Origin, History and Functioning of Credit Card

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Abstract: A credit card is a small plastic card issued to users as a means of payment. It allows its holder to buy goods and services based on the holder's promise to pay for them later. Early credit cards were made of celluloid plastic, then metal and fiber, then paper, and are now mostly polyvinyl chloride (PVC) plastic. Credit cards are issued by a credit card issuer, such as a bank or credit union, after an account has been approved by the credit provider, after which cardholders can use it to make purchases accepting that card. A credit card allows small short-term loans to be quickly made to a customer who need not calculate a balance remaining before every transaction, provided the total charges do not exceed the maximum credit line for the card. There are several detriments to customers such as high interest and bankruptcy, inflated pricing for all consumers, weakens self-regulation and grace period. For merchants, a credit card transaction is often more secure than other forms of payment, such as cheques, because the issuing bank commits to pay the merchant the movement the transaction is authorized, regardless of whether the consumer defaults on the credit card payment.

Introduction

Globally the banking sector has undergone rapid transformation in the recent decades driven by forces of globalization and the advent of technology. The Indian banking system is no exception and significant structural changes started in the year 1991. An administered regime was existing under state ownership until the initiation of financial sector reforms in 1992. The sector was opened to greater competition by the entry of new private banks and more liberal entry of foreign banks in line with the recommendations of the report of the committee on the financial system. The decision making process plays a crucial role in performance of the banks. The performance of the banks depends on the productivity and the profitability that are reflected in the stock prices. To promote rapid economic growth and development with stability through the process of
globalization, liberalization and privatization in the financial system, the banking sector started various innovative products and faster payment mechanisms payment through credit card is one of them.

A credit card is a small plastic card issued to users as a means of payment. It allows its holder to buy goods and services based on the holder's promise to pay for them, later. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money to pay a merchant or for use as an advance. A credit card is different from a charge card: a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, in that it can be used like currency by the owner of the card? Most credit cards are issued by banks or credit unions, and are of the shape and size specified by the ISO/IEC 7810 standard as ID-1. And this is given as 85.60 x 53.98 mm (33/8 x 2 1/8 in) in size.

History of Credit Card

The concept of using a card for purchases was delineated in 1887 by Edward Bellamy in his utopian novel Looking Backward. Bellamy used the term credit card eleven times in this novel.[4] The modern credit card was the successor of a variety of merchant credit schemes. It was first used in the 1920s, in the United States, to specifically sell fuel to a growing number of automobile owners. In 1938 several companies started accepting each other's cards. Western Union had begun issuing charge cards to its frequent customers by 1921. Some charge cards were printed on paper card stock, but were easily counterfeited.

The Charge-Plate, developed in 1928, was an early predecessor to the credit card used in the U.S. from the 1930s to the late 1950s. It was a 2½ in x 1¼ in rectangle of sheet metal related to Addressograph and military dog tag systems. It was embossed with the customer's name, city and state. It held a small paper card for a signature. In recording a purchase, the plate was laid into a recess in the printer, with a paper "charge slip" positioned on top of it. The record of the transaction included an impression of the embossed information, made by the imprinter pressing an inked ribbon against the charge slip. Charge-Plate was a trademark of Farrington Manufacturing Co. it was issued by big merchants to their regular customers, and was much like the department store credit cards of today. In some cases, the plates were kept in the issuing store itself rather than allowing to be held by customers. When an authorized user made a purchase, a clerk retrieved the plate from the store's files and then processed the purchase. Charge-Plates speeded the business of back-office bookkeeping that was being done manually using paper ledgers in each store, before the advent of computers.

In 1934, American Airlines and the Air Transport Association simplified the process even more with the Air Travel Card. They created a numbering scheme that identified the issuer of card as well as the Customer's account. This is the reason the modern UATP cards still start with the number 1. With an Air Travel Card passengers could "buy now and pay later" for a ticket bought against their credit card and also get a fifteen percent discount with any of the accepting airlines. By the 1940s, all of the major domestic airlines offered Air Travel Cards that could be used on 17 different airlines. In 1941, about a half of the Airlines Revenues came through the Air Travel Card agreement. The Airlines had also started offering installment plans to lure new travelers into the air.
In October 1948 the Air Travel Card became the first internationally valid Charge Card among all members of the International Air Transport Association.

The concept of customers paying different merchants using the same card was expounded in 1950 by Ralph Schneider and Frank McNamara, founders of Diners Club, to eliminate multiple cards. The Diners Club, created partially through a merger Dine and Sign- produced the first "general purpose" charge card that required the entire bill to be paid with each statement. That was followed by Carte Blanche and in 1958 by American Express which created a worldwide credit card network (although initially only charge cards acquired credit card features after BankAmericard demonstrated the feasibility of the concept).

