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DEPARTMENT OF ECONOMICS

Student Study Project

MGNREGA and Its Impact on the Village Economy

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CERTIFICATE

This is to certify that the present work titled “**MGNREGA and Its Impact on the Village Economy**” is the bonafide work of K. Renuka, K.Shiva kumar, M.Maheshwari, M.Srihari, P.Chennaiah, under the supervision of R.Nagaraju, Lecturer in Economics, Dr. BRR Government Degree College, Jadcherla. No part of this work has been submitted to any other University for the award of any Degree.

Date: 17-5-22


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DECLARATION

We hereby declare that the investigation results incorporated in the present project titled "MGNREGA and Its Impact on the Village Economy" were originally carried out by us under the supervision of R.Nagaraju, Lecturer in Economics, Dr. BRR Government College Jadcharla. No part of this work has been submitted to any other university for the award of Degree.

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Introduction

Introduction

A distinctive field of policy and practice and research is noticed in rural Development. It is because a great majority of poor people in the developing countries like India (50.1 percent and 41.8 percent in 1993-94 and 2004-05 respectively as against 31.8 percent and 25.7 percent poverty ratio in urban area) live in rural areas. A severe problem of unemployment in India is created by population pressure, an ever declining land-man ratio, small and fragmented agricultural land holdings, highly varieties of land distribution structures with increasing labour saving farm production procedures. The overall rate of unemployment has been increased from 6.1 percent in 1993-94 to 8.3 percent in 2004-05. The unemployment rate of agricultural labour households was to 9.5 percent in 2004-05 while the rate of unemployment of women in rural was to 8.7 percent in 2004-05 (Hirway, 2010).

Another troublesome feature of India is poverty. Although Indian economy has grown steadily over the last two decades, the impact of the overall high growth has not been positive in case of poverty declination from 30 percent in 1993-94 to 27.8 percent in 2004-05, implying a very small rate of decline of 0.74 percent per year during this period. The elasticity of poverty reduction with respect to per capita GDP growth declined from 1.13 percent to 0.69 percent

during the phase 1993-94 to 1999-2000 and 1999-2000 to 2004-05. In the case of some marginalized groups like the scheduled tribes, the reduction in poverty has been almost zero. In short the glorious performance of economic growth is not really reflected in poverty reduction (Hirway, 2010). This is because the rapid economic growth experienced by the India during the recent decades is the highly unbalanced structural transformation of the economy. Agriculture

which contributes less than 20 percent to the national GDP, constitutes about 57 percent of the work force implying very low average labour productivity in this sector in comparison with other sectors. The employment elasticity of primary sector declined from 0.50 in 1983-1993/94 to 0.33 in 1993/94 –2004/05. The low and rapidly declining employment elasticity implies that the Indian economy would have to grow at a very rapid rate if it has to offer satisfactory employment level to the vulnerable working poor. In a studies it has estimated the size of employment that needs to be generated in the economy on the basis of providing employment to unemployed, underemployed and working poor in the economy at 92.3 million in 2007 (Papola, 2008).

It is frequently argued that the right to employment approach or Employment Guarantee Programme approach under which a legal right to employment is given by the state, to all those who are willing and ready to work at a certain (minimum) level of wages is better than the right to income approach (the cash transfer approach) under which the needy are given a right to a minimum income for maintaining a living standard. Under cash transfer the problems faced are in terms of targeting (there are leakages), pilferage (corruption) of funds and delays. But employment providing schemes like Rural Public Works Programmes are more or less free from such problems. The more important is that the poor needs work to lead a life of dignity and not just for cash (even if as a right). This approach has been recognized by the Article 23 of the UN Declaration on Human Rights, where they says “Everyone has a right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment” (universal Declaration of Human Rights, UN, 1948). There has been a growing theoretical and empirical literature about the role of Public Works Programmes (or ‘workfare’) on poverty reduction (Sen, 1995; Van Braun, 1995; Besly and Coate, 1992; Ravallion, 1991; Acharya,

1990; Dreze and Sen, 1989). 'Workfare' has been enabled to the social planner for separating non-poor's from poor's through connecting income transfers to participation in the public works. The public works also fit by the concepts of Nurkse (1957) who had regarded surplus labour in low-income economies a potential saving useful for capital formation. Again, they has been useful to create and maintenance of rural infrastructure which would provide a positive externalities due to the public goods.

India has a long history of public works programme. These programme started as 'relief works' during the pre-British and British period when disasters like drought, floods etc. threatened the survival of people. After independence, however, public employment programmes had been viewed as means of generating employment, to address the structural un/under employment as well as ways to generate productive assets to increase the labour absorbing capability of the mainstream economy.

Keeping an eye over creating employment for the poor and unemployed people in rural areas, a chain of wage-employment programme have been set such as the 'Rural Works Programme' (RWP), 'Crash Scheme for Rural Employment' (CSRE), 'Pilot Rural Employment Project' (PREP) since the first plan period. Two national employment programmes had been introduced in 1980s based on the experiences of another pioneer Employment Guarantee Scheme in India- Maharashtra's Employment Guarantee Scheme, which was introduced in the early 1970s and a legal support was provided to it in 1974. These two schemes were "National Rural Employment Programme" (NREP) and "Rural Landless Employment Guarantee Programme" (RLEGP) launched during 6th and 7th five year plan. With an aim to deliver through the Panchayati Raj Institutions (village level elected institutions), both the schemes were united and restored in 1989 and the scheme renamed as Jawahar Rozgar Yojana (JRY).

