

Labour Participation, Financial Inclusion and Awareness-Entitlement in MGNREGA- A Study Conducted in district Kupwara¹

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Abstract

The present study attempts to understand the impact of MGNREGA, a flagship scheme of the Govt. of India, in the frontier district of Kupwara in Jammu & Kashmir. The study looks at three important areas of policy focus in the scheme namely labour participation, financial inclusion and awareness-entitlement. The study has adopted a combination of the parametric and non-parametric tools to analyze the data. The scheme has had a positive impact on all the identified parameters.

Key words: MGNREGA, financial inclusion, labour participation, parametric.

Introduction

1.1 Introduction: Mahatma Gandhi National Rural Employment Guarantee Act, 2005

India has a huge proportion of its population living in villages and the rural character of the country is reflected in the Govt. of India Census 2011, which shows that 69% of Indians live in rural areas. Besides, India is home to one third of the poor people in the world who are living below international poverty line of \$1.90 a day (*World Bank, 2016*). The rural character of India coupled with massive poverty in the country, policy makers have given considerable importance to poverty alleviation, unemployment reduction and economic development particularly in rural areas. These objectives are a common focus in all the five-year plans formulated since independence in 1947. The setting up of planning commission in 1950 was a major milestone in this direction as it laid down the objectives and strategies for economic development of India with special attention given to rural economy (*Desai, 2009*).

The importance and attention given to employment generation is not new in the world. The programmes to ensure employment to poor dates back to The Poor Employment Act of 1817 and 1834 Poor Law Amendment Act in Great Britain (*Balaug, 1964, Clément, 2011*) and the New Deal program of the 1930s in the United States (*Rosenof, T,1987*) were considered relief policies during economic slowdown. The programmes focusing on employment generation, poverty reduction, sustainable assets creation and

increasing per-capita incomes are being followed both in advanced and developing economies. The countries that have implemented such programmes in the past are Chile (1987), Pakistan (1992), Bangladesh (1983), Philippines (1990), Botswana (1960), Kenya (1992) and Thailand.

India in its attempt to ensure employment generation, poverty reduction, assets creation and reasonable standard of living for its people particularly in rural areas various important rural development schemes have been launched in the past. The rural development schemes include Community Development Programme (CDP) of 1952, Small Farmers Development Agency (1969-70), Marginal Farmers and Agricultural Labourers Programme (MFAL) (1969-70), Integrated Rural Development Programme (IRDP) (1976-77), Food For Work Programme (FWP) (1977), Training Rural Youth For Self-Employment (TRYSEM) (1979), Rural Employment Programme (1980), Jawahar Rozgar Yojana (1989), Swaranjayanti Gram Swarozgar Yojana (SGSY) (1999) & National Food For Work Programme (2004). All of these programmes however suffered from various loopholes viz. lack of awareness among local communities, little involvement of the local community, employment was provided based on availability of funds & willingness of the implementation machinery and lack of social monitoring. The outcome was wastage of resources, leakages and corruption, inability to provide minimum livelihood security as there was no guarantee, low allocation and utilization of funds, less number of days of wage employment per family, lack of right planning, creation of low quality assets, involvement of contractors and use of machinery, false muster rolls etc. Thus, all these programmes failed to achieve the set objectives. To overcome the problems of earlier wage employment programmes, Government of India took a major policy decision by enacting the National Rural Employment Guarantee Act (NREGA) in 2005 by merging Swaranjayanti Gram Rozgar Yojana (SGRY) & National Food For Work Programme (NFFWP) for providing livelihood security to rural unemployed and the Act was subsequently rechristened in 2009 as MGNREGA. The Act was introduced in India to guarantee employment for those who are willing to do unskilled wage employment at the prevailing minimum wage rate in a particular state (*MGNREGA, 2005-06*). It is a policy of direct transfer to the poor through the provision of public works (*Drèze and Sen, 1991; von Braun, 1995, Lipton 1996*) satisfying the property of self-selection.

The enactment of MGNREGA (2005-06), a flagship rural development programme of Govt. of India, is a rights based approach to rural development which was missing in previous rural development schemes (*Anand c, 2014*). It is aimed at providing livelihood security in rural India by providing work on demand to the rural households to do unskilled work for a period of 100 days at the prevailing minimum wage rate in the states (*MGNREGA Act, 2005*). The focus of MGNREGA is on creating sustainable rural livelihood through regeneration of the natural resource base by creation of durable assets, enhancing productivity and strengthening rural governance through decentralized planning & built in system of accountability in the form of social audits (*MGNREGA Act, 2005*).

