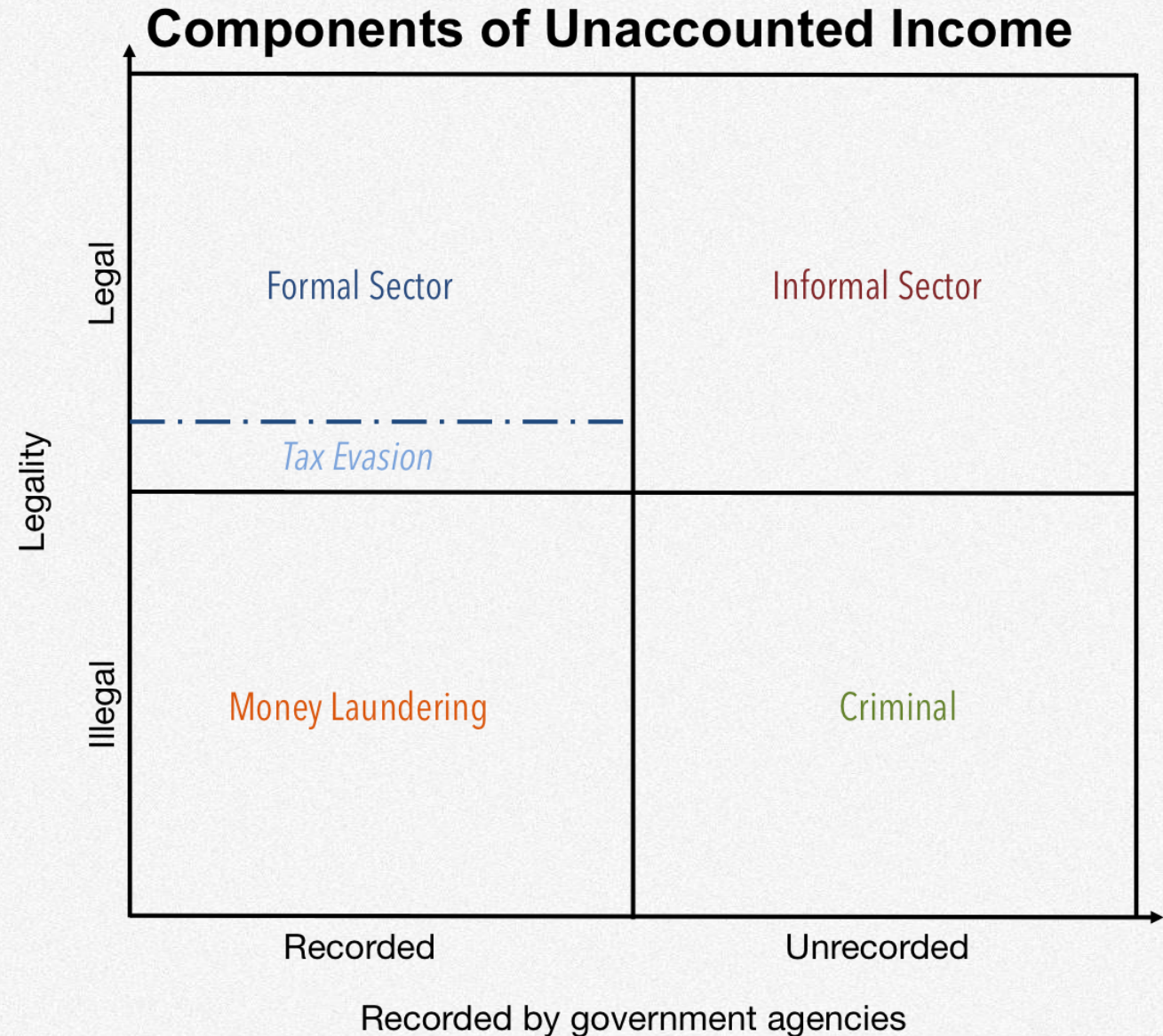
Informal economy is not taxed and hence not accurately monitored by government agencies.

Unaccounted Economy in India

*Illegal, Unrecorded,
Unreported and Informal
Economy*

Thus, apart from income earned through illegal means, the term unaccounted income includes legal income concealed from public authorities to:

- *evade payment of taxes*
- *evade payment of other statutory contributions*
- *to evade compliance with the provisions of industrial or other laws*



Stock vs. Flow

Incomes are flows generated during any given time period, while wealth relates to the stock at a particular point in time.

Stock vs. Flow (Unaccounted wealth vs. income)

Incomes are flows generated during any given time period, while wealth relates to the stock at a particular point in time.

Unaccounted wealth can be defined in two ways. First, the amount of wealth not reported for the appropriate tax liable and second, the accumulation of unaccounted income over a period of time.

Unaccounted wealth is tough to measure or estimate due to a lack reliable measures of accounted wealth to begin with.

Domestic vs. Foreign Unaccounted incomes

Unaccounted wealth exists both within and outside the country, in jurisdictions which are 'non-transparent' and in forms which do not reveal the actual owner of the resource.

