

Economic impact of MGNREGA: A case study of Bisalpur sub-division of district Pilibhit in Uttar Pradesh

¹Dr. Mohammad Israr Khan, ² Savita Saxena

¹ Assistant Professor, Department of Applied and Regional Economics, MJP Rohilkhand University, Bareilly, Uttar Pradesh, India

² Research Scholar, Department of Applied and Regional Economics, MJP Rohilkhand University, Bareilly, Uttar Pradesh, India

Abstract

Mahatma Gandhi National Rural Employment Act (MGNREGA), 2006 is a socio-economic law which was enacted for reducing poverty, unemployment, and hunger in India. It makes India a country providing, for one hundred days, guaranteed unskilled wage employment to the unemployed people, in rural areas, who come to ask for the same. This program is significantly different from the earlier ones in that it gives guarantee for employment while the earlier wage employment programs did not provide any such assured entitlement.

This paper tries to analyse the employment, income, and consumption effects via enhanced purchasing power that can be ascribed to MGNREGA in the rural areas of the selected district. It attempts to examine the social and economic as well as the assets creation impact of the scheme in rural areas. Additionally, the paper evaluates rural women's empowerment in terms of employment, income, and consumption, brought about by the MGNREGA which, in turn, is found to equip them with the kind of resources and opportunity that help them fulfil their needs and increase the consumption level. The study concludes that MGNREGA induces a positive improvement in the life of the people in the rural areas.

Keywords: mahatma gandhi national rural employment act; employment guarantee; rural development; rural asset creation; women empowerment

1. Introduction

India inhabits the second largest population set in the world with around two third of the people living in rural areas and being dependent on agriculture and subsistence mode of economic activities. Most of the rural families fail to fulfil essential needs. They remain below poverty line. They face many problems originating from the lack of employment. For it there is only one solution i.e. to provide employment in rural areas. Government of India has been running many poverty and unemployment alleviation programs such as TRYSEM, Jawahar Rojgar Yojana, Jawahar Gram Smaridhi Yojana etc. These programs did not achieve success. So, to provide employment for rural people, Government launched Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005. It is a social law which was enacted for reducing poverty, unemployment and hunger in India. Whereas earlier wage employment programs did not provide any guarantee of job, this act provides for guaranteed employment. Additionally, it aims at improving the economic condition of rural people by creation of durable assets.

1.1 Overview of MGNREGA

National Rural Employment Guarantee Act (2005) later renamed as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is one of the most significant policy actions of the Government in post-Independent India. This act provides at least one hundred days of wage employment in a financial year to every household whose adult members voluntarily do unskilled manual works. Under

the act, employment is to be provided within 5 km of an applicant's residence, and minimum wages are to be paid under the Minimum Wages Act 1948. If work is not provided within fifteen days of applying or receipt of the application seeking employment or from the date on which the employment has been sought in the case of advance application, applicants are entitled to an unemployment allowance. Thus, employment under MGNREGA is a legal entitlement, guaranteeing one hundred days' minimum wage equivalence, with or without work.

Some of the original provisions of the NREGA were as outlined below.

1. Every household in the rural areas of India shall have a right to at least 100 days of guaranteed employment every year for at least one adult member, for doing manual work.
2. Only productive works shall be taken up under the Program. The State Council shall prepare a list of permissible works as well as a list of "preferred works". The identification of preferred works shall be based on the economic, social and environmental benefits of different types of works, their contribution to social equity, and their ability to create permanent assets.
3. The Program may also provide, as far as possible, for the training and up-gradation of the skills of unskilled rural people.
4. Wages may be paid in cash or in kind or both, taking into account the guidelines and recommendations of the State Council on this matter as far as possible.
5. Employment shall be provided within a radius of 5

kilometres of the village where the applicant resides at the time of applying. In cases where employment is provided outside such radius, it must be provided within the Block, and transport allowances and daily living allowances shall be paid in accordance with Program Rules.

6. In case where at least twenty women are employed on a worksite, a provision shall be made for one of them to be deputed to look after any children under the age of six who may be brought to the worksite, if the need arises. The person for child-minding shall be paid the statutory minimum wage.
7. A proportion of the wages, not exceeding 5%, may be deducted as a contribution to welfare schemes organized for the benefit of rural people employed under the Program, such as health insurance, accident insurance, survivor benefits, maternity benefits and social security schemes (National Rural Employment Guarantee Act, 2005).

