

## **Financial and Nonfinancial Impact on National Rural Employment Guarantee Scheme: A Case Study**

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### ***Abstract***

*This study measures the financial and non-financial effects of the NREGA scheme in Hebri Village Panchayat. Questionnaires and interview technique was used for this research to collect the primary data. This scheme was successful increasing employment opportunities and empowering rural women. It was also found that wages provided to the villagers are not satisfactory. Income gained from the scheme has been channeled into savings and investments in local cooperative banks. Agriculturists, labors and animal husbandry of Hebri have been benefited from the NREGA scheme.*

**Keywords :** *NREGA, Rural Unemployment, GDP, Poverty Eradication*

### **Introduction**

India being a biggest democratic country has a prominent place in world's financial system. Villages are the backbone of India. About 70 percent of India's population comes from rural areas. As Gandhiji once said "India's soul lies in villages". Even after a centenary his words still hold good in the present era. Developing villages will, therefore develop India in a reflex manner. In spite of rapid urbanization in our country, most of the population still lives in rural places. Due to historical reasons rural India is lacking necessary development. Reducing the gap between urban and rural is today's immediate necessity. India cannot become developed country until and unless there is fast pace of growth in rural India. Eradication of poverty, employment and development are co-related to one another. By creating employment opportunities in rural places, a biggest problem of unemployment in rural India can be reduced. Poverty removal programs have gained prominence since Independence.

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Devising a strategy on the basis of requirement of rural people, to a great extent the poverty, unemployment and inequality can be removed.

Agriculturists play a major role in contributing to our country's GDP. 'Mahatma Gandhi Employment Guarantee Scheme' focuses on financial betterment and social welfare of Rural India. This scheme helps the rural people in various ways such as maintenance of healthy environment in rural India, provision of infrastructural facilities etc. Reducing unemployment and increasing employment opportunity will increase financial stability and pave a way to social stability in rural India.

According to (Contributors, 2013) India has more than 50 percent of its population below the age of 25 and more than 65 percent below the age of 35. It is expected that, in 2020, the average age of an Indian will be 29 years, compared to 37 for China and 48 for Japan. There is no doubt in the fact that proper utilization of youth potential will develop India in the coming years. From this point of view, this study gets significance.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme endeavors following objectives:

1. Providing 100 days of wage employment and security in every fiscal year to every household whose adult members volunteer to do unskilled labor.
2. Giving information regarding properties that are used for long term.
3. Strengthening the lives of rural people by showing them the right way.
4. Empowering rural women and avoiding their immigration.
5. Guaranteeing a person from each family is employed and gets daily wages.
6. Providing employment to those who are eligible and can perform any physical works which are non technical in nature.
7. Priority is given to people who are having BPL card.

### **Working details of the scheme**

The key process in the implementation of NREGA involves the following steps;

Step 1: Adult members of rural household submit their name, age and addresses with photo to the Gram panchayat

Step 2: The Gram panchayat registers households after making the enquiry and issues a job card which contains the details of the adult member enrolled and his/her photo.

Step 3: Registered persons can submit an application for work in writing (for at least fourteen days of continuous work) either to the panchayat or to the programme officer.

Step 4: The panchayat / program offices will accept the valid application. A letter providing the details of the allotted work will be sent to the applicant and a copy will also be displayed at the Panchayat office

Step 5: The employment will be provided within a radius of 5 km and if it is above 5 km extra wage will be paid.

Step 6: If employment under the scheme is not provided within 15 days of receipt of application, a prescribed daily unemployment allowance will be paid.