However, until 1958, no one had been able to create a working, revolving credit financial instrument issued by a third-party bank that was generally accepted by a large number of merchants (as opposed to merchant-issued revolving cards accepted by only a few merchants). A dozen attempts by small American banks yielded nothing. In September 1958, Bank of America launched the BankAmericard in Fresno, California, which became the first successful, recognizably modern credit card (although it underwent a troubled gestation during which its creator resigned), and in conjunction with its overseas counterparts, eventually evolved into the Visa system. In 1966, the ancestor of MasterCard was born when a group of banks established Master Charge to compete with BankAmericard; but it received a significant boost only when Citibank merged its proprietary Everything Card (launched in 1967) into Master Charge in 1969.

Early credit cards in the U.S., of which BankAmericard was the most prominent example, were mass-produced and mass-mailed unsolicited to bank customers who were thought to be good credit risks. But, "They had been mailed off to unemployables, drunks, narcotics addicts and to compulsive debtors, a process President Johnson's Special Assistant Betty Furness found very much like 'giving sugar to diabetics.'" These mass mailings were known as "drops" in banking terminology, and were outlawed in 1970 due to the financial chaos they caused, but not as many as a before 100 million credit cards had been dropped into the U.S. population. And from 1970 onwards, only credit card applications could be sent unsolicited in mass-mailings.

The fractured nature of the U.S. banking system under the Glass-Steagall Act meant that credit cards became an effective way, for those who were traveling around the country, to move their credit to places where they could not directly use their banking facilities. In 1966 Barclaycard in the UK launched the first credit card outside of the U.S. There are now countless variations of the basic concept of revolving credit for individuals (as issued by banks and honored by a network of financial institutions), including organization-branded credit cards, corporate-user credit cards, store cards and so on.

Although credit cards reached very high adoption levels in the US, Canada and the UK in the mid twentieth century, many cultures were more cash-oriented, or developed alternative forms of cash-less payments, such as Carte Bleue or the Euro card (Germany, France, Switzerland, and others). In these places, adoption of credit cards was initially much slower. It took until the 1990s to reach anything like the percentage market-penetration levels achieved in the US, UK or Canada. In some countries, acceptance still remains poor as the use of a credit card system depends on the banking system being perceived as reliable. Japan remains a very cash oriented society, with the credit card adoption being limited to only the largest of merchants, although an alternative system
based on RFIDs inside cell phones has seen some acceptance. Because of strict regulations regarding banking system overdrafts, some countries, France in particular, were much faster in developing and adopting chip-based credit cards which are now seen as major anti-fraud credit devices. Debit cards and online banking are used more widely than credit cards in some countries.

The design of the credit card itself has become a major selling point in recent years. The value of the card to the issuer is often related to the customer's use of the card, to the customer's financial worth. This has led to the rise of Co-Brand and Affinity cards, where the card designs are related to the "affinity" (with a university or professional society, for example) leading to higher card use. In most cases a percentage of the value of the card is returned to the affinity group.

Forms of Credit Cards

In the growing field of numismatics (the study of coins and medals), or more specifically exonumia (study of money-like objects), credit card collectors seek to collect various embodiments of credit from the now being familiar plastic cards to older paper merchant cards, and even metal tokens that were previously accepted as merchant credit cards. In the beginning credit cards were made of celluloid plastic, then metal and fiber, later paper, and now they are mostly of polyvinyl chloride (PVC) plastic.

Working of Credit Cards

Credit cards are issued by agencies, such as a bank or credit union, after an account has been approved by the credit provider, after which cardholders can use it to make purchases with merchants who accept that card. Merchants often advertise which cards they accept by displaying acceptance marks - generally derived from logos - or may communicate this orally. When a purchase is made, the credit card user agrees to pay the card issuer. The cardholder indicates his consent to pay by signing a receipt that contains a record of the card details and the amount to be paid also or by entering his Personal Identification Number (PIN). Many merchants now days accept verbal authorizations via telephone the Internet, known as a Card Not Present transaction (CNP).

Electronic verification systems allow merchants to verify in a few seconds if the card is valid and besides if the credit card customer has sufficient credit to cover the purchase, thus allowing the verification to happen at time of purchase. The verification is performed using a credit card payment terminal or point-of-sale (POS) system that has a communications link to the merchant's acquiring bank. Data from the card is obtained from a magnetic stripe or chip on the card; the latter system is called Chip and PIN in the United Kingdom and Ireland, and is implemented as an EMV card. For card- not- present transactions where the card is not shown (e.g., e-commerce, mail order, and telephone sales), merchants additionally make sure that the customer is in physical possession of the card and is the authorized user, by asking for additional information such as the security code printed on the back of the card, date of expiry, and billing address. Each month, the credit card user is sent a statement indicating the purchases made with the card, any special fees, and the total amount owed. After receiving the statement, the cardholder may dispute any charges that he or she thinks are incorrect (see 15 U.S.C. § 1643, which limits cardholder liability for unauthorized use of a credit card to $50, and the Fair Credit Billing Act for details of the US regulations). Otherwise, the cardholder must pay a defined minimum proportion of the bill by a due date, or may even choose to pay a higher amount up to the entire amount owed. The credit
issuer charges interest on the amount owed if the balance is not paid in full (typically at a much higher rate than most other forms of debt). In addition, if the credit card user fails to make at least the minimum payment by the due date, the issuer may impose a "late fee" and/or other penalties on the user. To avoid this, some financial institutions can arrange for automatic payments to be deducted from the user's bank accounts, as long as the cardholder has sufficient funds in them.