MGNREGA is considered to be the largest and the most ambitious social security and public works program in the world. Government of India has been running many poverty alleviation programs and some success has also been achieved in the endeavour over the years. However, even today the Government struggles with mass level of poverty and unemployment related problems. MGNREGA is a mixture of many policies and schemes such as Jawahar Rojgar Yojana, Right to work, Food for work program, and Sampoorna Grameen Rojgar Yojana etc. They all were called forerunners to MGNREGA. This act also provides the employment for the women. One third of all employment is reserved for women, thereby, bringing gender equality in the society via the provision of same sort of employment to the males and females at the same wage rates and under similar conditions.

MGNREGA is implemented by gram panchayats (GPs) and State Governments with fund from the Central Government. The main implementing agencies are the gram panchayats. Gram panchayats have many responsibilities under this scheme. Because of GPs', the involvement of contractors is banned. GPs are to work as a safeguard to promote its effective management and implementation. MGNREGA provides an alternative source of livelihood with a dampening impact on poverty. It helps increase the purchasing power and expenditure of the beneficiaries, and helps village economies in gaining self-sustenance through productive assets creation such as road construction, cleaning up of water tanks, soil and water conservation works etc. For these reasons, it has been considered as the largest anti-poverty program in the world. However, the success of the act depends upon its proper implementation.

There are eight specific types of works listed in the NREGA: (i) water conservation and water harvesting; (ii) drought proofing including afforestation; (iii) irrigation canals; (iv) provision of irrigation facility to land-owned by SC and ST, land of beneficiaries of land reforms and of Indira Awaas Yojana (IAY) (rural housing for poor); (v) renovation of traditional water bodies; (vi) land development; (vii) flood

control works; (viii) rural connectivity to provide all weather access.

MGNREGA is thought of promoting economic growth and development as well as human development with emphasis on health, education and minimum needs. It directly targets poverty eradication through creation of employment, training and creating asset endowments of the poor. The present study attempts to understand the implementation procedures of MGNREGA and its economic impact on the rural households. This study focuses on the role of GP to generate sufficient employment opportunities, the procedures for registration, issuance of job cards, and application for employment. This would enable to understand and examine the institutional mechanisms under which the entire program is being implemented.

1.2 Statement of the Problem

MGNREGA is one of the most ambitious centrally sponsored schemes of India. This scheme has got success in the field of increasing income and expenditures, economic security, self-targeting, women's empowerment, assets creation, etc. How MGNREGA impacts all these components is the central theme of the proposed study. The paper tries to know whether the people are aware about MGNREGA work, whether the act is properly implemented, whether MGNREGA is providing hundred days of guaranteed wage employment to the entire eligible household population, and whether MGNREGA is successful in improving the purchasing power and expenditure levels of the rural households.

Basically, the proposed study attempts to find out the impact of MGNREGA on socio-economic dynamics of the rural society and the people. It aims at examining (a) the creation of rural assets and infrastructure through MGNREGA; (b) the impact of MGNREGA wages on income and expenditures of rural MGNREGA beneficiaries; and (c) the impact of MGNREGA on women's empowerment in terms of employment income and consumption.

2. Literature Review

In August 2005, National Rural Employment Guarantee Act was legislated to provide guaranteed employment to rural people in India. Several studies have been conducted by the government and non-government agencies and researchers, since then. Pant & Mishra (2014) ^[12] concluded that MGNREGA promotes transparency, accountability and involvement of local organizations, the act mandates 'monthly squaring of accounts'. To ensure public accountability through public vigilance, the NREGA designates 'social audits' as key to its implementation. Annual Report of the Ministry of Rural Development (April 2006 – March 2007) stated that in case of choice of work under NREGA, highest priority (i.e. 54%) was given to water conservation followed by providing irrigation facility to the land owned by SC/ST (10%), land development (11%), rural connectivity (21%), and any other activity 4% in 2006-2007. Annual Report (2008-09) of the same ministry revealed that that 67% of the funds were utilized in the form

of wages paid to the labour. The program had high work participation for marginalized groups like SC/ST (54%) and women 48%. Moreover, it strengthened the natural wage, of which 46% were soil conservation 18% rural connectivity, 50% land development, 20% irrigation work on individual beneficiaries.