### **Statement of the Problem**

Eradication of poverty, enabling employment opportunities and infrastructure facilities in rural India are the main challenges that must be overcome. Reorganizing the financial and social system in rural India is gaining importance recently. This study is mainly to measure the fruitfulness of the scheme and its financial and non-financial impact on rural India in order to reduce the unemployment rate. The main objective of this research is to see how far this scheme has been utilized by rural people to uplift their standard of living socially, financially and educationally. It also includes to study whether the migration rate from rural to urban places has reduced drastically over the years. The present paper makes an in-depth study of these problems

### **Objectives of this Study**

1. To study the effect of this scheme on financial stability of rural people. E.g.: Annual income, standard of living
2. To access non financial implications on education, social, health and status of people in the village.
3. To analyze the contribution of this scheme in rural development.
4. To study the level of empowerment provided by this scheme locally.
5. To find out in what way has this scheme helped in the development of rural families.

### **Review of Literature**

Ministry of Agriculture Department was established in December 1871 and was extended to all provinces in India. Agricultural research center was established in Bihar in the year 1905. In spite of all these efforts rural areas remained neglected and divided.

On the recommendation made by Royal Agricultural Committee in 1928, Imperial council of agricultural research was established in 1929. Now it is well known, as Indian Council of Agricultural Research.

According to (Goswami, 2013), NSSO data indicates that there has been a negative trend in labour force participation in agriculture since 2004-05. (Ricketts, 2013) In 2005, the Government of India passed the National Rural Employment Guarantee Act (NREGA). Goswami also stated that Majority of the work, nearly 60 to 70 percent person days in 2010-11 and 2011-12, under the rural employment scheme is generated during the lean agriculture season. The fact that NREGA allows for work to be taken up on private land of individual beneficiaries and hence, could play a significant role in raising the productivity of small and marginal farmers, "who will then be able to return to farming and will no longer need to depend on the MGNREGA for survival." The minister has described this segment as "untapped potential" In 2012-13, 12 percent of NREGA works were taken up in private lands.

Hirway stated that a large proportion of labor depends on agriculture which has low productivity, is highly unstable, with wide fluctuations in agricultural incomes in most regions and has experienced a poor rate of growth around 2 percent, in the last decade. She also opined that most small and marginal farms are unviable in the sense that they are not able to make net profits from crop cultivation and / or are not able to generate enough income for the survival of their families. Majority of the poor are located in this sector, i.e. in agriculture, forestry, animal husbandry, fishery etc. Among other things, high investments in land and water management are urgently needed in agricultural infrastructure for agricultural growth, poverty reduction, diversification in agriculture and also for diversification of workforce in to productive non-agriculture sector (Hirway, 2007).

In theory, Deininger,(2013) stated that MGNREGS employment can directly benefit house-hold in three ways. Transfer effects increase participants' income either by offering higher wages than what would have been received from other forms of employment or by providing employment in times when participants would otherwise be unemployed. Income gained from MGNREGS employment can also be channeled into savings and investments, which will allow households to be more resilient to economic shocks in the long term. Finally the program supports some small scale works on participants' own land, which means that participation in MGNREGS has the potential to increase a household's agricultural productivity by increasing investment on marginal lands.

The dynamics of the scheme in view of the fast-changing rural India, which has been undergoing major transformation in terms of agricultural practices, employment preferences and aspirations of the youth" Increased migration to urban areas, shifting to non-farming opportunities, and adaptation of lifestyles similar to that of urban areas have impacted the manner in which MGNREGA finds acceptance in rural areas" (TNN, 2013).

As per (Times, 2013)NREGA has been instrumental in raising wages across rural India, by acting as the floor wage that employers must better, in order to get workers. Rural wages have been on a roll these

past seven years, rising continuously in real terms, thanks to diversification of the economic structure and helped along by the NREGA wage acting as the floor. One consequence has been to raise rural living standards. Another has been to raise farm production costs, leading to food inflation.

### **Methodology**

#### **Target Population and Sample Size**

The target population selected for the study is from Hebri village of Karkala Taluk in Udupi district. Sample size is 17 respondents. Due to time constraint it was not possible to include whole district. Therefore Hebri village panchayat area has been selected for our research. Questionnaires were distributed to 50 beneficiaries of the scheme, out of which 17 have responded.