A Conceptual Model for Credit Card Scenario: the cardholder pays charges in form of annual fee, finance charges, late payment charges, etc. to his card issuing bank. The risk of default by credit cardholders is borne by the issuing bank. The figure below describes the working of the credit card system.

![Working of the Card System Diagram]

The interchange fee on a purchase transaction flows from the merchant acquiring bank to the card issuing bank. The settlement and credit transactions between the issuer and the acquirer are done using the network of Master Card / Visa, which gets a share of the fee in exchange.

In India, though competition guides acquirer-merchant pricing policies, it is generally understood that Interchange fees is one component of the MDR established by the acquirers. The implementation of proper Interchange rates is necessary and also very crucial for maintaining a strong and vibrant credit card payments network. The other major component of the MDR is the fee imposed by the acquirer which is retained by the acquirer to meet its own expenses. It is quite common to see transactions at a merchant establishment involving a bank which is both the acquirer and the issuer. In such a situation it may be possible to reduce the Interchange fee since the payment network is substantially reduced. However, such reduced Interchange fee is not generally passed on to the merchants.

The banks and Master Card/VISA generate revenue and make profit in the credit card system by charging Interchange fees. In the western countries big merchants have already realized this and are in union in their demand for reduction in Interchange fees. Master Card USA, moving

**Advertising, solicitation, application and approval**

Credit card advertising regulations include the Schumer box disclosure requirements. A
large amount of junk mail consists of credit card offers created from lists provided by the major 
credit reporting agencies. In the United States, the three major US credit bureaus (Equifax, Trans 
Union and Experian) allow consumers to opt out of credit card solicitation offers via its Opt out Pre 
Screen program.

**Interest charges**

Credit card issuers usually waive interest charges if the balance is paid in full each month, 
but typically will charge full interest on the entire outstanding balance from the date of each pur-

chase if the total balance is not paid. For example, if a user had a $1,000 transaction and repaid it 
in full within this grace period, there would be no interest charged. If, however, even $1.00 of the 
total amount remained unpaid, interest would be charged on the $1,000 from the date of purchase 
until the payment is received. The precise manner in which interest is charged is usually detailed in 
a cardholder agreement which may be summarized on the back of the monthly statement. The 
general calculation formula most financial institutions use to determine the amount of interest to be 
charged is APR/100 x ADB/365 x number of days revolved. Take the annual percentage rate 
(APR) and divide it by 100 then multiply with the amount of the average daily balance (ADB) 
divided by 365 and then again take this total and multiply it with the total number of days the amount 
revolved before payment was made on the account. Financial institutions refer to interest charged 
back to the original time of the transaction and up to the time a payment was made, if not in full, 
surely as RRFC or residual retail finance charge. Thus after an amount has revolved and a pay-
ment has been made, the user of the card will still receive interest charges on their statement after 
paying the next in full (in fact the statement may only have a charge for interest that collected up 
until the date the full balance was paid, i.e., when the balance stopped revolving).

The credit card may simply serve as a form of revolving credit, or it may become a com-
plicated financial instrument with multiple balance segments each at a different interest rate, and 
possibly with a single umbrella credit limit, or with separate credit limits applicable to the various 
balance segments. Usually this compartmentalization is the result of special incentive offers from 
the issuing bank, to encourage balance transfers from cards of other issuers. In the event that 
several interest rates apply to various balance segments, payment allocation is generally at the 
discretion of the issuing bank, and therefore these will usually be allocated towards the lowest rate 
balances until paid in full before any money is paid towards higher rate balances. Interest rates can 
vary considerably from card to card, and the interest rate on a particular card may jump dramati-
cally if the card user is late with a payment on that card or any other credit instrument, or even if 
the issuing bank decides to raise its revenue.

**Benefits to Customers**

The main benefit to each customer is convenience. Compared to debit cards and cheques. 
A credit card allows small short-term loans to be quickly granted to a customer who need not 
calculate the balance remaining before every transaction, so long as the total charges do not ex-
ceed the maximum credit line for the card. Credit cards also provide better protection against fraud 
than debit cards. In the UK for example, the bank and the merchant are jointly responsible for 
purchases of defective products costing over £100. Many credit cards offer rewards and benefits 
packages, such as offering enhanced product warranties at no cost, free loss/damage coverage on 
new purchases, and points which may be redeemed for cash, products, or airline tickets.
Detriments to Customers

High interest and bankruptcy

Low interest credit card rates are limited to a fixed term, usually between 6 and 12 months, after which a higher rate is charged. As all credit cards charge fees and interest, some customers become so indebted to their credit card provider that they are driven to bankruptcy. Some credit cards often levy a rate of 20 to 30 percent if a payment is missed. In other cases a fixed charge is levied without change in the interest rate. In some cases universal default rate may apply: the high default rate is applied to a card of a good standing for missing a payment on an unrelated account from the same provider. This can lead to a snowball effect due to which the consumer gets drowned by unexpected high interest rates. Further, most card holder agreements enable the issuer to arbitrarily raise the interest rate for any reason they see fit. First in Premier Bank, at one point, offered a credit card with a 79.9% interest rate. However they withdrew this card in February 2011 because of persistent defaults. Complex fee structures in the credit card industry limit the customers' ability to shop, and help ensure that the industry is not price-competitive and thereby help maximize industry profits.