The MGNREGA ranks among the most powerful policy interventions for the socio-economic upliftment of rural India. The MGNREGA has three distinct goals including protective, preventive and promotive. It protects the rural poor from vulnerabilities by providing them demand based employment. It prevents risks associated with agricultural investment and forced migration of the rural poor. It brings in buoyancy in rural economy via increased consumption demand (*Mathur, 2007*).

The MGNREGA provides basis for permanent social security system and even acts as an instrument for planned and equitable rural development. It also focuses on raising the productivity of agriculture by creating durable assets. To ensure rights and entitlements of workers under MGNREGA, an exclusive National Rural Employment Guarantee Fund has been set up for implementation of the programme. The Act has a systematic approach for identification and execution of works and payment of wages. It also has the provision for transparency and accountability of implementing agencies. The direct outcome of this provision is conduct of social audits by the Gram Sabhas (GSs) which have been mandated not only by Right to Information (RTI) Act but also the MGNREGA Act 2005-06.

The J&K state has extended the benefits of the central act to the rural areas in the state in a phased manner by framing its own policy known as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). This was done to overcome the constitutional limitations as the central MGNREGA is not applicable to the state. Therefore, the present study uses the acronym MGNREGS instead of MGNREGA.

1.2. Research Gap

There are several research studies which have focused on the impact of the scheme in India. Besides, the previous studies have also attempted to analyze the implementation and process mechanism of the scheme in India for past many years which have been extensively reviewed in a separate chapter on literature review. However, there has been no research attempt made till date to study the operational efficacy of MGNREGS in the study area. There has also been no research conducted on testing the self-targeting design of the scheme. Besides, previous studies have mostly depended on descriptive statistical tools to analyze the impact of the scheme in India. The present study is an attempt to bridge this research gap in the literature by empirically examining the operational efficacy of MGNREGS in-terms of its impact on key performance indicators such as man-days generated or employment, addition to household income, financial inclusion of beneficiary rural households, rural-urban migration, awareness regarding various entitlements/ provisions of the scheme and participation of rural households. The study also tries to analyze the self-targeting design of the study by examining the effect of socio-economic profile of beneficiaries on the participation in MGNREGS scheme. The present study has also relied on robust statistical tools both parametric and non-parametric to draw inferences and conclusions.

1.3 Objectives

The objectives of the present research study are:

1. To assess the performance of MGNREGS in the study area in terms of employment generation of beneficiaries by analyzing:
 - a) Total number of Man-days generated.
 - b) Average number of Man-days for participating households.
2. To study the awareness of rural households about MGNREGS in the study area by analyzing:
 - a) Awareness about the MGNREGS entitlements.
 - b) Medium of awareness.
 - c) Difference in awareness and entitlement scores across sample blocks.
3. To study the performance of MGNREGS on financial inclusion of rural-households by analyzing:
 - a) Number of banks accounts opened Post-MGNREGS implementation in the study area.
 - b) Frequency and usage pattern of the respondents.
 - c) Difference in access to bank credit before & after scheme implementation.

1.4 Research Methodology

Sampling Design

A **Multi-Stage Random Sampling Design** has been adopted in the study to generate a representative sample for data collection and hypotheses testing. **In the First stage**, two districts (Kupwara and Poonch) of J&K State were selected from the Phase-I MGNREGS districts on the basis of socio-economic profile. These two districts are among the poorest districts in J&K state. Poonch district is the poorest district in Jammu division with 33.67% & Kupwara is the poorest district in Kashmir division with 32.55% BPL population (*JK BPL Survey, 2008*).

Review of Literature

Verma et al (2011) studied MGNREGS with respect to the extent of employment generation, effect on rural to urban migration & asset creation. Their primary data (collected from 300 households) revealed that family size, asset value, household income were significant indicators of household participation. These changes, authors stressed, have been the reasons for the significant decline in the inflow of labour in Punjab. They stated that the biggest strength of MGNREGS is that it is self targeting in spite of systemic corruption in its implementation the benefits can reach the poor rural households because of the fact that the richer population do not opt for unskilled manual labour at minimum wages.