#### **Method of data collection**

Data has been collected using questionnaires, which have been drafted carefully. It has covered different parameters that will measure the level of benefits that rural people are receiving. Questions are simple, straight forward and easy to understand and comprehend.

#### **Sources of Data**

##### **1.Primary**

- a. Questionnaires
- b. Interviews

##### **2.Secondary**

- a. Village records
- b. Essay/ Articles
- c. Study Reports
- d. Ministry and departmental information
- e. Books
- f. Newspapers

### **Method of processing and analysing**

On data being gathered from primary and secondary sources, statistical techniques which are deemed relevant to the nature, type and purpose of the study have been used for analysis. The analysis has been done using Microsoft Excel or SPSS for inferences and interpretation.

### **Profile of the Village Panchayat**

Udupi is a town in the South-West Indian State of Karnataka. Hebri is a small town in Udupi district, Its geographical spread is 3575 square km which includes Udupi, Kundapur and Karkala. Hebri is at the foot of the Western Ghats in Karnataka state. It is famous as state's largest rice production centre. The place is of full scenic beauty with evergreen forests the area gets highest rainfall across the year. The economy of Hebri is mainly dependent on agriculture Rice(Paddy), Areca Nut, Coconut, Cashewnut, nowadays rubber are main crops grown in this area.

People from Mangalore, Bangalore and costal Karnataka prefer the rice produced at due to its high quality. There are many cashew processing industries in Hebri. Not less than 2,000 girls are employed in these industries. Even though it is a village, it is well known for its resources.

**Table No. 1 : The population details of the Area of study**

Population	10.257
Households	2.200
SC	363
ST	1116
Cultivators	1172
Agriculturists	1259
Non-Agriculturists	1072
Literate	5366
Total Villages	08

*Source : Compiled from different sources*

**Table No. 2: Details of Families registered under this scheme**

SC	08
ST	86
Others	244
Total	338

*Source : Compiled from different sources*

- Employment Card distributed in this scheme  
338(755 members has been provided with employment)
- Total employed man days provided under this scheme 8573

**Table No. 3: showing the details of employed men days**

SC	09
ST	1362
Others	7202
Total	8573

Ladies:3059

Gents :5514

*Source : Compiled from different sources*

- Number of Households that completed 100 days under this scheme : 04

### **Present Study**

Analysis of the present study is made on the basis of data obtained from the sample size using questionnaire and primary sources of data.

**Table No. 4 : Gender Classification**

<b>Gender</b>	<b>Beneficiaries</b>	<b>Percentage</b>
Male	11	64.71
Female	06	35.29
Total	17	100.00

*Source : Compiled from different sources*

Interpretation: The above table presents that 64.71 percent of respondents were male and 35.29 percent were female. From this it



can be inferred that majority of the participants in the scheme belong to 'male' category. Female participants are just around half of the male participation. It means the scheme benefits are male dominated.

**Table No. 5 : Languages used in the Area of study**

Language	Male	Female	Total
Kannada	10(58.82%)	7(41.18%)	17(100%)
Tulu	9(52.94%)	6(35.29%)	15(88.23%)
Konkani	00	00	00

*Source : Field Survey*

Interpretation: The above table reveals the data on the languages spoken by the respondents. It is understood that Kannada is spoken by all the respondents and Tulu is spoken by 88.23 percent of the sample.

**Table No. 6: Age Group classification of Respondents**

Beneficiaries	20-29	29-39	39-40	Total
Male	4(23.53)	3(17.65)	3(17.65)	10(58.83)
Female	00	2(11.76)	5(29.41)	7(41.17)
<b>Total</b>	<b>4(23.53)</b>	<b>5(29.41)</b>	<b>8(47.06)</b>	<b>17(100)</b>

*Source : Field Survey*

Table No. 6 classifies the respondent on the basis of age group. 23.53 percent of the respondents are in the age group of 20-29 years. 29.41 percent respondents are in the age group of 29-39 and majority of the respondents (47.06 percent) are in the age group of 39-40. We can infer that there is less percentage of youth availing the benefit from the plan.