Inflated pricing for all consumers

Merchants that accept credit cards must pay interchange fees and discount fees on all credit-card transactions. In some cases merchants are barred by their credit agreements from passing these fees directly on to credit card customers, (no longer prohibited in the United States). The result is that merchants may charge all customers (including those who do not use credit cards) higher prices to cover the fees on credit card transactions. In the United States, in 2008, credit card companies collected a total of $48 billion in interchange fees, or an average of $427 per family, with an average fee rate of about 2% per transaction.

Weakens self-regulation

Several studies have shown that consumers are likely to spend more money when they pay by credit card. Researchers suggest that when people pay using credit cards, they do not experience the abstract pain of payment. Furthermore, researchers have found that using credit cards can increase the consumption of unhealthy food.

Grace period

A credit card's grace period is the amount of time the customer is allowed to pay the balance before interest is assessed on the outstanding balance. Grace periods may vary, but usually range from 20 to 50 days depending on the type of credit card and the issuing bank. Some policies allow for reinstatement after certain conditions are met. Usually, if a customer is late in paying the balance, finance charges will be calculated and the grace period does not apply. Finance charges incurred depend on the grace period and balance; with most credit cards, there is no grace period if there is any outstanding balance from the previous billing cycle or statement (i.e., interest is applied on both the previous balance and new transactions). However, there are some credit cards that will only apply finance charge on the previous or old balance and exclude new transactions.

Benefits to merchants

An example of street markets accepting credit cards. Most simply display the acceptance marks (stylized logos, shown in the upper-left corner) of these all the cards they accept. For
merchants, a credit card transaction is often more secure than other forms of payment, such as cheques, because the issuing bank commits to pay the merchant the moment the transaction is authorized, whether or not the consumer defaults on the credit card payment (except for legitimate disputes, which are discussed below, and can result in charges back to the merchant). In most cases, cards are even more secure than cash, because they discourage theft by the merchant's employees and reduce the amount of cash on the premises.

Prior to the arrival of credit cards, each merchant had to evaluate each customer's credit history before extending credit. That task is now performed by the banks which assume the credit risk. Credit cards can also aid in securing a sale, especially if the customer does not have enough cash on his or her person or checking account. Extra turnover is generated by the fact that the customer can purchase goods and/or services immediately and is less inhibited by the amount of cash in his or her pocket or the immediate state of his or her bank balance. Much of merchants' marketing is based on this immediacy. For each purchase, the bank charges the merchant a commission (discount fee) for this service and there may be a certain delay before the agreed payment is received by the merchant. The commission is often a percentage of the transaction amount, plus a fixed fee (interchange rate). In addition, a merchant may be penalized or may not receive payment or use of credit card restricted if there are too many cancellations or reversals of charges as a result of disputes. Some small merchants require credit purchases to be of a minimum amount to compensate for the transaction costs.

In some countries, for example the Nordic countries, banks guarantee payment on stolen cards only if an ID card is checked and the ID card number/civic registration number is written down on the receipt together with the signature. In these countries merchants therefore usually ask for ID. Non-Nordic citizens, who are unlikely to possess a Nordic ID card or driving license, will instead have to show their passport, and the passport number will be written down on the receipt, sometimes together with other information. Some shops use the card's PIN for identification, and in that case showing an ID card is not necessary.

Conclusion

To promote rapid economic growth and development with stability through the process of globalization, liberalization and privatization in the financial system, the credit card system has been introduced. A credit card is a small plastic card issued to users as a means of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. Electronic verification systems allow merchants to verify in a few seconds if the card is valid and besides if the credit card customer has sufficient credit to cover the purchase, thus allowing the verification to happen at time of purchase. The verification is performed using a credit card payment terminal or point-of-sale (POS) system that has a communications link to the merchant's acquiring bank. Early credit cards were made of celluloid plastic, then metal and fiber, then paper, and are now mostly polyvinyl chloride (PVC) plastic. Credit cards are issued by a credit card issuer, such as a bank or credit union, after an account has been approved by the credit provider, after which cardholders can use it to make purchases accepting that card. A credit card allows small short-term loans to be quickly made to a customer who need not calculate a balance remaining before every transaction, provided the total charges do not exceed the maximum credit line for the card. There are several detriments to customers such as high interest and bankruptcy, inflated
pricing for all consumers, weakens self regulation and grace period. For merchants, a credit card transaction is often more secure than other forms of payment, such as cheques, because the issuing bank commits to pay the merchant the movement the transaction is authorized, regardless of whether the consumer defaults on the credit card payment.