Jain & Singh (2013) studied the impact of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGS) on the touchstone of social security & found that no doubt the programme has vast scope & impact on the livelihood security of the rural poor but Government should strictly discourage educated people to do unskilled labour under MGNREGS. They further added that because of the provision of minimum wages under the programme local people do not get attracted to do unskilled manual work & rather has lead to their migration.

Gupta & Fearooz (2015) studied the impact & durability of the assets created under MGNREGS in block Sundarbani of district Rajouri. They found that in the study block there seems to be a significant impact on rural households through assets created under MGNREGS programme. They further held that the productive value of assets created under the scheme need to be enhanced & suggested that the officials/functionaries should focus more on (i) community assets & (ii) convergence with other departments so that programme can be made more productive.

Saswati Das (2016) studied the impact of MGNREGA on the livelihood security of rural poor in India. The study has analyzed National Sample Survey (NSS) for determining the impact of the scheme in the country. The study found that the increase in spending capacity of non-beneficiary households was greater than MGNREGA beneficiary households. Besides, the overall growth trend in spending capacity over time had a greater effect in improving the livelihood security of the target households than the estimated effect of the programme.

Parida, J (2016) studied the impact of MGNREGS on distress migration and livelihood conditions in Odisha state of India. The study finds on the basis of a survey of 400 households working in the scheme, that the it prevents out-migration in the agricultural slack season by providing job opportunities to needy poor and socially marginalized groups. In this process it controls a substantial portion of seasonal distress out-migration from Mayurbhanj and Jajpur districts of Odisha.

IIM Lucknow (2009) conducted a study of MGNREGS in the different districts of Uttar Pradesh viz; Jhansi, Jalaun, Kushinagar, Bareilly & Gorakhpur. The main finding of the study among others, was that the 97.7% households were reported to be operating through bank/post office accounts.

Anandita and Bhatia (2010) conducted a survey in UP and Jharkhand. They revealed that majority of workers preferred payment through bank or post office account rather than cash payment. 41 per cent of workers went on their own to withdraw the wages while 50 per cent accompanied by others (Sarpanch, Contractor or Abhikarta) who have exploitative nature. Non-issue of passbooks, non-entry of transaction details, and embezzlement of wage amount through collusion were observed in some of the sample GPs. Issue of incomplete pay orders, clubbing of pay orders of four to five works, or four to five weeks was also observed in many GPs during the survey.

Pankaj, A and R Tanka (2010) highlighted the fact that high literacy rate in Himachal Pradesh is the cause of high awareness levels among women about the Act. They stated that 71 per cent of the female workers were able to meet their personal needs with income earned from MGNREGS. The payment of wages through SB accounts leads to greater incidence of self-collection and control over the usage of wages.

Sankaran, K (2011) has discussed the universalisation of payment of minimum wages as an obligation on the part of government to ensure the minimum rights of sustenance of workers. She recommends that the crisis around the MGNREGS wage rate is an occasion to rationalise wages both under MGNREGS and the

Minimum Wage Act (MWA) and to bring about a true need-based minimum wage, which is a prerequisite for the millions in the informal economy in India today. The author suggested consultative process to be adopted for fixing need-based minimum wage rate.

Debesh Roy's (2012) research report emphasized that out of 600,000 habitations in the country; only about 5 percent have a commercial bank branch. Also only about 57 percent of the population across the country has bank account (savings), and this ratio is much lower in the North-Eastern states. Further, 13 percent of the population has debit cards and 2 percent has credit cards. India has a significantly low level of financial penetration compared with OECD countries.

Das et al. (2012) studied the awareness about MGNREGS; an ambitious scheme targeting the rural population of India. The study has observed a general lack of awareness about the basic guidelines and legal entitlements among the intended beneficiaries which hampers the successful implementation of the scheme.

Borah, D (2016) examined the awareness of tribal women folk regarding various provisions of MGNREGA in Longjap Gram Panchayat in Nagaon district of Assam. Based on survey data from 100 tribal women regarding awareness about various entitlements in the scheme. It was observed in the study that awareness on some of the important provisions in the scheme was lacking which could hamper the effective implementation of the scheme.

Hypotheses Testing & Data Analysis

Null Hypothesis:

H01: There is no significant difference in average Man-days among SC, ST, OBC & GEN category respondents.

The data in table 1 shows man-days generated across various social groups. The average man-days worked by SCs, STs, OBCs & General category rural households is 84, 74, 54 and 54 man-days respectively. The participation of backward communities such as SCs & STs in terms of number of man-days is different & considerably higher than the Gen. category households which shows that the impact on these communities is much better than socially upward communities.