Utilization vs. Generation of Unaccounted Income

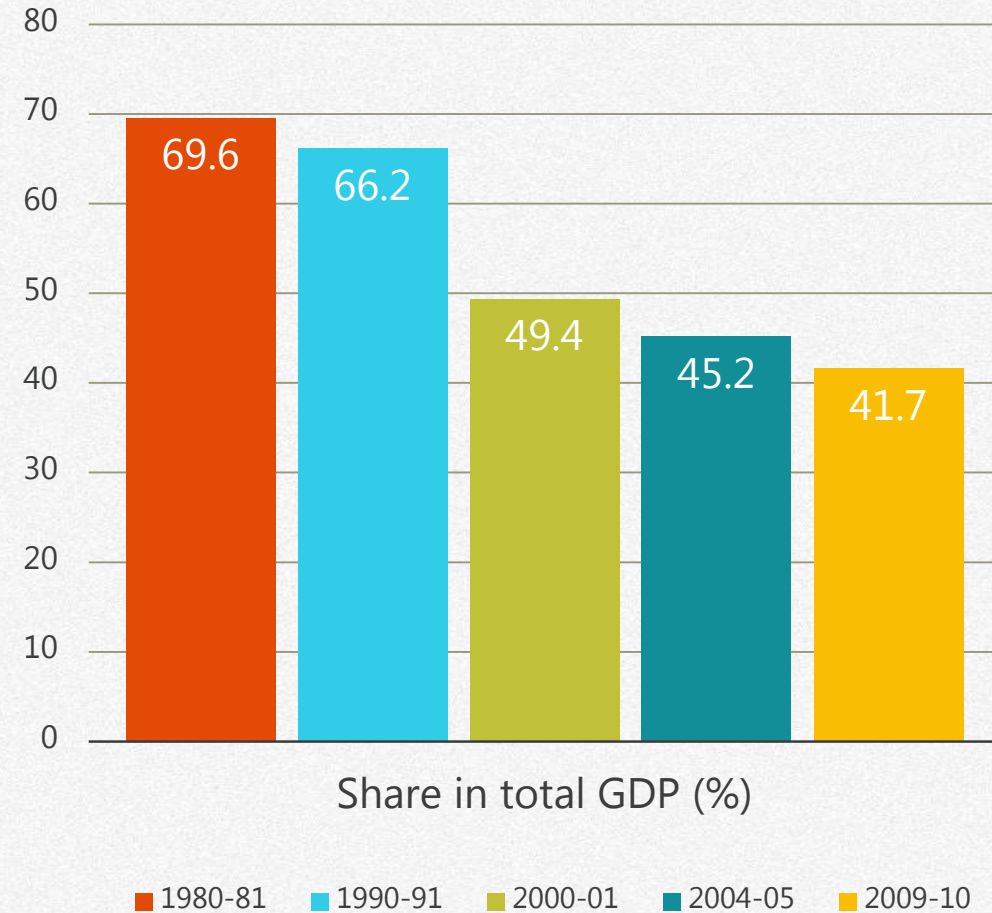
The generation of unaccounted income relates to the suppression of scale of economic activity through an increase in corresponding expenses or through a reduction of reported sales.

Utilization of unaccounted income refers to the expenditure incurred out of unaccounted incomes, such as expenditures on purchase of assets like gold, precious stones, real estate, and other commodities.

Share of Unaccounted income in India's GDP

There has been a steady decline in the rate of generation of unaccounted money in India.

Estimates of unaccounted income in India varies greatly with different estimation methods and there is no consensus on the estimate. The range is from 25% of GDP to 75% of GDP for 2009-10. The numbers used here are from a study from NIPFP^[1], which uses "State Space based estimate".