Reference
12. The fees, roughly 1 to 3 percent of each purchase, are forwarded to the cardholder's bank to cover costs and promote the issuance of more Visa cards."
Income and Employment Generation through MNREGS: A Case Study in Chinna Gottigallu Mandal Of Chittoor District

D. Subramanyam, D. Yuvaraju, M. Devarajulu and G. Savaraih

Introduction

The National Rural Employment Guarantee Act or NREGA is an Indian job guarantee scheme enacted by legislation on August 5, 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. 100 per day. The Central government outlay for the scheme is Rs.39,100 crores ($8billion) in Financial year 2009-10. This act was introduced with an aim of in.proving the purchasing power of the rural people, primarily semi-or unskilled work to people living in rural India, whether or not they are below the poverty line. Around one-third of the stipulated work force is women. The government is planning to open a call centre. Once operational. The call centre can be approached on the troll-free number, 1800 - 345-22-44. It has been renamed as Mahatma Gandhi Rural Employment Guarantee Act on 2nd October, 2009.

A majority of the poor in rural areas of the country depend mainly on the wages they earn wages through unskilled, casual, manual labour. They are often on threshold levels of subsistence and are vulnerable to the possibility of sinking from transient to chronic poverty. Inadequate labour demand or unpredictable crises that may be general in nature like natural disaster or personal like ill-health, all adversely impact on their employment opportunities. In a context of poverty and unemployment, work-fare programmes have been important interventions in developed as well as developing countries for many years. These programmes typically provide unskilled manual workers with short-term employment on public works such as irrigation infrastructure, reforestation, soil conservation and road construction.

The rationale for work-fare programmes rests on some basic considerations. These programmes provide income transfers to poor households during critical times and also enable consumption smoothing, especially during slack agricultural seasons or years. In countries with high unemployment rates, transfer benefits from work-fare programmes can prevent poverty from worsening particularly during lean periods. Durable assets that these
programmes may create have the potential to generate second-round employment benefits as needed infrastructure is developed.

Employment Generating Programmes in India

The need to evolve a mechanism to supplement existing livelihood sources in rural areas was recognized early in development planning in India. The Government implemented work-fare programmes that offered wage employment on public works at minimum wages. The wage employment programmes started as pilot projects in the form of Rural Manpower (RMP) (1960-61), Crash Scheme for Rural employment (CRSE) (1971-72), Pilot Intensive Rural Employment Programme (PIREP) (1972), Small Farmers Development Agency (SFDA), Marginal Farmers & Agricultural Labour Scheme (MFAL). Benefit the poorest of the poor, these experiments were translated into a full-fledged wage-employment programme in 1977 in the form of Food for Work Programme (FWP). In the 1980’s this programme was further streamlined into the National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEG), Jawahr Rozgar Yojana (JRY) (1993-94), Employment Assurance Scheme (EAS). The Jawahar Rozgar Yojana (JRY) was merged with Jawahar Gram Samriddhi Yojana (JGSY) from 1999-2000 and was made a rural infrastructure programme. The programme was merged with Sampoorna Grameen Rozgar yojana (SGRY) from 2001-02 and National Food for Work (NFFWP) in 2005. These wage employment programmes implemented by State Governments with Central assistance were self-targeting and the objective was to provide and enhance livelihood security specially for those dependent on casual manual labour. At the State level, the Govt. of Maharashtra formulated the Maharashtra Employment Guarantee Scheme and Maharashtra Employment Guarantee Act, 1977 to provide wage employment to those who demanded it.

Origin of MGNREGA

The launch of this ambitious scheme at the Center has been guided by the success of the Maharashtra Employment Guarantee Scheme (MEGS), which is being implemented for over last 30 years in Maharashtra, without decline in the demand for, unskilled wage work. The experience gained in implementation of different wage employment programme like National Rural Employment Programme (NREP, 1980), Rural Landless Employment Guarantee Programme (RLEG, 1983), Jawahar Rozgar Yojana (JRY, 1989), Employment Assurance Scheme (EAS, 1993), Jawahar Gram Samrudi Yojana (1999), Sampoorna Grameena Rozgar Yojana (2001) and National Food for Work Programme (NFFWP, 2004). During the past programme two decades have also been taken into account while formulating the Act.