Table 1: Man-days Worked Across Social Groups

Social Groups	Mean (Man-days)	Std. Deviation
SC	84	.56
ST	74	.52
OBC	54	.59
GEN	54	.67

Source: Field Survey

To empirically verify the above null hypothesis, a one way analysis of variance (ANOVA) & post-hoc test was conducted to find the impact of social groups on average man-days scores. The results of the tests are

explained in the table 3 & 4. The workers were divided into four groups SCs, STs, OBCs & GENs and the analysis was statistically significant for difference in average man-days scores for four social groups $F(3, 196) = 15.57, p=.001$ The effect of social groups on difference in average man-days generated is large calculated using eta squared with effect size .192 (Cohen, 1998).

Therefore, the null hypothesis that there is no significant difference in average man-days among various social groups is rejected and alternative hypothesis is accepted.

Table 2: One Way ANOVA Between Social Groups & Man-days

DV= Man-days

	Sum of Squares	Df	Mean Square	F	Sig.	Eta Squared
Between Groups	15109.348	3	5036.449	15.575	.000	.192
Within Groups	63381.007	196	323.372			
Total	78490.355	199				

Awareness and Entitlements in MGNREGS

The awareness and information about various entitlements or components of any government scheme results in favorable outcomes such as better participation, effective delivery and proper implementation (SHANKAR *et al.* 2011). The MGNREGA Act (2005-06) provides various entitlements or rights to the rural households such as 100 days guaranteed unskilled wage employment at a prevailing minimum wage rate, work on application within 15 days or else unemployment allowance, 33% reservation for women in jobs, sanitation and health care facilities at worksite, work within 5 KMs, crèches facility for women workers, Job card etc. We have attempted to understand the medium of awareness and level of awareness about various entitlements in the scheme. The objective was to examine the efficacy of the implementation machinery in spreading awareness and communicating various benefits under the scheme.

Awareness about MGNREGS Entitlements/Rights

The data on awareness about various entitlements/rights mandated in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is presented below in table 6. The respondents in the study area were surveyed on awareness about nine basic entitlements in the scheme such as Job card, 100 days guaranteed work in a year, work within fifteen days from application date, unemployment allowance if work isn't provided within 15 days, work within 5 KMs, travel allowance beyond 5 KMs, wages at notified minimum wage rates, work site facilities (toilets, drinking water, emergency health care, child rearing etc.) and 33% reservation for women. The reported awareness about job card being a right in the scheme was 100%, 77.50% respondents reported that they are aware about work within 15 days deadline and 53.50% respondents reported awareness about right to get unemployment allowance if work was not provided within 15 days. It is interesting to mention that there is a significant decline in awareness scores about work within 15 days and unemployment allowance if work was not provided within 15 days from 77.50% to 53.50% i.e.

a 24% drop in awareness level about two sides of the same right in the scheme. The effective delivery of scheme benefits can't be achieved without the target populations' complete information about various entitlements in the scheme.

About 15% respondents reported awareness about travel allowance if work was provided beyond 5 KMs distance from home and 15% respondents reported that they were aware about minimum wage rate prevailing in the state. Once again the level of awareness about these two entitlements is poor which may be due to lack of effort on the part of lower level implementing actors such as block level officers, panchayat institutions and lack of gram sabhas in educating poor rural households about various rights in the scheme. The awareness about 33% reservation for women and worksite facilities (such as toilets, drinking water, emergency health care etc.) in MGNREGS was only 62.50% & 63.50% respectively. The awareness level on 100 days job guarantee in a year was about 96.50% that is quite significant given poor awareness level about the scheme.

Table 3: Awareness About MGNREGS Entitlements/Rights Across Sample Blocks

MGNREGS Entitlements		Trehgam	Langate	Poonch	Surankote	% age
Job Card	Yes	50	50	50	50	100%
	No	0	0	0	0	0%
Work Within Fifteen Days	Yes	43	45	21	46	77.50%
	NO	7	5	29	4	22.50%
Unemployment Allowance	Yes	27	24	11	45	53.50%
	No	23	26	39	5	46.50%
Work within 5 kms	Yes	34	28	5	41	54%
	No	16	22	45	9	46%
Travel Allowance >5kms	Yes	15	5	5	5	15%
	No	35	45	45	45	85%
State Minimum Wage	Yes	5	7	0	18	15%
	No	45	43	50	32	85%
Worksite facilities	Yes	38	37	5	47	63.50%
	No	12	13	45	3	36.50%

33% Women Arakshan	Yes	38	34	5	48	62.50 %
	No	12	16	45	2	37.50 %
100 days Work	Yes	46	47	50	50	96.50 %
	No	4	3	0	0	3.50 %

Source: Field Survey

Null Hypothesis:

H02: There is no significant difference in labour migration before and after implementation of MGNREGS.

