CHAPTER-I

INTRODUCTION
Introduction

"Almost half of the population of the world lives in rural regions and mostly in a state of poverty. Such inequalities in human development have been one of the primary reasons for unrest and, in some parts of the world, even violence."

- A.P.J. Abdul Kalam

"Rural Development is a process of change, by which the efforts of the people themselves are united, those of government authorities to improve their economic, social and cultural conditions of communities in to the life of the nation and to enable them to contribute fully to national programme."

- The United Nations

Mahatma Gandhi had said, “India lives in its villages. If village perishes India will perish too. India will be no more India. Her own mission in the world will get lost”. He could not be more accurate, for nearly three-fourth of the nation’s 125 crore population lives in rural areas and about two-third of the work-force in the country depend on agriculture for their livelihood. Because of this, though contribution of agriculture to national GDP has come down from over 50 per cent in the first decade after independence to less than 15 per cent in the recent years, rural India and its development forms the priority in formulation of government policies and programmes.

Indian Economy has achieved impressive growth in recent years. Paradoxically, it has failed to generate adequate employment for its labour force. The growth rate is achieved through a revolutionary technical progress and labour productivity, but with lower employment coefficients. A small section of the economy has garnered larger benefits of growth and majority, living in low productivity sectors like agriculture and other primary sectors, has been deprived of its due share. To address this anomaly by creating short-term productive employment for the poor, to eradicate their extreme poverty and to promote a labour intensive

\[1\] http://www.brainyquote.com/quotes/keywords/rural.html
\[2\] http://aau.in/sites/default/files/Unit%204%20RURAL%20DEVELOPMENT.pdf
development process, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was conceived.

1.1: Importance

India is one of the fastest growing economies in the world. India’s GDP grew by 9.6 per cent in 2006-07 and at an estimated rate of 9 per cent in 2007-08, though it declined to around 4.4 per cent in 2012-13. As a result of the rapid growth in recent years, the percentage of people living below poverty line has declined from 55 per cent in 1973-74 to 36 per cent in 1993-94 to 27.5 per cent in 2004-05 and further to 22 per cent in 2013. The decline in the percentage of people living below poverty line in the rural areas in the corresponding period was from 56.4 per cent to 37.3 per cent to 28.3 per cent and further to 25.7 per cent. However, despite the steady growth and strong macroeconomic fundamentals, the gains have not been inclusive enough. Poverty and unemployment continued to be central challenges confronting policy makers.

Table 1.1 provides data on temporal profile of poverty reduction from 1973 upto 2013. While poverty in the rural areas, in percentage terms, declined to less than half, from 56.4 per cent in 1973 to 25.7 in 2013, in absolute terms, the reduction was not very significant.

Table-1.1: Estimates of Poverty in India (1973-2013)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Years</th>
<th>Total Population (in crores)</th>
<th>No. of Persons Below Poverty Line (in crores)</th>
<th>People Below Poverty Line (in percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>1</td>
<td>1973</td>
<td>57.59</td>
<td>26.13</td>
<td>6.00</td>
</tr>
<tr>
<td>2</td>
<td>1983</td>
<td>71.91</td>
<td>25.20</td>
<td>7.09</td>
</tr>
<tr>
<td>3</td>
<td>1993</td>
<td>90.05</td>
<td>24.40</td>
<td>7.63</td>
</tr>
<tr>
<td>4</td>
<td>2004</td>
<td>109.70</td>
<td>22.09</td>
<td>8.08</td>
</tr>
<tr>
<td>5</td>
<td>2013</td>
<td>125.20</td>
<td>21.65</td>
<td>5.28</td>
</tr>
</tbody>
</table>


4 http://data.worldbank.org/indicator/SP.POP.GROW.

Poverty is complex and multi-dimensional in nature. It is reflected in multiple deprivations like inadequate resources, assets, capital required for a minimum livelihood; lack of access to skill development, education, health and other amenities. The marginal farmers, landless labourers and casual worker households are the worst sufferers of these deprivations. Even within the category of the poor, scheduled castes, scheduled tribes, women-headed house-holds, the elderly and female children are the worst affected.

1.2: Rural Poverty and Unemployment Nexus

The estimates of poverty are based on calorie intake requirement. Since BPL population is not able to get adequate income to achieve the required level of calorie intake, their capacity to work is low and they are caught in a vicious circle of poverty. Lack of purchasing power due to low level of income leads the BPL population in to a food insecurity trap. In order to raise their level of income, there was imperative need to tackle problem of unemployment & under-employment among the rural BPL population.

Table-1.2: Average Annual Growth Rates of Estimated Population, Labour Force, Employed and Unemployed Population in India.

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
</tr>
<tr>
<td>1</td>
<td>Population</td>
<td>1.77</td>
<td>3.16</td>
<td>2.12</td>
</tr>
<tr>
<td>2</td>
<td>Labour Force</td>
<td>1.73</td>
<td>3.23</td>
<td>2.05</td>
</tr>
<tr>
<td>3</td>
<td>Employment</td>
<td>1.73</td>
<td>3.34</td>
<td>2.06</td>
</tr>
<tr>
<td>4</td>
<td>Unemployment</td>
<td>1.72</td>
<td>1.32</td>
<td>1.50</td>
</tr>
</tbody>
</table>


The annual growth rates of unemployed in rural areas increased significantly from a level of 1.72 per cent during the period 1983-1993 to 4.57 per cent during 1993-1999 (Table-2.2) and further to 4.77 per cent during 1999-2005. Over the same period, there is also an increase in annual growth rates in employment but the

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pace is not as much as to meet the increase in labour force. This has affected the consumption.