A study on the process, institution and mechanism of implementation of MGNREGA conducted by Pankaj (2008) ^[11] to make an impact assessment of Bihar and Jharkhand reported that works of water conservation and harvesting, irrigation and rural connectivity constitute the bulk of schemes undertaken in Jharkhand and Bihar states. Both the states have very low irrigated areas, low density of road and, particularly in Jharkhand, plenty of land available for development. The nature of works undertaken in various district of these two states suggested that the MGNREGA can contribute significantly to the creation of much needed infrastructure.

Chaurashia (2011) ^[5] observed that MGNREGA has changed the direction and position of women; women are working outside except domestic works. NREGA has the potential for women's empowerment by providing them opportunities for paid work. The fact that one third of all employment is reserved for women can bring equality in the society because there is a provision for equal wages to men and women, and provision for child care facilities at the worksite. Chandrasekhar and Ghosh. (2009) ^[4] also observed that MGNREGA is also a scheme of social inclusion because the marginalized sections of society have high percentage of participation under this act. The participation rate of Scheduled castes (SC) and Scheduled Tribes (ST) in 2009-10 is 52%. Around one-third of the stipulated work force is women.

Dey and Bedi (2010) ^[7] studied the functioning of the NREGS between February 2006 and July 2009 in Birbhum district, West Bengal. Their study reveals that in order to serve as an effective "employer of last resort", the program should provide more job days during lean season and wages should be paid in a timely manner. This study found, in the selected areas, universal awareness about the NREGS, job card have been made available to all those who have applied and NREGS related information is well maintained and relatively accessible. But there are long delays in wage payments during the first year of the program, since then, the payment lag has declined and it is now in the range of 20 days. Khera (2008) ^[9] observed that the successful implementation of the NREGA in the Pati block in Orissa state goes beyond the ability of its residents to claim their rights. This is brought out by the high levels of engagement with the program in terms of planning, implementation and monitoring. Apart from its immediate aim of being a form of social security for the rural poor, by providing them local employment, it was expected that the NREGA would contribute to activating gram Sabhas, empowering women and developing rural areas. In this sense, the organization studied by the author in Madhya Pradesh has

fully imbibed the spirit of MNREGA, where it is looked upon as an opportunity to promote the overall development of the village as well as to alter the balance of power in the village society.

Mathur (2008) ^[10] asserted that MGNREGA could act as a great agent of socio-economic up-lift by providing livelihood security poorest of the poor in India, if implemented earnestly. Basu (2011) ^[3] studied impact of MGNREGA on seasonal employment. This study models the impact of such employment guarantee schemes in the context of an agrarian economy characterized by lean season involuntary unemployment as a consequence of tied labour contracts. It examined labour and output market responses to a productive rural Employment Guarantee Scheme (EGS) and determined the optimal compensation to public work employees consistent with the objectives of (i) productive efficiency in agriculture and (ii) welfare maximization of the labour. The author's framework provided a theoretical one for the evaluation of a number of (sometimes) conflicting observations and empirical results on the impact of an EGS on agricultural wages, employment and output, and underscored the importance of the relative productivity of workers in the EGS program vis-à-vis their counterparts engaged in agricultural production in determining the success of these programs. Dey *et al.* (2006) ^[8] opined that NREGS is totally a different scheme. It is an important initiative in the direction of poverty alleviation. This scheme could be implemented in powerful order. The Scheme is different from others employment-guarantee schemes such as employment insurance scheme and Jawahar Rojgar Yojana (JRY) because in other schemes people have not any paradigms so they do not have any power and in others there is also no accountability of the Administration.

Dasgupta and Sudarshan (2011) ^[6] using data from the 2004–05 NSSO survey and NREGA official websites, found that: (i) women's participation in the NREGA has been increasing; (ii) state wise women's participation in the program is positively correlated with women's participation in rural areas, though women's participation in NREGA is often higher than in other forms of recorded work so far; and (iii) women's participation is negatively correlated with the existing gender wage gap in unskilled agricultural labour. The latter implies that where women's actual wages as a share of men's is lower in the private sector, women are flocking to work in this government administered program. This will inevitably raise women's bargaining power, and is potentially a critical factor in reducing gender disparities in the labour market.

3. Observation Based Analysis and Discussion

This paper is based on primary observation and secondary data. Observation schedule was prepared and responses of the MGNREGS beneficiaries were recorded accordingly. The respondents were contacted on the worksite. 87% respondents were men and on the other hand 13 % were women. The responses and observations are discussed below.