National Rural Employment Guarantee Scheme-Andhra Pradesh

In Andhra Pradesh, several centrally and state sponsored employment programmes and poverty allocation programme are available. Among all these programmes, one major and unique programme for poverty eradication through employment generation is the National Rural Employment Guarantee Programme (NREGP). The NREGP scheme was introduced in
2005 under the NREG Act passed in September, 2005. The NREGS was implemented from February 2, 2006 in 200 identified districts of the country with an objective of providing 100 days of guarantee unskilled wage employment to each rural household opting for it. The ongoing programmes of SGRY and National Food for Work Programme (NFFWP) have been subsumed under NREGS in these districts. NREGS will cover all districts of the country within five years. The NREGS, a demand driven scheme, has its focus on works relating to water conservation, drought proofing (including a forestation! tree plantation), land development, flood-control/protection (including drainage as waterlogged areas) and rural connectivity in terms of all-weather roads. An amount of Rs.11, 300 crores allocated for 31, 3.47 crore job cards has been issued and of the 1.50 crore households who have demanded employment, 1.47 crore households have been provided employment. Under the schemes up to December 2006, of the 53.66 crore person days of employment generated, 21.13 crore were for women and of about 5.81 lakhs works taken up, 2.34 lakhs were completed.

Performance of MGNREGA

The performance of MGNREGA in India during 2006-10 has been evaluated and the performance results are presented in the Table 1

Table 1

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<tr>
<th>Inspired Element</th>
<th>Year</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
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<td>200</td>
<td>330</td>
<td>615</td>
<td>619</td>
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<td>Employment provided to households (crore)</td>
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<td>2.10</td>
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<td>SCs</td>
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<td>22.95(25%)</td>
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<td>63.36(29%)</td>
<td>73.59(30%)</td>
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<td>STs</td>
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<td>42.07(29%)</td>
<td>55.02(25%)</td>
<td>52.33(21%)</td>
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<tr>
<td>Women</td>
<td></td>
<td>36.79(41%)</td>
<td>61.15(43%)</td>
<td>103.57(48%)</td>
<td>117.95(48%)</td>
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<tr>
<td>Others</td>
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<td>34.56(38%)</td>
<td>62.16(43%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average personday per household (days)</td>
<td></td>
<td>43</td>
<td>42</td>
<td>48</td>
<td>51</td>
</tr>
<tr>
<td>Financial details</td>
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<td></td>
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<td>Budget outlay (In Rs.crores)</td>
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<td>1200</td>
<td>30000</td>
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<td>Central Release (In Rs. Crores)</td>
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<td>12610.39</td>
<td>29939.60</td>
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<td>37397.06</td>
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<td></td>
<td>8823.35</td>
<td>15856.89</td>
<td>27250.10</td>
<td>31490.79</td>
</tr>
<tr>
<td>Average wage per day</td>
<td></td>
<td>65</td>
<td>75</td>
<td>84</td>
<td>89</td>
</tr>
<tr>
<td>Average cost per day</td>
<td></td>
<td>97</td>
<td>110</td>
<td>126</td>
<td>130</td>
</tr>
<tr>
<td>Works details</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total works taken up (in lakhs)</td>
<td></td>
<td>8.35</td>
<td>17.88</td>
<td>27.75</td>
<td>39.95</td>
</tr>
<tr>
<td>Works completed</td>
<td></td>
<td>3.87</td>
<td>8.22</td>
<td>12.14</td>
<td>16.20</td>
</tr>
<tr>
<td>Water conservation</td>
<td></td>
<td>4.51(54%)</td>
<td>8.73(49%)</td>
<td>12.79(46%)</td>
<td>20.34(51%)</td>
</tr>
<tr>
<td>Provision of irrigation facility to land owned by SC/ST/BPL/5G/6MF and IAY beneficiaries</td>
<td></td>
<td>0.81(10%)</td>
<td>2.63(15%)</td>
<td>5.67(20%)</td>
<td>6.49(16%)</td>
</tr>
</tbody>
</table>
The Table 1 shows that the performance of MGNREGS is very poor during the four years 2006-10. An amount of Rs.83000 crores has been spent on MGBREGS and more than 4.79 crore person days of employment has been generated in the economy. The average person days or work per households has increased continuously from 43 days in 2006-07 to 42 days in 2007-08 to 48 days in 2008-09 to 51 days in 2009-10. The share of SC and ST households has been significant in all four years, and the share of women has increased continuously reaching and almost 40 million, works have been taken up under MGNREGS, of which 16.20 laks works have been completed. The share works every year continuously increased. Though there are several problems about the implementation of MGNREGS, there are some pockets of successes, sharing several positive impacts, such as reduction in distress, migration, increase in the local wage rate, improvement local agriculture and allied activities, women’s empowerment and employment of the poor.

Performance of NREGS in Andhra Pradesh

The works, which are undertaken under the scheme, are: social forestry, canal works, irrigation works, percolation and storage tanks and underground bandharas. Another important feature of the scheme is that only productive works are permitted. Under this scheme, almost priority is given to irrigation works, soil conservation, land development, rural road and flood protection and the scheme the wages are fixed on a piece rate basis. The beneficiaries are provided drinking water, shelter, First Aid Box etc. The scheme is implemented through the state government departments like agriculture, public works, irrigation, forests department, Zilla Parishads and Panchayat Raj. The performance of Employment Guarantee Scheme in Andhra Pradesh is presented in table 2.