Size of Unaccounted Income

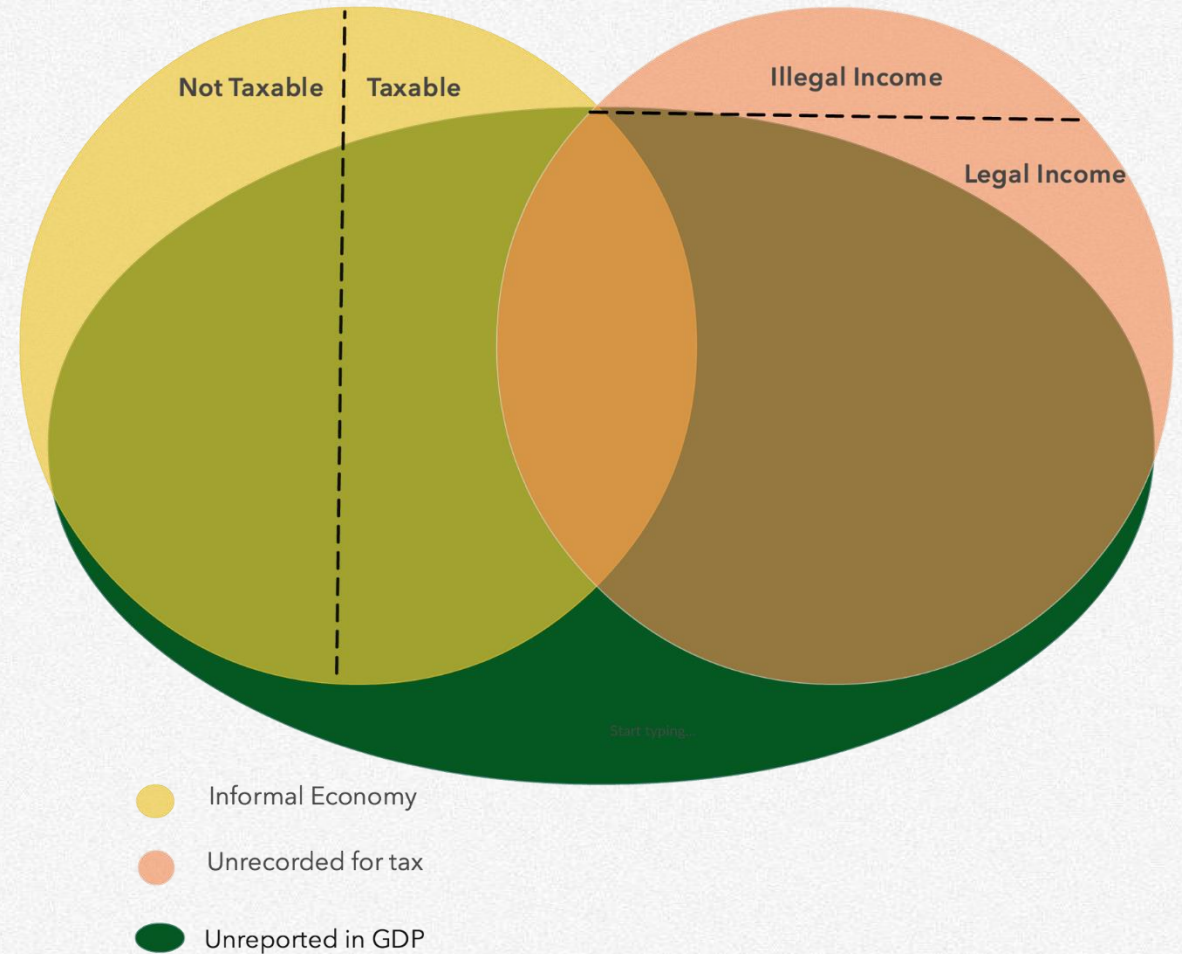
Multiple Estimation Methods, Multiple Estimates

The size of unaccounted income in India depends upon the definition of unaccounted income and within that, the method chosen to estimate it.

Measures that look only at income that is unrecorded for tax tends to be much smaller. For example, estimates by the Finance Ministry for World Bank, Schneider et al, and earlier estimates of NIPFP peg unaccounted income in the range of 20-25% of GDP.

The diagram alongside will help clarify the different estimations.

In this document, unaccounted income is represented by the part that is unreported in GDP and amounts to 40% of GDP.



Sectoral Analysis

<i>Trade Misinvoicing</i>
<i>Illicit Financial Flows</i>
<i>Money Laundering</i>
<i>Real Estate</i>

<i>Education</i>
<i>Gold</i>
<i>Mining</i>
<i>Agriculture</i>

Real Estate

The Central Economic Intelligence Bureau estimates that up to 40% of the total unaccounted income in India is parked in real estate.

40% of total black money

*It is unclear as to whether the bureau estimates this of the **stock** or **flow**. As previously mentioned, the stock of the overall unaccounted income is also unknown.*

The Sector

India's real estate sector makes up about 5-6% of GDP (US\$ 40-45 billion) and is expected to touch \$180 billion by 2020. Of this, the housing sector alone contributes 90-95%, while commercial segments and organised retail makes up the rest. From 2005 to 2012, the real estate sector received \$10.2 billion from FDI.

Different Players in the market:

Main Players: Developers, builders, contractors, and investors

Investors span traders/speculators, outright buyers, project financiers, real estate funds/investment trusts/ private equity funds, property agents/brokers, and underwriters.

Real Estate

The percentage of real estate transactions that is unaccounted in India (flow):

**40% of
Real Estate**

The Central Board of Direct Taxes attribute this mainly to the incomparability of immovable properties and the ensuing variable valuations^[9].

The Sector

Vulnerability of the real estate sector to the generation and absorption of unaccounted income:

The "White Paper on Black Money" by the Finance Ministry (2012) notes that real estate is a "common means of parking unaccounted money".

Rapid urbanisation and migration; the limited availability of land; discretionary rules for the allotment/sale of government land; the acquisition of private land by the government; zoning regulation laid down different urban development authorities; rules relating to stamp duties and registration charges and the difficulties in correctly valuing the actual cost of construction have all contributed to the prevalence of unaccounted income in real estate.