Table 1: Responses obtained from the MGNREGA Beneficiaries

S. No.	Questions	Yes %	No %
1.	Are you aware about MGNREGA scheme of the government?	79	21
2.	Do you have job card?	100	0
3.	Any problem did you face in getting job card?	0	100
4.	Do you have an account in bank/post office relating to MGNREGA?	100	0
5.	Are you involved in MGNREGA planning?	81	19
6.	How much wages do you get under MGNREGA scheme?	161 Rupees.	
7.	Did you get work against demand?	86	14
8.	If yes, after how many days of written/verbal application did you get work?	Within 15 days	
9.	Did you get 100 days of guaranteed wage employment under MGNREGA?	44	56
10.	Do you feel an increase in your income and expenditures, due to MGNREGS?	74	26
11.	Has MGNREGA improved the condition of women in your household?	87	13
12.	Has MGNREGA eased the problem of unemployment?	92	8
13.	Do you get the unemployment allowance?	0	100
14.	Has MGNREGS augmented common infrastructure and assets in your village?	81	19
15.	Does MGNREGA need improvements?	100	0

Source: Field Survey

3.1 Awareness and Implementation

It was found that all the respondents knew about MGNREGA scheme. 79% respondents had detailed knowledge of MGNREGA. They told that MGNREGA is a social act by which one hundred days of wage employment are provided to them and besides it many facilities been provided on the worksite of MGNREGA. On the other hand, 21% respondents did not have any knowledge of MGNREGA scheme because of their literacy.

(A) Workers Involvement

It was found that 81% people were involved in MGNREGA planning. They got guaranteed wage employment because they were aware about MGNREGA planning. On the other hand, 19% respondents were not involved in MGNREGA plans. There is a need for the programme planning and execution to be universally participatory.

(B) Unemployment Allowance

Unemployment allowance means if an applicant demands work against under this act but employment is not provided within fifteen days of the receipt of this application seeking employment then the person shall be entitled to a daily unemployment allowance under the provisions of the act. Here in the selected areas, it was found that nobody knew about unemployment allowance because they had lack of knowledge information. Nobody was found to have got an unemployment allowance.

3.2 Procedures

(A) Job Card Availability

Here on the worksite of MGNREGA, all the respondents have job cards and they replied they did not face many problems in getting job cards. In the survey, the people were not interviewed who have not job cards.

(B) Wages and Works

Here the beneficiaries of MGNREGA told that they get wages

at Rs. 161 rupees per day under this act. Again they answered that when they want to do work they have got the employment against demand only by verbal request, they have not given any written application to Rojgar Sevak and they also said that they have got work within fifteen days after the oral requests made to the Rojgar Sevak.

(C) One Hundred Days of Employment

It was found in the selected areas that MGNREGA provided one hundred days of wage employment in a financial year to the adult members who willed to do unskilled manual work at the statutory Rs.161 per day minimum wages.

3.3 Economic Impact

(A) Financial Inclusion

It was found that all the respondents had accounts in bank / post office related to MGNREGA. In this way MGNREGA is considered a way of financial inclusion.

(B) Effects on Income & Expenditures

MGNREGA positively impacts the rural households. 74% respondents replied that their income was increased and then purchasing power and expenditures also increased because of MGNREGA. It is a market-demand inducing scheme because their increased income creates a demand for the output and their propensity to consume increases. MGNREGA brings economic growth as well as economic development. They again said that they can live better life standard and fulfil their necessary goods of life. While on the other hand 26% respondents replied to this question in negative. In this way it has been seen that MGNREGA is only partially successful in increasing the income, purchasing power, and expenditures of rural households.

(C) MGNREGA Eases Unemployment

MGNREGA has helped ease the problem of unemployment. By provided one hundred days of guarantee wage employment to the rural household. It is a big contribution to unskilled

wage employment at a large scale in the rural areas of the country.

3.4 Women Empowerment

MGNREGA helped to improve the condition of rural women and helped them become empowered whereby they can live on their own. They can live better life and fulfil their necessary goods of life and they can also give better education to their children. In this way MGNREGA is helpful to them who work on worksite of MGNREGA.

3.5 Creation of Assets & Infrastructure

In the field survey of selected areas it was found that many permanent and temporary assets were created in the chosen gram panchayats such as road connectivity, water harvesting, tree plantation, conservation of soil etc. Because of that infrastructure in rural areas was developed. Resultantly, MGNREGA has helped rural areas via creation of common assets and infrastructure development.