Table 2  
NREGS Progress during the year 2008-09 and 2009-10 in Andhra Pradesh

<table>
<thead>
<tr>
<th>St. No.</th>
<th>Items</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Employment provided household (in lakhs)</td>
<td>53.7387</td>
<td>51.58493</td>
</tr>
<tr>
<td>2.</td>
<td>Persons days (in lakhs) total</td>
<td>1838.04</td>
<td>40443</td>
</tr>
<tr>
<td>3.</td>
<td>Expenditure (Rs.in crores)</td>
<td>2062.57</td>
<td>4509.18</td>
</tr>
<tr>
<td>4.</td>
<td>SC as % total beneficiaries</td>
<td>486.57(26.46)</td>
<td>998(24.68)</td>
</tr>
<tr>
<td>5.</td>
<td>ST as % total beneficiaries</td>
<td>239.36(13.02)</td>
<td>594.8(14.1)</td>
</tr>
<tr>
<td>6.</td>
<td>Women as % total beneficiaries</td>
<td>1067.68(58.09)</td>
<td>2349.6(58.11)</td>
</tr>
<tr>
<td>7.</td>
<td>Others</td>
<td>1112.11 (60.51)</td>
<td>2451.5(60.62)</td>
</tr>
<tr>
<td>8.</td>
<td>Total works taken up</td>
<td>578157</td>
<td>1026080</td>
</tr>
<tr>
<td>9.</td>
<td>Works completed</td>
<td>161112</td>
<td>532673</td>
</tr>
<tr>
<td>10.</td>
<td>Works In progress</td>
<td>417045</td>
<td>492407</td>
</tr>
<tr>
<td>11.</td>
<td>Labour wise pay order (no. of persons)</td>
<td>54631555</td>
<td>--</td>
</tr>
</tbody>
</table>

As shown in table 2, during the year 2008-09, total employment generated under NREGA is 1838.04 lakh persons days and it increased to 4044.3 lakh person days employment. The SCs employment is 486.57 lakh person days which is 26.47 per cent and STs employment is 239.36 lakh person days accounting for 13.02 per cent. The female participation (women employment ratio) in NREGS is 58 per cent. This gainful employment has helped in raising the income levels of the weaker sections in the state, particularly SCs and STs and women. It is observed that the total numbers of works completed are 52673 up to 2010. The labour wise pay order in the state was 54,63,155 persons which is 3.8 per cent under the scheme up to October 2009, of the Rs.2062.46 crore spent and of about 578157 works taken up and 161112 were completed.

Objectives

The following objectives have been set for the present study.

- To study the socio-economic profile of the sample respondent under MGNREGA.
- To study the increasing of additional employment generation through MGNREGA.
- To elicit the change in the income levels of rural poor households through MGNREGA in Thippireddigaripalle and Chittecherla villages

Methodology

For the present study, two gram panchayats from Chinnagottigallu Mandal of Chittoor District were selected on the basis of simple random sampling method. For the purpose of the evaluation of MGNREGA Programme in Chinnagottigallu Mandal 120 households were selected from different categories on the basis of simple random sampling method. The Socioeconomic conditions of the respondent households have been discussed.

Results and Discussions

- **Demographic profile of Respondents**: Demographic profile has been evaluated on the variables such as gender, age, and community of the respondents discussed bellow.

- **Gender**: Gender classification of the respondents has been presented in the table 3.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Gender</th>
<th>Number of Respondents</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Male</td>
<td>80</td>
<td>66.66</td>
</tr>
<tr>
<td>2.</td>
<td>Female</td>
<td>40</td>
<td>33.34</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary data 2009-10

According to the table, the percentage of male respondents is more than 66.66 and the percentage of the female respondents is 33.34 percent in all Panchayats owing to the nature of work undertaken in MGNREGA.

- **Age**: Age of the respondents has been presented in table 4.

The table presents the age of respondents households in the two selected Gram Panchayat. It is vivid from the table that there are 16 respondents below 20 years, 35 respondents in
Table 4
Age-wise composition of the sample respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Number of Respondents</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Below - 20 years</td>
<td>16</td>
<td>13.33</td>
</tr>
<tr>
<td>2. 21 - 30 years</td>
<td>35</td>
<td>29.16</td>
</tr>
<tr>
<td>3. 31 - 40 years</td>
<td>21</td>
<td>17.50</td>
</tr>
<tr>
<td>4. 41 - 50 years</td>
<td>30</td>
<td>25.00</td>
</tr>
<tr>
<td>5. 51 and above years</td>
<td>18</td>
<td>15.00</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary data 2009-10

21-30 years, 21 respondents in 31-40 years, 30 respondents in 41-50 years, and only 18 respondents in 51 and above years. It is inferred that highest percentage of respondents are 21-30 years belong (29-16 percent) lowest percentage to below 20 years (13.33 percent).