Table 12.1 depicts migration data for the respondents before and after Mahatma Gandhi National Rural Employment Guarantee Scheme was implemented in the study area. All the respondents i.e. 100% reported that they migrated to work in other districts before MGNREGS was implemented in their villages. However, after the scheme was implemented the migration percentage was down to 80.50%, which was tested for statistical significance using McNemar Test for pre-post design with nominal data.

Table4: Cross Tabulation of Migration Before & After MGNREGS

Labour Migration	Before	After
Migrated	200	161
Not Migrated	0	39
Total	200	200

Source: Survey Data

The difference in migration was analyzed using non-parametric McNemar's Test. The analysis was significant $p=.001$ with $\chi^2 = 37.026$, $p=.001$ at $\alpha=.05$. Which indicates that the decline in migration is statistically significant and points to the fact that MGNREGS has significantly reduced migration in the study.

In conclusion, the null hypothesis that there is no significant difference in labour migration after MGNREGS implementation is rejected and alternative hypothesis is accepted.

Table 5: McNemar Test for Labour Migration Before & After MGNREGS

Test Statistics^{ab}

N	Chi-Square ^b	P-value
200	37.026	.000

- a. McNemar Test
- b. Continuity Corrected

Findings & Conclusion

The present research study was carried out with a broad objective to evaluate the operational efficacy of Mahatma Gandhi National Rural Employment Guarantee Scheme by utilizing both the primary and secondary data. The researcher attempted to achieve this objective by examining the impact on employment (Average Man-days), awareness and participation, impact on financial inclusion.

Findings from Primary Source

Impact on Employment (Man-days generated): The total man-days worked by the beneficiary respondents are 11527 and overall average man-days generated is only 57 against the guaranteed 100 days in a year. It is quite evident that the overall impact on employment generation in all sample blocks is poor as can be seen from the low average man-days figures.

Average Man-days for SC, ST, OBC & Women Workers: The average man-days worked by SC, ST & OBC rural households is 84, 74, 54 man-days respectively. The participation of backward communities such as SCs & STs in terms of number of man-days is different & considerably higher than the Gen. category households which shows that the impact on these communities is much better than socially upward communities. The average days of employment for women workers is 63 days which is much higher than male workers of 56 days in the study area.

Frequency and Usage Pattern of Banks/Post office Accounts: The frequency of bank account usage depicts how much the beneficiary is actively using the banking services. It was observed that 42.50% respondents use bank account more than thrice a month, 32% respondents use the bank account twice a month and remaining 25.50% respondents use it only once a month. This indicates that despite all the geographic and institutional delivery constraints the target population has responded positively to the new found financial experience. The survey data also revealed that 100% financial inclusion was achieved under MGNREGS for the sample respondents only after working in MGNREGS. It is quite clear that the impact on financial inclusion is positive and has the potential to further deepen this process under the scheme in the study area.

It was further observed that 90% respondents reported that they use a bank account for saving money, 100% respondents reported that the bank account is used for receiving wages under MGNREGS, only 27% reported transferring money as one of the purpose for operating a bank account, 91.50% reported for receiving various social benefits such as subsidy on various public goods such as gas, rice etc. whereas just 6% reported other use for operating a bank account.

Findings of Hypotheses Testing

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) provides 100 days employment to every rural household who are willing to work at the prevailing minimum wages. Therefore, it does not discriminate on the basis of socio-economic status of rural households in providing work. The present study hypothesizes that the socio-economic status of rural household does not influence the participation (employment) measured by average man-days in the scheme, access to bank credit. The study has employed both parametric and non-parametric tools such as One Way ANOVA, Robust Test of Equality of means, Post-Hoc Test, t-Test and McNemar's Test for making proper inferences and generalisations.

The results suggest that there is a significant effect of socio-economic status of respondents on employment measured by average man-days generated. There is no significant influence of MGNREGS on access to bank credit in the study area after the scheme was implemented as was observed during hypothesis testing.

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