

Socio-economic impacts of MGNREGA on rural population in India

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ABSTRACT

The NREGA addresses itself chiefly to working people and their fundamental right to live with dignity. The success of the NREGA, however, will depend on people's realization of the Act as a *right*. The issues involved in empowering workers are in the range of enhancement of knowledge levels, development of literacy skills and organizing workers. Enhancing social security levels of workers also needs to be considered. Another important task is to link NREGA with other developmental programmes. Empowerment of workers and creation of durable assets depend, in terms of their strategies, to a great extent on the linkages between NREGA and other development programmes. Linkages with human development programmes such as the National Rural Health Mission and the National Literacy Mission are needed to ensure basic human entitlements to workers that in turn will enhance their capacity to negotiate their rights under the Act. Linkages with other livelihood and infrastructure initiatives need to be considered for sustainable employment. The thrust of NREGA is on strengthening the natural resource base of livelihood. Initiatives for natural resource management also need to be dovetailed with income generation projects to enable workers to move from wage employment to self-sustaining employment. In addition to this, there is a need to improve the technological options for performances and monitoring.

KEY WORDS : NREGA, MGNREGA, Socio-economic impact, Rural population

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The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is an Indian job guarantee scheme, enacted by legislation on August 25, 2005. The scheme provides a legal guarantee for one hundred days of employment in every financial year to adult members of

any rural household willing to do public work-related unskilled manual work at the statutory minimum wage of Rs.120 (US\$2.43) per day in 2009 prices (Anonymous, 2011a). The Central government outlay for scheme was Rs. 40,000 crore (US\$8.11 billion) in FY 2010-11 (Anonymous, 2011b).

This act was introduced for improving the purchasing power of the rural people, primarily semi or un-skilled work to people living in rural India, whether or not they are below the poverty line. Around one-third of the stipulated work force are women. The law was initially called the National Rural Employment Guarantee Act (NREGA) but was renamed on 2 October 2009 (Anonymous, 2009). The Act aims at "enhancing livelihood security of households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work."

The Act was notified in 200 districts in the first phase with effect from 2nd February, 2006 and then extended to additional 130 districts in the financial year 2007-2008 (113

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districts were notified with effect from April 1st 2007, and 17 districts in U.P. were notified with effect from May 15th 2007). The remaining districts have been notified under the MGNREGA with effect from April 1, 2008 (Kohli, 2009).

The Act guarantees 100 days of employment in a financial year to any rural household whose adult members are willing to do unskilled manual work. Every State under this has to formulate a State Rural Employment Guarantee Scheme (REGS), which should conform to the minimum features specified under the Act. According to the Act, rural households have a right to register themselves with the local Gram Panchayats (GPs), and seek employment. Work is to be provided within 15 days from the date of demand, failing which the State Government will have to pay unemployment allowance at the stipulated rates (Anonymous, 2005).

The primary purpose of the Act is augmenting wage employment by setting up a strong social safety net for the vulnerable groups by providing a fall-back employment source, when other employment alternatives are scarce or inadequate. Its auxiliary objective is strengthening natural resource management through works that address causes of chronic poverty like drought, deforestation, soil erosion and so encourage sustainable development and also strengthen the natural resource base of rural livelihood and create durable assets in rural areas (Kohli, 2009).

Salient Features of MGNREGA:

- Adult members of a rural household, willing to do unskilled manual work, are required to make registration in writing or orally to the local Gram Panchayat
 - The Gram Panchayat after due verification will issue a "job card. The job card will bear the photograph of all adult members of the household willing to work under MGNREGA and is free of cost.
 - The job card should be issued within 15 days of application.
 - A job card holder may submit a written application for employment to the Gram Panchayat, stating the time and duration for which work is sought. The minimum days of employment have to be at least fourteen.
 - The Gram Panchayat will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates
 - Employment will be given within 15 days of application for work, if it is not then daily unemployment allowance as per the Act, has to be paid liability of payment of unemployment allowance is of the states.
 - Work should ordinarily be provided within 5 km radius of the village. In case work is provided beyond 5 km, extra wages of 10% are payable to meet additional transportation and living expenses
 - Wages are to be paid according to the Minimum

Wages Act 1948 for agricultural labourers in the State. Equal wages will be provided to both men and women.

- Wages are to be paid according to piece rate or daily rate. Disbursement of wages has to be done on weekly basis and not beyond a fortnight in any case.
 - At least one-third beneficiaries shall be women who have registered and requested work under the scheme.
 - Work site facilities such as crèche, drinking water, shade have to be provided
 - The shelf of projects for a village will be recommended by the Gram Sabha and approved by the Zilla Panchayat.
 - At least 50 per cent of works will be allotted to Gram Panchayats for execution
 - Permissible works predominantly include water and soil conservation, afforestation and land development works
 - A 60:40 wage and material ratio has to be maintained. No contractors and machinery are allowed.
 - The Central Govt. bears 100 per cent wage cost of unskilled manual labour and 75 per cent of the material cost including the wages of skilled and semi-skilled workers.
 - Social audit has to be done by the Gram Sabha.
 - Grievance redressal mechanisms have to be put in place for ensuring a responsive implementation process.
 - All accounts and records relating to the Scheme should be available for public scrutiny.