- **Category:** The respondents have been classified based on community and the details are presented in the table 5

Table 5
Caste-wise Classification of the Sample Respondents

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Caste</th>
<th>Number of Respondents</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>OC</td>
<td>25</td>
<td>20.83</td>
</tr>
<tr>
<td>2.</td>
<td>BC</td>
<td>42</td>
<td>35.00</td>
</tr>
<tr>
<td>3.</td>
<td>SC</td>
<td>34</td>
<td>28.33</td>
</tr>
<tr>
<td>4.</td>
<td>ST</td>
<td>19</td>
<td>15.84</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary data 2009-10

It is observed from the table that out of 120 respondents, 20.83 per cent are OC’s, 35 per cent are BC’s 28.33 per cent are SC’s and 15.84 per cent, STs in all the Panchayats, by and large majority of the respondents belong to BC Community.

- **Evaluation of MGNREGA:** The performance of MGNREGA has evaluated based on the variables such as number of days worked annual income satisfaction over MGNREGA and change of life style of the respondents.

- **Number of days worked under MGNREGA:** Work is workers and work days income the details of number of days worked by the respondents under MGNREA re presented in the Table. 6

Table 6
Employment Details the Sample Respondents

<table>
<thead>
<tr>
<th>No. of days</th>
<th>Number of Respondents</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Below - 50</td>
<td>22</td>
<td>18.33</td>
</tr>
<tr>
<td>2. 51 - 100</td>
<td>42</td>
<td>35.00</td>
</tr>
<tr>
<td>3. 101 - 125</td>
<td>25</td>
<td>20.83</td>
</tr>
<tr>
<td>4. 126 - 150</td>
<td>20</td>
<td>16.67</td>
</tr>
<tr>
<td>5. 151 and above</td>
<td>11</td>
<td>9.17</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary data 2009-10
It is observed from the table that out of 120 respondents from all the two Panchayats, 18.33 per cent of the respondents worked below for 50 days, 35 per cent for 51-100 days, 20.83 per cent for 100 to 125 days, 16.67 per cent for 126 to 150 days and 9.17 per cent for 151 and above days during 2009-10.

- **Annual Income**: The details of total wages received by the respondents as annual income are presented in the table 7.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Income levels</th>
<th>Number of Respondents</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Below 5,000</td>
<td>43</td>
<td>35.83</td>
</tr>
<tr>
<td>2</td>
<td>5001 to 10000</td>
<td>27</td>
<td>22.50</td>
</tr>
<tr>
<td>3</td>
<td>10001 to 15000</td>
<td>30</td>
<td>25.00</td>
</tr>
<tr>
<td>4</td>
<td>15001 and above</td>
<td>20</td>
<td>16.67</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary data 2009-10

Total wages received under MGNREGS works during 2009-10 in two Panchayats show that out of 120 respondents 35.83 per cent received an amount of below Rs.5,000, 22.50 per cent received between Rs.5001 to 10000, 25 per cent received between Rs.10001 to 15000 and only 16.67 per cent received above Rs.15001 it is concluded that majority of the respondents are getting an annual income of less than 5000.

- **MGNREGS programme and the respondents satisfaction**: The details of the satisfaction of the respondents over the performance of MGNREGS Programme are presented in the table 8.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Satisfied</th>
<th>Number of Respondents</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
<td>90</td>
<td>75</td>
</tr>
<tr>
<td>2</td>
<td>No</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary data 2009-10

Panchayat wise MGNREGS works satisfaction on the performance of MGNREGS programme shows that out of 120, respondents, 75 per cent the life of 90 respondents changed and 25 percent not satisfied with MGNREGS programme.

- **Change of life**: The details of the change of life style after implementation of MGNREGS are presented in the table 9.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Life style</th>
<th>Number of Respondents</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
<td>95</td>
<td>79.16</td>
</tr>
<tr>
<td>2</td>
<td>No</td>
<td>25</td>
<td>20.84</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: Primary data 2009-10
It is from the table observed that change lift style after implementation of MGNREGS is observed out of 120 respondents, 79.16 the life of 95 respondents changed and 20.84 percent are life style did not change and the remaining even, after implementation of MGNREGS. It is concluded that majority of the respondents, after the implementation of MGNREGS, could improve the socio-economic background and family social life.

Conclusion

The National Rural Employment Guarantee Act 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. Amount of Rs.83000 Crore has been spent on MGNREGS and more than then 4.79 Crore persons days of employment has been generated in the economy. During the year 2008-09, total employment generated under NREGA is 1838.04 lakh person days and it increased to 4044.3 lakh person days employment. The SCs employment is 486.7 lakh person days which is 26.47 percent and STs employment is 239.36 lakh person days accounting for 13.02 percent. There are males and 40 females and majority are BCs of 21-30 years. About 42 respondents 35 percent got 51-100 work days. Majority of the respondents 43 percent have an annual income of below Rs.5000, about 75 percent have derived satisfaction over the programme and 79.16 percent of the respondents could change their life style after the implementation of MGNREGS in the (2) Villages in Chinnagottigallu Mandal of Chittoor District. But yet the number of mandays and annual income of the respondents have to be increased in order to increase the performance of MGNREGS.

References

11th plan document Volume III: Projected CBC at current prices.