3.6 Any Improvements Needed

It was found that nobody was fully satisfied with the existing form of this program. They desired improvement in MGNREGA act because it has many shortcomings such as lack of transparency and accountability as well as unequal treatment to the people on the basis of social and political realities.

Most of the respondents had taken advantage of MGNREGA scheme. It was also noticed that MGNREGA is a demand oriented scheme because of this its beneficiaries' purchasing power is increased and their life standard goes up such as health improvement, good education, etc. and in such a way their demand for commodities is increased. Thus, economic development is also increased and it can be said that MGNREGA is helpful to economic development. It can be deduced that MGNREGA could be an important vehicle for inclusive growth because of the gainful participation of the marginalized sections of society.

4. Findings

The study found that MGNREGA has positively impacted the rural people and rural areas. Many assets are created in these selected gram panchayats such as water conservation, water harvesting, tree plantation, conservation of soil, renovation of traditional water bodies, land development, rural connectivity and flood control works etc. Because of MGNREGA, not only the gram panchayats are developed but also the rural people have got guaranteed employment. MGNREGA work could be a big help for such families who are small and marginal farmers, depending mostly on the farming income, having only one earning member. It could supplement their incomes and raise their standard of consumption. MGNREGA is a boon for the rural households because it provides the guaranteed employment for the rural people for their spare time. Thus both the productive engagement and the income of the beneficiaries are augmented. When income is increased,

the purchasing power and expenditures, and thereby the life standard, of rural people also improve.

This study found the evidence that rural women are feeling empowered and equal of men. MGNREGA work did not discriminate between the men and women in terms of their wages. This fact was the most significant confidence boost up for women. During the survey, most of the women on the worksite of MGNREGA reported an improvement in their life and livelihood standards. They could fulfil the essential needs of their life from own wages and without the support of their men because of MGNREGA. Before MGNREGA, they did not enjoy such opportunities to do work equally like the males and remained only as the walled housewives. MGNREGA is the first act which has given these important provisions under which the rural women feel much better.

5. Conclusion

It is a well-established economic fact that spending has a multiplier effect. When these poor households spend their additional MGNREGA money, they create a demand for several commodities. The production of these commodities, in turn, creates demand for raw material and workers. The study found that the majority of the families were spending the increased income from MGNREGA after better food basket followed by children's education and health. It shows that the MGNREGA money is being spent after improving the quality of life and human development related issues.

6. Conflict of Interest

There is no conflict of interest of any of the authors. However, the second author is accountable for data accuracy, reliability, and citation related integrity.

7. References

1. Annual Report. Ministry of Rural Development. GOI: New Delhi, 2006-2007.
2. Annual Report. Ministry of Rural Development. GOI: New Delhi, 2008-2009.
3. Basu AK. Impact of Rural Employment Guarantee Schemes on Seasonal Labour Markets: Optimum Compensation and Workers Welfare. Journal of Economic Inequality, US Springer, 2011.
4. Chandrasekhar CP, Ghosh J. Social inclusion in the NREGS. Business line. As quoted in 'Indian Economy', (eds) SK Mishra and VK Puri. Himalaya Publishing House. 2009, 186-190.
5. Chaurashia D. Empowered Women from Employment and Health Deficiency. Ministry of Rural Development New Delhi. 2011, 161.
6. Dasgupta S, Sudarshan S. Issues in Labour Market Inequality and Women's Participation in India's National Rural Employment Guarantee Act, Working Geneva: ILO. 2011, 98.
7. Dey S, Bedi A. The National Rural Employment Guarantee Scheme in Birbhum, EPW. 2010; XLV(41):19-25.

8. Dey N, Dreze J, Khera R. Employment Guarantee Act: A Primer. New Delhi: National Book Trust, 2006.
9. Khera R. Employment Guarantee Act. EPW. 2008; 43:35-30.
10. Mathur L. Employment Guarantee: Progress So Far. EPW. 2007-2008; 52(29):17-20.
11. Pankaj AK. Process, Institution and Mechanism of Implementation MGNREGA: impact assessment report of Bihar and Jharkhand, 2008.
12. Pant JC, Mishra JP. Indian Economic Difficulties. Agra: Sahitya Bhavan, 2014.