A scheme named Employment Assurance Scheme (EAS) had been introduced in 1993 to facilitate employment in non-agricultural season. In 1999 Jawahar Gram Samiriddhi Yojana (JGSY) had been started to develop the rural infrastructure. Having merged EAS and JGSY, Sampoorna Gramin Rozgar Yojana (SGRY) was introduced in 2001. To create additional supportive wage employment, Food for Work Programme (NFFWP) has been launched in 2004 which also facilitated to generate assets. The above programme basically aimed at reducing poverty at the bottom by providing employment at reasonable wage to the poor on the one hand and generating productive assets of different kinds on the other. In a way, these programmes aimed at using surplus manpower in generating productive assets to expand the labour absorbing capacity.

The working of these programmes has been evaluated by a large number of official and non-official agencies. The studies revealed that these programmes were crippled by ineffective design, poor targeting and low awareness about the programme or its provisions, problems of administration, inefficiencies in distributions, non-transparent procedures, pilferage and widespread corruption. The programmes have recorded a limited impact at the macro level in terms of generation of employment per worker. They also have made a limited impact in terms of production of durable and good quality assets (Hirway, 2003). More over there was no guarantee of employment for longer durations.

Learning from the past experiences of wage employment programmes in the country on the one hand, and the experiences of implementing of employment guarantee programme, i.e., Maharashtra Employment Guarantee Scheme, on the other, the Central government in India decided to introduce an employment guarantee scheme in 2006 under the National Rural Employment Guarantee Act, 2005. Under the act every rural household living in the most 200

backward districts of the country was guaranteed at least 100 days of wage employment in a year at the minimum wage rate of the concerned state. This Act has been extended to 100 more districts in the second year and to the entire country (rural areas) from April 2008. On 2nd October 2009, NREGA got the new name after Mahatma Gandhi to introduce the act more beneficial to the mass and thus it has become Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

The basic difference between MGNREGA and earlier employment generation programme is that the MGNREGA is demand driven where as the earlier employment generation programme is supply driven. All adult members of a rural household willing to do unskilled manual work will get job within 15 days of application demanding for job at the radius of 5 k.m., otherwise he will paid 10 percent extra wage as travel allowance. If government fails to provide job within 15 days, unemployment allowance will be paid to that labourers who have demanded for job in the duration period of job. MGNREGA promotes the works such as conservation of water, proofing of drought, protection of flood, development of land and minor irrigation. Central Government bears 100 percent wage cost; but unemployment allowance and 25 percent material costs are born by State Government. Wage and material cost ratio should be 60:40. Finally, at least one-third of the workers should be women.

Objectives of the Study

The present study sets the following objectives for itself.

1. To evaluate the performance of MGNREGA in West Bengal vis-à-vis other States of India.
2. To evaluate the performance of MGNREGA across districts in West Bengal.
3. To explore the impact of MGNREGA on rural labour market in West Bengal.
4. To study the contribution of MGNREGA on livelihood of the rural households in the sample villages.

5. To analyse the impact of MGNREGA in the Village Economy.

Hypotheses

The following are the proposed hypotheses for the present study.

1. Performance of MGNREGA has been improved over years in West Bengal vis-à-vis other States of India.
2. Performance of MGNREGA has been improved over years across districts in West Bengal.
3. MGNREGA has induced to increase the wage rate of the rural unskilled labour.
4. The standard of living of the rural households is significantly improved by MGNREGA.
5. MGNREGA has a multiplier effect on income and employment of a village economy.
6. From the above survey design 934 households have surveyed in a census method from four sample villages for detailed analysis. Reference period for the study is the financial year 2016-17(April 2016 to March 2017).

Necessary Information collected for Study

The necessary information has been collected from the sample households on the following socio-economic heads:

- a) General information of households: General information of households includes age, sex, income earner, education level of the members of households and the caste of the households.
- b) Occupation of the Members of the Households: Classification of worker in cultivators, agricultural labour, non-farm self employed, salaried or regular worker
- c) Time Allocation and Earnings: Numbers of days employed as cultivators and agricultural labour and in agri-allied activities and non-farm activities; earning from these activities.
- d) Migration: Name of migrated labour, type work in work place, duration of work, wage rate and remittance in a year.
- e) Production of Households: Gross cropped area, foodgrain, cash crop, agri-allied production, non-farm production and production process of surveyed households etc.
- f) Consumption of Households: All kinds of household expenditure either in food items or in non-

food items are taken for our analysis. The durable consumer expenditure is also considered for our analysis.

g) Data of MGNREGA: Collection of MGNREGA data includes the information related to work, women empowerment involving the job and perception of households about the MGNREGA.

application.

Plan of the Study

The rest of the work is divided in seven chapters. Chapter 2 examines the performance of MGNREGA in West Bengal vis-à-vis other States of India. Chapter 3 would deal with the performance of MGNREGA across districts in West Bengal. Chapter 4 would analyse the impact of MGNREGA on rural labour market. Chapter 5 would examine the contribution of MGNREGA on livelihood of the rural households. Chapter 6 presents a social accounting matrix to analyse the multiplier effect of MGNREGA and articulates the resultant impact on the village economy. Chapter 7 gives summing up of the main findings and makes concluding observations with recommendation about related policy for development of rural economy.