Funding/ Financial implications:

The Central Government bears the costs on the following items:

- The entire cost of wages of unskilled manual workers.
- 75% of the cost of material, wages of skilled and semi-skilled workers.
 - Administrative expenses as may be determined by the Central Government, which will include inter alia, the salary and the allowances of the Programme Officer and his supporting staff, work site facilities.
 - Expenses of the National Employment Guarantee Council.
 - The State Government bears the costs on the following items:
 - 25% of the cost of material, wages of skilled and semi skilled workers.
 - Unemployment allowance payable in case the State Government cannot provide wage employment on time.
 - Administrative expenses of the State Employment Guarantee Council.

Districts have dedicated accounts for MGNREGA funds. They have submitted their proposals based on clearly delineated guidelines so that funds may be distributed efficiently at each level, and adequate funds may be available to respond to demand. Under MGNREGA, fund releases are

Table 1 : Performance at national level under MGNREGA

Particulars	FY 2006-07	FY 2007-08	FY 2008-09
Total job cards issued	3.78 Crore	6.48 Crore	10.01 Crore
Employment provided to HH	2.10 Crore	3.39 Crore	4.51 Crore
Persondays (in Crore)			
Total:	90.5	143.59	216.32
SCs:	22.95 (25%)	39.36 (27%)	63.36 (29%)
STs:	32.98 (36%)	42.07 (29%)	55.02 (25%)
Others:	34.56 (38%)	62.16 (43%)	97.95 (45%)
Women:	36.40 (40%)	61.15 (43%)	103.57 (48%)
Person days per HH	43 days	42 days	48 days
Total available funds (Rs. Crores)	12073.55	19305.81	37397.06
Expenditure (Rs.Crore.)	8823.3 (73%)	15856.9 (82%)	27250.1 (73%)
Exp. on wages (Rs.Crore)	5842.4 (66%)	10738.5 (68%)	18200.03 (67%)
Avg. wage / Person days	65	75	84

Source: www.nrega.nic.in

based on an appraisal of both financial and physical indicators of outcomes (Anonymous, 2007). MGNREGA started with an initial outlay of \$2.5bn (Rs. 11300cr) in year 2006-07. The funding has considerably been increased as shown in Table 2.

Table 2 : Fund Release for MGNREGA

Year	Total outlay(TO)	Wage expenditure(% of TO)
2006-07	\$2.5bn	66
2007-08	\$2.6bn	68
2008-09	\$6.6bn	67
2009-10	\$8.68bn	70
2010-11	\$8.91bn	71

Source: www.nrega.nic.in

The performance at national level under MGNREGA has been presented in Table 1.

Impact of MGNREGA:

Impact of MGNREGA can be assessed when the following issues are well implicated:

Wage earner:

One of the main objectives of MGNREGA is to provide 100 days wage employment to the job card holders. Therefore, it is important to know what impact this programme has made on wage earner. All the Panchayats reported that economic condition of the wage earners has improved and moreover the workers need not to go outside the village to seek work. Indian Minister of State for Rural Development Pradeep Jain said in a written reply to a question in Rajya Sabha on Tuesday that As of 30 June, a total of 1,79,43,189 families in the country have been provided employment under MGNREGS during 2010 (Anonymous, 2010).

Table 3 : Women's participation in NREGA

Women workers as a percentage of all NREGA workers States	2008 – 09 (%)
Tamil Nadu	82.01
Kerala	71.39
Rajasthan	69.00
Andhra Pradesh	57.75
Karnataka	49.77
Gujarat	46.54
Tripura	44.51
Uttarakhand	42.77
Chattisgarh	42.05
Madhya Pradesh	41.67
Maharashtra	39.99
Sikkim	36.73
Orissa	36.39
Haryana	34.44
Mizoram	33.62
Manipur	32.80
Meghalaya	30.87
Assam	30.85
Himachal Pradesh	30.11
Arunachal Pradesh	29.58
Nagaland	29.36
Jharkhand	27.17
Bihar	26.62
West Bengal	16.99
Punjab	16.29
Uttar Pradesh	14.53
Jammu & Kashmir	1.08
All India	49.33

Source: www.nrega.nic.in

Rural-urban migration:

Rural-urban migration is a response to diverse economic opportunities across space. Historically it has played a significant role in the urbanization process of several countries and continues to be significant in scale, even though migration rates have slowed down in some countries. However, many urban problems like over-burdened infrastructure, urban poverty and crime, have been blamed on this 'rural spill over'. Though the migrants and their households might benefit greatly individually, it is seen that this individual benefit occurs at the cost of net loss to both rural and urban areas, and a decline in social welfare, through overcrowding and increased population in urban destination areas and a greater regional concentration of wealth, income and human capital. The aspect of MGNREGA where it can be used to curb rural-urban migration is conditional on the MGNREGA being implemented well in that region, otherwise, if work is not supplied, if wages aren't paid on time and if money is just being siphoned off, then workers will have no incentive to stop migrating. However, it should be clear that the primary aim of the Act is to provide welfare for the section of the population that does not even earn the minimum wage- the fact that it can also curb distress migration is just a positive secondary impact of the Act (Jacob, 2008).