Further, the ease of concealing ownership through benamis, use of false identities, corporations, or trusts, disguising ownership through complex structures spread across several tax jurisdictions adds to the problem.

Real Estate

\$75.4 billion
₹4 lakh crore

*Estimate of unaccounted money
generated in real estate transactions in
India in the year 2010-11^[10]. (flow)*

Issues in Taxation in Real Estate

1. **Percentage completion method for accounting annual profits:** Builders do not bring into P/L account any amount of the project till 20 to 40 per cent of the project cost is completed.
2. **Absence of project-wise accounts:** Most builders prepare and submit a composite financial statement of projects spanning different locations and regulations, making it easier to conceal inflation of costs and suppression of receipts.
3. **Suppression/Understatement of receipts:** Due to high tax rates – stamp duty of 5-14% and long term capital gains of 20% - both buyers and sellers tend to under-report the transaction value and settle the differential via cash. Understatement up to 40-50% is common. They also generate various receipts from ancillary sources, which aren't recorded.
4. **Inflation of expenses:** It is a common practice to inflate expenses through fictitious bills and overstate rates/quantities. Wage is an important expense in real estate projects and can easily be overstated by manipulating wage/attendance registers and paying via cash.
5. **Inflation of profits from projects exempt from IT**
6. **Linkages with other taxes:** The large amount of unaccounted money in real estate is attributed to high transaction tax, in the form of stamp duty, which ranges from 3-14%. The existence of multiple levies of service tax also contributes to unaccounted income. Finally, sales tax and work contracts incentivise developers and builders to go the unaccounted route.

Real Estate

78% in New Delhi

Unaccounted value as a percentage of total value of transaction in New Delhi in the year 2010 amounts to 78%. In Bangalore and Kolkata, the number is around 50%^[11]. (flow)

Corruption in Real Estate

Corruption in Land Acquisition: Corruption in real estate begins with land acquisition – via allotment or auction. Politicians and builders have inside information about upcoming critical infrastructure projects, which can increase land rates. Politicians also leverage their power to help builders acquire land for a commission. The vagueness of ‘public purposes’ leaves public land vulnerable for allotment to private individuals.

Land Notification and Denotification: Under this, a politician involved in the decision to notify land for acquisition can acquire land through relatives and claim huge amounts in compensation. Politicians also denotify lands identified for acquisition in exchange for bribes from builders and developers. Several former Chief Ministers of Karnataka have land notification and denotification cases filed against them. One such instance in Bangalore cost the Karnataka state exchequer around Rs.500 crore.

Corruption in Approvals: Builders are keen to build up to the maximum amount possible, whereas, building byelaw places limits on Floor Space Index (FSI). The mechanism for fixing FSI in different parts of the city is opaque. After FSI, the builder requires several approvals from different regulatory bodies, and at each stage, there is ample scope for corruption.

In Maharashtra, for example, a builder needs about 60 approvals from the government to construct a property, which typically takes between one and four years. In order to ensure approvals, builders have to resort to paying bribes, which add about 30% to the project cost.

Education

The amount of unaccounted income generated in the education sector in a year. (flow)

\$9.1 billion
₹48,400 crore

The estimated total capitation fee for 2011 was Rs.5,953 crore in Indian higher education^[12].

The Education Sector

Regulated and Unregulated: *The regulated sector in education consists of school education and higher education, which is further categorised into technical, non-technical and medical education. The unregulated sector consists of pre-school, coaching and vocational training institutes.*

Biggest sources of black money *in this sector are bribe payments made by these institutions to get approvals, extremely high capitation fees in higher education (around Rs.5 million for a seat in medical college and Rs. 1.5 million in engineering), high donations for school admissions, gold plating of expenses incurred, branding and sale of franchise, etc.*

Educational institutions are often not held to the same standards of accountability as other firms. The Directorate General of Income Tax does not have a regular system for exchanging information with other institutions that are authorised to register charitable institutions.

Educational institutions are often exempt from filing annual returns in digital forms.

Gold

According to a report by Macquarie titled "India's fatal attraction", Indians hoard about \$950 billion or 18,000 tonnes of gold. (stock)

\$950 billion
₹50.4 lakh crore
18,000 tonnes

Around 8% of India's total household savings are held in gold. (stock)

India is the world's largest consumer of gold, accounting for 11% of global gold stock ^[13].

Demand for gold and Malpractices

The demand for gold in India is quite inelastic as evidenced by the 25% growth in demand for gold despite a 400% rise in import duties.

The jewellery demand in India was estimated at 0.4 grams per annum per capita. This represents 75% of the total demand for gold in India.

Gold plays a major role in the generation and absorption of black money in the country. When import duties increase, smuggling of gold increases proportionately. IT officials raiding and finding crores worth of gold is quite a common story. This shows that gold is a popular instrument for storing unaccounted income.