**Table No. 7: Cards owned by Beneficiaries**

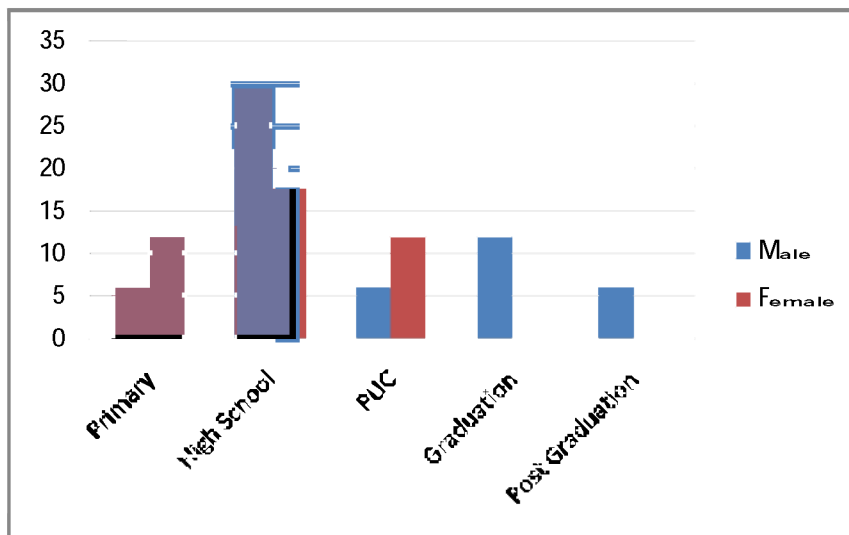
Beneficiaries	Categories		
	APL	BPL	Total
Male	1(5.88%)	9(52.94%)	10(58.82%)
Female	2(11.76%)	5(29.41%)	7(41.17%)
Total	3(17.65%)	14(82.35%)	17(100%)

*Source : Field Survey*

From the Table No. 7, we can see that 52.94 percent of males come under BPL category and 29.41 percent of females in BPL. Percentage in APL category is 5.88 percent in males and 11.76 percent in females. Only 17.65 percent people own APL card which shows the level of poverty in rural areas.

One of the objectives of the scheme is to provide employment and there by to increase their earnings. BPL card holders are the people who have low income. As per the table, the majority of the beneficiaries are under poverty line. It indicates that the scheme has helped the needy of to a great extent.

**Figure No. 1: Educational Classification**



From the above chart we can understand that 47.06 percent of people have completed high school and the 17.65 percent have completed primary and secondary. 11.76 percent holds a degree and 5.88 percent only of respondents are post graduates. We can infer that Most of the respondents have passed high school.

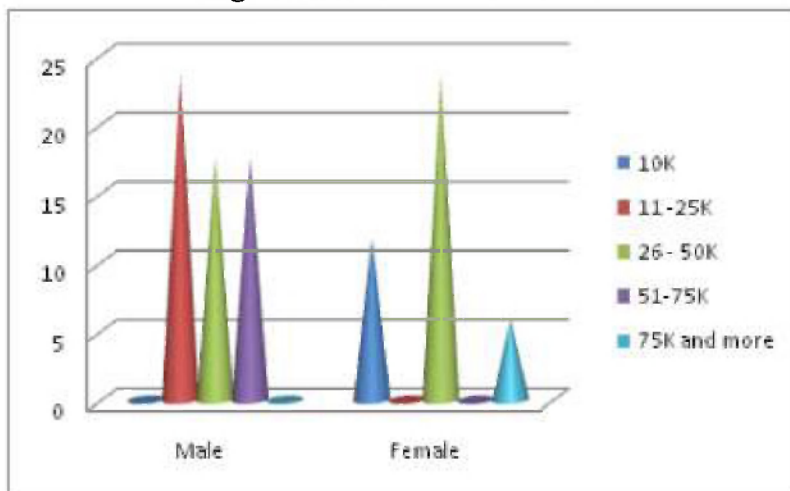
**Table No. 8: Occupational Categories**