MGNREGA and its impact on education:

The current educational scenario in India is plagued by staggering numbers of children who are completely illiterate or dropped out of school before the age of 15. According to a recent UNICEF statistic, only an estimated 76% of the children are enrolled in schools in India. 40% of the kids who are enrolled end up dropping out of school by the age of 10. These numbers translate into a whopping 100+ million children below the age of 15 who are not in school. An in-depth analysis of the problem reveals the lack of livelihood for a family to be the greatest instigator of a child to not go to a school or being employed as a child laborer. Migration is another major issue that leads to an already enrolled child dropping out of the school. Lack of sustainable livelihood resources in villages results in parents seasonally migrating to urban areas leading to school dropouts. Various pilot studies have shown that in rural areas where MGNREGA is being successfully implemented the school dropout rates have been reduced by 90% and risk of child malnutrition was reduced substantially. It is in this context that, Asha as an organization should look at MGNREGA as a tool to promote the cause of education (Anonymous, 2007).

Impact on economic development:

Economic development refers to increases in the standard of living of a nation's population associated with sustained growth from a simple, low-income economy to a

modern, high-income economy. Its scope includes the process and policies by which a nation improves the economic, political, and social well-being of its people. A large-scale public works programme like NREGA, creates purchasing power among workers. When those receiving tax breaks or working on NREGA sites spend this additional money, they create demand for commodities. The production of these commodities, in turn, creates demand for capital, raw materials and workers. The extra incomes so generated cause further demand, which again provides a stimulus to production, employment and demand and so on in a spiral. This demand stimulating process is called the multiplier. The value of this multiplier depends on the marginal propensity to consume (MPC) of those benefiting from government intervention. The MPC is our extra spending out of the additional rupee we earn. Clearly, the higher the MPC, the greater the stimulus provided to demand. The great thing about NREGA from this point of view is that it is putting money into the hands of those whose MPC is the highest. Those on the margins of existence are more likely to spend than save most of what they earn. Apparently, demand in the economy is being sustained by rural buying, which has received a boost from NREGA incomes. In addition to this, it promises transformation of rural livelihoods. To understand how NREGA can deliver on this potential, we need to grasp a curious unrecognized fact about agricultural labour in the most backward regions. Not many people know what data from the Rural Labour Enquiry of the National Sample Survey confirms, that a very high proportion of agricultural labour households in India actually owns land. The percentage is around 50 in Rajasthan and Madhya Pradesh, 60 in Orissa and Uttar Pradesh and over 70 in Chhattisgarh and Jharkhand. And if we focus on Advises, the proportion shoots up to as high as 76-87 per cent in Chhattisgarh, Jharkhand and Rajasthan. This helps us understand that NREGA workers are not just consumers stimulating demand in an economy. They also include producers i.e. millions of small and marginal farmers forced to work under NREGA because the productivity of their own farms is no longer enough to make ends meet. NREGA will become really powerful when it helps rebuild this decimated productivity of small farms. Public investment in the programme incentivizes private investment by small farmers and gives them a chance to return to full-time farming. Like in the central Indian tribal belt, the earthen dams on common land have recharged wells of those poor farmers who earlier worked as labourers to build these dams. These farmers are now busy making a series of investments to improve their own farms. Thus, a mutually reinforcing relationship between investment and income is catalyzed by NREGA. First, investment generates demand and income through the multiplier. Then, income stimulates investment via the accelerator. Giving rise to a spiraling cycle repeated in

successive rounds. Although not usually deployed in such a context, the accelerator principle in macroeconomic theory describes the positive impact of growing incomes on private fixed investment. Rising incomes also improve capacity utilization and happier expectations act as incentives for more investment. Under NREGA, farmers have come back to land they long abandoned, as increased output, in an atmosphere of renewed hope, spurs further investment. Thus, the Act has indeed led to an economic development (Anonymous, 2009b).

Women in MGNREGA:

The MGNREGA, with its guarantee of 100 days of unskilled work for every household, has been envisaged as a gender sensitive scheme. It allows for crèche facilities on work sites, insists that one-third of all participants are women, and wages do not discriminate between the sexes (Sudarshan, 2009). However, given that agriculture is increasingly dependent on women cultivators as more men move out of agriculture, the availability of NREGA work is expected to be especially beneficial to women. Today 53 per cent of all male workers but 75 per cent of all female workers, and 85 per cent of all rural female workers, are in agriculture. Women constitute 40 per cent of the agricultural workforce and this percentage is rising. Also an estimated 20 per cent of rural households are de facto female-headed, due to widowhood, desertion, or male out-migration. These women are often managing agriculture and providing family subsistence with little male assistance. Women participation in NREGA has been presented in Table 3. The NREGA provides some explicit entitlements for women to facilitate their full participation. These include:

- Equal wages for men and women.
- Participation in management and monitoring of the programme.
- Participation in social audit.
- Providing support for child care and convenience to households.

- Ensuring that single woman is eligible.

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