There's also significant round tripping of gold. Some agents have nominated agency status, which allows them to import gold free of duty on certain conditions. In order to meet this criteria, these agents import gold, convert them into coins and jewellery, export it, get it recycled into gold bars and import it again to India.

Gold is also a popular instrument in the Hawala market for settling differences between agents.

Mining

\$5.25 billion
₹27,800 crore

Estimates of overall leakages in the mining sector amounts to 10.2% of GDP contribution from this sector^[14]. (flow)

Processes

- *Understatement of production*
- *Inflation of expenses*
- *Understatement of Sale Price/export proceeds*
- *Collusive Arrangements*
- *Illegal Mining*
- *Diversion of illegally mined ore for domestic production*
- *Under-invoicing of exports*
- *Large Scale Corruption*

Income tax officials unearthed underinvoicing and tax evasion of around Rs. 860 million by a company in Bellary, Karnataka. Typically, mining companies get permission from the environmental ministry to mine up to a particular quantity. However, it is common practice to over-extract the natural resource and under report it.

According to an investigative report by The Hindu, the loss to Karnataka's exchequer due to illegal mining was Rs.1 lakh crore between 2006 and 2010^[15]. The Lokayukta report in 2011 claims that nearly 30 million metric tonnes of iron-ore was illicitly exported during this period, which amounts to Rs. 12,228 crore^[16].

Agriculture

According to an estimate by NIPFP, the revenue foregone by not taxing agricultural income in 2007-08 (flow) is:

\$12.5 billion
₹50,000 crore

This amounts to 1.2% of GDP. It would also add about 19% to the revenue of the states^[17].

In 2011, according to an RTI, the agricultural income declared was Rs. 2,000 trillion by 657,000 assesseees, giving an average income of Rs. 304 million^[19].

The problem with agricultural income

Most of the agricultural income in India is not subject to tax. While agriculture accounts for about 12.3% of GDP in 2009-10, its contribution to taxation is limited to VAT paid on some of the products and income tax paid on few of the plantation crops such as tea.

Since an entire stream of income is exempt, it invites avenues to launder black money, where tainted income gets treated as agricultural income. This is witnessed by agricultural incomes growing exponentially, when there is no visible growth in productivity in agriculture.

A growing trend is that of corporates reporting agricultural income. Total agricultural income reported by corporates amount to Rs. 313.13 billion in 2009-10. Not all these companies specialise in agricultural products. Taxes foregone due to this amount up to Rs. 114.18 billion in 2009-10^[18].

A large part of the problem arises from the loosely defined term of "agricultural income", which is currently broad enough to invite people claiming tax exemptions for a wide array of activities. Multinationals involved in growing hybrid seeds also claim that their profits are a part of agricultural income and thus should be tax exempt.

Trade Misinvoicing

*The net financial flows for trade misinvoicing for the year **2010** amounts to a **flow** of:*

\$35.9 billion
₹1.9 lakh crore

Discrepancy in India's FDI inward position: Estimates of accumulation of unrecorded foreign assets in India amount to US \$89 billion (2011).

Example: India has underreported inward FDI flows from Mauritius of US \$108 billion^[2]

Processes

1. *Misdeclaration about the quantity of goods*
2. *Misuse of export promotion schemes: exploitation of incentives provided to exporters, possibly through over-invoicing exports*
3. *Bogus or dummy Importer Exporter Codes (IEC)*
4. *Country of origin frauds: knowingly violate the rules of origin in order to take advantage of bilateral trade agreements, lower tariffs, or to avoid country specific restrictions or tariffs.*
5. *Undervaluation and overvaluation of imports/exports: the price and quantity of goods are incorrectly reported and is the most common form commercial fraud.*

Trade Misinvoicing

The amount that has illicitly been moved out of India between 2010 and 2013 (3-year flow) through trade misinvoicing^[3]:

\$332 billion
₹18.6 lakh crore

How does misinvoicing work?

When imports are over-invoiced, the amount of money paid out is far higher than the actual value of goods imported into the country. Similarly, when exports are under-invoiced, the amount of money received as export earnings is shown as far less than the value of goods sent out.