Occupation	Beneficiaries		
	Male	Female	Total
Farmers	8(47.06%)	4(23.53%)	12(70.59%)
Animal husbandry	2(11.76%)	4(23.53%)	6(35.29%)
Labour	8(47.06%)	5(29.41%)	13(76.47%)
Employee	1(5.88%)	-	1(5.88%)

**Source :** Field Survey

The above table has categorized the respondents on the basis of occupation. About 76 percent of the respondents are labourers, 70 percent of the respondents are farmers

**Figure No. 2: Annual Income**



From the above chart it can be seen that 23.53 percent of male respondents have income level between 11 and 25 K. 41.7 percent of the respondents have income between 26-50 K. The percentage of male respondents who earn an income of 51 to 75 K is 17.65 percent. While 11.76 percent of female respondents income is 1-10 K, 5.88 percent female respondents come under the income group of more than 75 K. This analysis brings out the fact that majority of the respondents have their annual income in the range of 26-50 K.

**Table No. 9: Respondent Information on Property and employment**

Property & Employment	Respondents		
	Yes	No	Total
House	16(94.12%)	1(5.88%)	17(100%)
Furniture's	15(88.24%)	2(11.76%)	17(100%)
Complete Employment	0	17(100%)	17(100%)

*Source : Field Survey*

Table No. 9 shows that 94.12 percent and 88.24 percent of respondents own Houses and Furniture whereas 5.88 percent do not have house and 11.76 percent are without furniture. In other words out of 17 respondents, 16 respondents have their own houses. Regarding owning of furniture out of 17 respondents 15 respondents own furniture. None of the respondents has any employment.

**Table No. 10 : Extent of Properties Owned**

Property	Extent of Property				
	1 Acre	2 Acre	3 Acre	No	Total
Land	7(41.17%)	3(17.65%)	2(11.76%)	5(29.41%)	17(100%)

*Source : Field Survey*

The above Table shows the properties owned by the respondents. Majority of the respondents (41.17 percent) own 1 Acre of Land. 29.41 percent of the respondents do not own any land. However 17 percent and 11 percent of the respondents own 2 acre and 3 acres of land respectively. We can infer that - about 70 percents of respondent own properly.

**Table No. 11: Details of Gold owned**

Property	Quantity percentages				
	10 gm	20 gm	50 gm	No	Total
Gold	4(23.53%)	4(23.53%)	4(23.53%)	5(29.41%)	17(100%)

*Source : Field Survey*

From the above Table we see that 29.41 percent of people do not own gold. 23.53 percent benefiter own from 10 to 50gms of gold which clearly shows the poverty level in Hebri.

Based on the above table 12 benefiter 70.59 percent of people consume type B food, 4 benefiter take 23.53 percent and one member take 5.88 percent of type 'B' food.

**Figure No. 3: Registered Year**

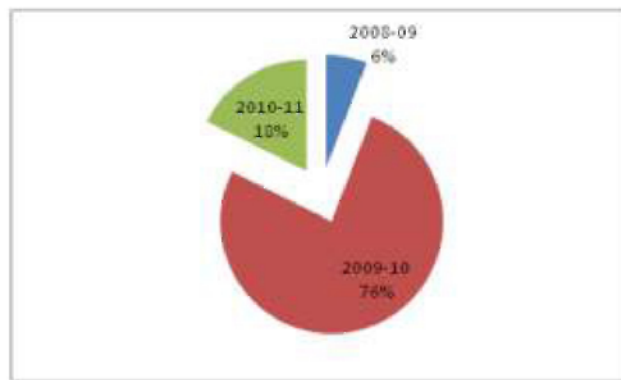


Figure No. 3 depicts that most of the respondents (76 percent) have registered under this scheme in Hebri Panchayat in the year 2009-10 as compared to 6 percent in the year 2008-09. The progressive percentages of registered beneficiaries indicates the popularity and usefulness of the scheme to the rural areas.