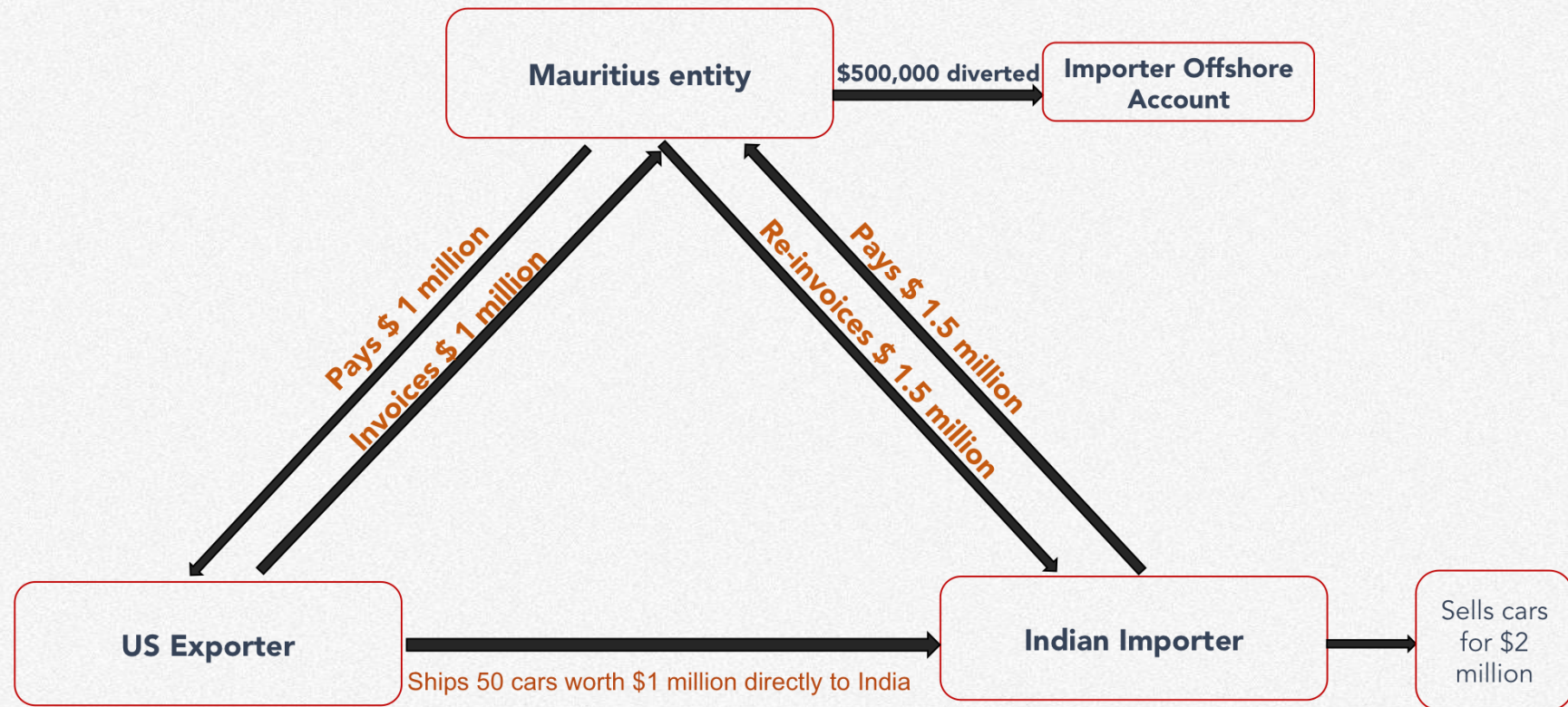
On the other hand, importers would under invoice imports in order to escape customs duty. Export over invoicing may occur when exporters try to take advantage of export financing or other incentives given to exporters.

These practices happen simultaneously and the net amount dictates the flow. Between 2000 and 2009, there was a net outflow of US \$42.6 billion to Switzerland. In the same period, there was a net inflow of \$33 billion from Singapore into India through trade misinvoicing.

Example of Trade Misinvoicing

A US exporter ships 50 cars to India. However, he sends the invoice of \$1 million to the Indian company's subsidiary in Mauritius and gets paid for that amount.

The Indian importer sells the cars for \$2 million, but shows the import bill of \$1.5 million, thus evading tax of \$500,000 and parking it in an offshore account.



Illicit Financial Flows

Estimate of total capital flight from India in 2010: (flow)

\$24.8 billion
₹1.1 lakh crore

As a percentage of GDP, illicit flows from India range from 6.7% in 2007 to 0.9% in 2009^[4].

*Illegal or illicit capital flows can be generated through a number of means that are not revealed in national accounts or balance of payments figures: trade mispricing, bulk cash movements, Hawala transactions and smuggling. **Illicit financial flows involve cross-border transfer of the proceeds of corruption, trade in contraband goods, criminal activities, and tax evasion.***

Hawala Transactions

Hawala mechanism involves a network of agents and is used by migrants and other players to transfer money from one location to another without the use of the formal banking sector.

The individual who wants to transfer funds to another country uses an agent and hands over the money to be transferred along with the recipient's details. Another agent in the recipient's host country hands over the prescribed money and the two agents settle the differences.

The rationale behind the use of such remittance systems are: 1) cost-effectiveness, efficiency and reliability for people seeking to transfer legitimate or legal incomes and 2) lack of bureaucracy, lack of a proper trail and tax evasion or money laundering for those who have difficulties revealing the sources of funds.

Since Hawala transactions are 'invisible' to legal authorities, it has been a vehicle for the financing terrorist activities and money laundering.

Illicit Financial Flows

The total informal hawala market in India for foreign exchange transactions in 2010. (flow)

\$6 billion
₹36,000 crore

Though the absolute number has been increasing, the share of hawala in total private transactions have reduced from 0.3% in 1991 to around 0.1% in 2010 [6].

Processes

Potential inflows through Hawala dealers:

1. *Transfer by migrant workers to their families in India, mostly due to convenience, lower transfer charges and better exchange rates.*
2. *Recovery of revenues transferred abroad through export under-invoicing. Exporters would reduce their tax liability by EUI and bring back the locked revenue through Hawala routes. However, FII and FDI are more attractive options.*
3. *Transfers by NRI to finance investments in India (real estate, etc).*

Potential outflows through Hawala dealers:

1. *Outflow for legitimate investment in India: Tax policies incentivising FDI and FII as against domestic investment would encourage investors to seek to mask local investment as FDI/FII.*
2. *Transfer for investment in the rest of the world: Investment through tax havens can generate incomes with low tax liabilities from almost anywhere in the world. Further, if income generated in India is unaccounted/illegal, better to move it out of the country to avoid detection.*
3. *Transfers to finance import under-invoicing/export over-invoicing: Imports face customs duties and local taxes on subsequent sales. However, by under-invoicing and meeting the balance through Hawala, importers can escape high customs rates.*

Illicit Financial Flows

*The present value of India's total Illicit financial flows. This is the **stock** of illegal capital flight from India from 1948 to 2010. However, a significant portion of this returns to India as part of round tripping.*

\$462 billion
₹24.5 lakh crore

This is the product of corruption, bribery and kickbacks, criminal activities, and tax evasion. Illicit financial flows grew at 6.4% in real terms. India lost \$16 billion a year from 2002-2006 ^[7].

Round Tripping

Round Tripping is the process of channeling local funds to special purpose entities abroad and the subsequent return of funds to the local economy in the form of direct investment.

*In India, the rationale for round-tripping is the favourable treatment received by investment from specific countries, for ex, Mauritius, Cyprus, Singapore and the UAE, as a result of the specific provisions in Double Taxation Avoidance Agreement ('**DTAA**') with these countries.*

The FDI statistics illustrate the preference for inflows from countries that are recipients of special tax treatment from India. Nearly 28% of FDI inflows in to India comes from Mauritius.

Money Laundering

Money laundering through the underground diamond trade runs into Rs. 400 billion.

*Approximately Rs. 18.86 trillion of black money was laundered out of India over the last decade. (A **flow** of ~Rs 2 lakh crore in 2010.)*

\$37.7 billion
₹2 lakh crore

Laundering money by banks takes place when they ignore KYC norms, banking personnel are complicit ^[8].

Processes

From stashing unaccounted money in Swiss bank accounts to complicated Hawala nets, money laundering has taken its own form in India.

Three part procedure to launder black money:

- 1. Placement: Criminals place illegal money in the financial system to launder it. The likelihood of being caught is highest at this stage.*
- 2. Layering: Hiding black money behind several layers of transactions, distancing the money from the launderer. (eg: offshore accounts, shell companies, etc.)*
- 3. Integration: Illegal money is integrated into the financial system and mixed with other assets. Once this happens, distinguishing such money from legitimate money becomes impossible.*
- 4. Money may be laundered through: (i) establishing anonymous companies in tax havens; (ii) trade mis-invoicing; (iii) purchasing artwork, jewellery, real estate, high end automobiles, etc.*

Corruption and Unaccounted Income

Government Contracts

Defence Procurement

Election Funding

Public Infrastructure

Government Schemes

Government Contracts

10% - 20%

The estimated percentage of kickbacks on most government contracts, as admitted by government officials.

Of the 1048 cases registered with the CBI in 2012, over 75% involved kickbacks received by government officials^[20].

Processes

The Central Vigilance Commission (CVC) received 7,227 complaints (including 1,696 cases from the previous year) of corruption (including kickbacks) against government employees in 2012. In 2011, the CVC received as many as 8,805 complaints against railway employees, followed by 8,430 against bank employees and 5,026 against income tax officers.

Kickbacks follow every government department that carries out transactions with private parties. The amount of money siphoned off depends on the size of the original transaction. There are kickbacks in natural resources, energy, telecom, defense, public works, irrigation, roads, and any other sector that calls for a tender/government contract. The process is strikingly similar across departments. There are rules which mandate all government contracts to be made through tenders, but the tender process is more often than not rigged.

The minister introduces his chosen contractor to the superintending engineer. The terms and conditions of the tender are fixed in consultation with this contractor to his/her favour. This contractor then submits three tenders - two of them from bogus companies - to make it appear like a competitive, transparent process and finally walks away with the contract.

In the process, the contractor pays 6% of contract cost to the minister as down-payment; another 6% to relevant officials after winning the contract, 3% for project clearance, pollution control and subsidy clearance. An additional 6% goes to the minister each time the project cost increases.

Real estate and gold are also preferred forms of paying kickbacks.

Defence Procurement

\$0.55 billion
₹3,600 crore

The alleged bribe given to government and air force officials by AgustaWestland for securing the Rs.36 billion deal^[21].