**Table No. 12: Sources of Information**

Source	Beneficiaries
Newspaper	Nil
Panchayat	17(100%)
Relatives	Nil
Others	Nil
<b>Total</b>	<b>17(100%)</b>

*Source : Field Survey*

The above Table shows that the Hebri Panchayat is the only source from which the beneficiaries got information. Generally panchayats publish the availability of the scheme through notice boards or convey the message to the residents through sub staff of the Panchayath.

**Table No. 13 : Bank Account**

<b>Savings</b>	<b>Beneficiaries</b>
<b>Bank</b>	17(100%)
<b>Post Office</b>	No
<b>Total</b>	<b>17(100%)</b>

*Source : Field Survey*

This shows that each and every member has opened a bank account for savings purpose which shows that people are aware of the banking transactions. Savings in Post office are nil

**Table No. 14: Income generated from this scheme**

	<b>Income level</b>						<b>Total</b>
	<b>4000</b>	<b>5000</b>	<b>6000</b>	<b>8000</b>	<b>10000</b>	<b>20000</b>	
<b>Beneficiaries</b>	2 11.76%	2 11.76%	1 5.88%	7 41.17%	4 23.53%	1 5.88%	17 100%

*Source : Field Survey*

From the above Table, it can be observed that less than 41.17 percent of the respondents are getting income of Rs. 8000; 23.53 percent of respondents are earning income of RS. 80,000. About 28 percent of respondents are earning income of 6000 or below. Only 5.88 percent of the respondents are earning income of Rs. 20,000.

### **Findings, Suggestions**

We have used questionnaire and interview method to collect information from the benefiterers of NREGA, organizations in Hebri and also consulted experts for their opinion; based on it can concluded as under:

1. The study highlights that 85 percent of respondents are BPL card

holder that show that majority of the respondents benefiting from the scheme are below poverty line.

2. Women (homemakers) too are happy to have benefited from this scheme. This shows women empowerment.
3. All categories of people including primary, secondary, higher secondary and graduates or for that matter illiterate too have benefited by registering their name under this scheme.
4. People getting an advantage from employment guarantee scheme are Agriculturists, labors, and animal husbandry.
5. This scheme must also provide wages to agriculturists growing paddy, ragi, jower and cereals.
6. Swasahayasangha and Village Panchayat have played a major role in creating awareness about NREGA program.
7. Local co-operative banks have helped in opening a bank account for all registered households thereby enjoy all facilities provided by the bank like loans, education loan, deposit etc. Surprisingly most of them hold a share in these banks.
8. Beneficiaries are of the opinion that wages earned under this scheme has helped them in repaying the loans, repairing their houses, toilets and also some felt that it is useful for their childrens' education.
9. Experts and interviewers felt that "This scheme has played a major role in Rural development as Oxygen is for breathing"

### **Suggestions**

- 1) Only Gram Panchayat has played an active role spreading the information about the Scheme. Government should make use of Newspaper and radio channels to create awareness.
- 2) Wages should be timely increased based on inflationary rates.
- 3) Mid-day meals should be provided to the workers to enable them to work more.

## **Conclusion**

In making India a developed nation both rural and urban people must be considered equally responsible for their contribution to development. To achieve rural development financial stability is the basic root cause. Financial independence is also an utmost necessity. Employment to all households will make them financially stable. By empowering villagers their talents and ability can be showcased which in turn develops India financially and socially. Therefore total utilization of village folks is the present necessity. National Rural Employment Guarantee Scheme will help us in achieving this goal.

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