Transparency International rated India in the 'D' or 'high' risk bracket for corruption in government defence^[22].

Processes

According to Transparency International, there has been massive expansion in India's military capabilities, and consequently there has been a similar increase in kickbacks for defence procurement and corruption in other related activities.

Apart from the AgustaWestland scandal, there have been several big ticket scams in defence procurement recently. Investigation into the Barak Missile procurement revealed that about 3.5% of procurement cost was paid as bribe to concerned government officials. Sudipta Ghosh, Kargil coffins, Tatra trucks and Assam Riflex cases are some of the high profile scandals plaguing the Indian defence sector.

Transparency International also reports that, in 2013, the Indian Army was found to be running golf courses illegally on government land. Air Force officials have used defence land for unauthorised use like building shopping malls and cinema halls. India's defence institutions have also been involved in the exploitation of natural resources.

There are kickbacks at all levels in the Military Engineering Services responsible for providing accessory services like military roads, water and electricity supply, drainage, furniture etc.

Though the CAG and PAC have provided active oversight on defence procurement, the absence of a coherent defence policy weakens the quality of oversight. Further, there was no legislative oversight of India's intelligence agencies.

Election Funding

75% of election funding

Estimated proportion of election funding that comes from unaccounted sources is 75%.

A 2001 committee report found that a candidate's campaign expenditure was 20 times more than the permissible limit.

Statistically, candidates with declared assets of over Rs. 50 million are more likely to emerge victorious than others^[23].

Processes

- 1. High percentages of voters are paid in cash and drugs to lure their votes.*
- 2. Accepting cash donations of amounts over Rs. 20,000; keeping names and details of the donors private, etc. causes a lot of opacity in the election funding system.*
- 3. Election candidates and political parties do not honestly declare their estimated and actual election spending. The Election Commission has found significant discrepancies in the expenditure declared and the expenditure estimated to have actually been incurred.*
- 4. The Income Tax Act does not have sufficient conditions or political parties to fulfill, in order to avail tax exemption.*
- 5. Lack of communication between Income Tax Department and the Election Commission is a disadvantage. The present system does not allow for the Election Commission to share each party's election candidate's election affidavit and expenditure sheet with the income tax department. Enabling this would assist the income tax department which can then be allowed to scrutinize cases as appropriate.*

Irrigation, Roads, PWD, National Highways

433%

The estimated sudden suspicious increase in the cost of irrigation projects in Maharashtra^[24]

\$9.8 million
₹56.3 crore

The biggest Public Works Department ("PWD") scam unearthed in Karnataka^[25].

Big contractors have hijacked the entire process, and the lack of transparency in publicly available data makes it more difficult to gauge the extent of corruption.

Malpractices and Reasons

1. *Due to an opaque tendering process, sub-par contractors engaged. Therefore, quality is compromised and funds misappropriated.*
2. *Kickbacks at all levels – from engineers, to contractors, to politicians. Approximately 22% of the tender costs in irrigation are political kickbacks – paid to everyone from the clerk to the minister in charge. Numerous such scattered incidents of corruption are found across India. These instances are symptoms of a larger problem – that of laxity in governance^[26].*
3. *Collusive relations between concessionaries and implementation agencies;*
4. *Institutional failure and laxity. Compromised quality of irrigation systems because of political and contractors' kickbacks*
5. *Contractors procuring construction contracts collusively show poor performance.*

Irrigation, Roads, PWD, National Highways

\$1.5 billion
₹9,000 crore

The estimate of corruption in road repairs in Mumbai over the last 3 years^[27]. (flow)

Additional Challenges

1. *Complicated regulatory structures and approval processes lend the sector prone to bribery and corruption.*
2. *Poorly implemented and monitored administrative tasks (eg: detailed project reports) leads to lesser accountability.*
3. *Lax redressal mechanism for aggrieved farmers, consumers.*
4. *No standardization of unit costs of construction.*
5. *Due to non mobilization and non replacement of key personnel, quality of supervision is also compromised.*

Government Schemes

₹14,155 crore

The total unaccounted money in the Public Distribution System ("PDS")

₹9,169 billion

Or, 24% of the total amount of funds misappropriated from the National Rural Employment Guarantee Scheme ("NREGS"). (flow)

Rampant corruption at every rung of bureaucracy contributes to the prevalence of black money^[28].

Processes

1. *Large bribes paid by beneficiaries to avail essential PDS services;*
2. *Payment system is unregulated. Beneficiaries are required to pay much higher than mandated;*
3. *Wastage of essential PDS goods due to lack of supervision over trucks; unavailability of goods due to callous supervision / vigilance;*
4. *Reselling of goods procured through the PDS system in the open market;*
5. *NREGS workers are paid by contractors and middle men, who make the most of this opacity and appropriate funds to themselves and other government officials;*
6. *Corruption and funds derailed at every bureaucratic rung of the NREG system; and*
7. *Inadequate worksite facilities to the NREGS workers, assets of bad quality contribute to overall failure of the system.*

THANK YOU

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