NSSO’s 60th round of survey indicated that urban-rural disparity has widened as revealed by per capita consumption expenditure in urban areas which stood at 88 per cent more than that of rural areas. Its report on the level and pattern of consumer expenditure in 2004-05 showed that nearly 20 per cent of the Indian population (about 25 crore people) spent less than Rs.14 per person per day on consumption during 2004-05 and the average monthly per capita consumer expenditure stood at Rs.559 in rural India and Rs.1,052 in urban India. This nudges women and elderly people to seek employment to supplement family income.

Women constitute a significant part of the work force of India but they lag behind men in terms of level and quality of employment. The census of India (2001) has registered 25.60 per cent of female population as workers numbering 12.72 crores in absolute terms out of a total female population of 49.6 crores. The majority of women workers are employed in the rural areas. Amongst rural women workers, 87 per cent are employed in agriculture as labourers and cultivators. In a study on unemployment, Sundaram has presented estimates of current daily status unemployment rates by gender for 1993-94 and 1999-2000. At the all India level, the widely accepted measure of open unemployment indicates worsening of the unemployment situation over the 1990s. The increase in the daily-status unemployment rate is the steepest for rural males (29 per cent) followed by rural females (21 per cent).

1.3: Strategies for Poverty Reduction

The Community Development Programme was launched in 1952 with the objective of a holistic village development. The 1960s decade witnessed launching of Intensive Agriculture Development Programme (IADP) and Intensive Agriculture Area Programme (IAAP). The Introduction of modern scientific practices and the

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7 Ibid, p 4.
adoption of high yielding varieties ushered in the Green Revolution brought in self-sufficiency in food production by early 1970s. But, these technologies were not suited to the arid and rainfed areas. In order to address this problem, area development programmes such as Drought Prone Area Programme (DPAP), Hill Area Development Programme (HADP) and Desert Development Programme (DDP), Small Farmer, Marginal Farmer and Agricultural Labourers Development Programmes, Food for Work programme, Minimum Needs Programme were launched for arid, semi–arid and other eco-fragile regions.

In the 1970s and 1980s it was realized that an integrated approach was required for rural development. A holistic self-employment programme, viz., Integrated Rural Development Programme (IRDP) followed by Training of Rural Youth for Self–Employment (TRYSEM) and Development of Women and Children in Rural Areas (DWCRA) were launched in early 1980s. During the same decade wage employment programmes, viz., National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) were launched which were later merged into Jawahar Rozgar Yojana (JRY). The Employment Assurance Scheme (EAS) and Indira Aawas Yojana (IAY) were launched in early 1990s. National Social Assistance Programme (NSAP), and Tribal Sub Plan (TSP) were launched as social security measures. However, the strategy of direct attacks on rural poverty launched as the normal ‘trickle down’ effects of growth did not appear to be reaching the rural poor.

Recognizing the importance of Self Help Group (SHG) and Micro-Enterprise (ME) approach, the Swarnajayanti Gram Swarojgar Yojana (SGSY) a major self employment scheme was launched in April 1999 after merging IRDP with TRYSEM, DWCRA, SITRA (Supply of Improved Toolkits to Rural Artisans), GKY (Ganga Kalyan Yojana) and MWS (Million Wells Scheme). By 1990s it was realized that the programmes appeared to be conceptually sound but were not having the desired effects. The 73rd and 74th constitutional amendments were enacted to empower village panchayats and make development programmes more participatory, people centric, transparent and responsive. The gram panchayats were given the power and responsibility to prepare plans and implement schemes for economic development of villages.
Greater priority was attached by the Government to the cause of poverty alleviation particularly during the recent plan periods as shown in Table-1.3. However, the increased allocation of funds could not make a significant dent on the absolute numbers of BPL population with over 22 crore still below the poverty line. One of the reasons for low coverage is inadequate availability of funds for rural development. Thus there was a need for enhancing allocation of funds for investment in social sectors in general, rural development programme in particular to reduce rural poverty within a stipulated time frame.

Table-1.3: Central Outlays and Investment during Different Plans for Rural Development

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Plan</th>
<th>Actual Plan Expenditure</th>
<th>Investment in Rural Development</th>
<th>As per cent of Total Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6(^{th}) Five Year Plan</td>
<td>97,500</td>
<td>2,782.51</td>
<td>2.85</td>
</tr>
<tr>
<td>2</td>
<td>7(^{th}) Five Year Plan</td>
<td>2,18,337</td>
<td>10,955.96</td>
<td>5.01</td>
</tr>
<tr>
<td>3</td>
<td>8(^{th}) Five Year Plan</td>
<td>4,34,100</td>
<td>31,568.13</td>
<td>7.27</td>
</tr>
<tr>
<td>4</td>
<td>9(^{th}) Five Year Plan</td>
<td>8,59,200</td>
<td>51,898.282</td>
<td>6.04</td>
</tr>
<tr>
<td>5</td>
<td>10(^{th}) Five Year Plan</td>
<td>15,25,639</td>
<td>1,14,068.17</td>
<td>7.48</td>
</tr>
<tr>
<td>6</td>
<td>11(^{th}) Five Year Plan</td>
<td>36,76,936</td>
<td>2,88,209.00</td>
<td>7.84</td>
</tr>
<tr>
<td>7</td>
<td>12(^{th}) Five Year Plan</td>
<td>76,69,807*</td>
<td>4,57,464.00*</td>
<td>5.96</td>
</tr>
</tbody>
</table>

*12\(^{th}\) Plan outlay.

1.4: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)\(^{12}\)

NREGA was enacted in 2005 (renamed as MGNREGA by GOI in 2010). The act provides a guarantee of 100 days of wage employment in a financial year to a rural household whose adult members are willing to do manual and unskilled work. This step is expected to provide wage employment to the rural poor and would act as a safety net below which no household would be allowed to fall. MGNREGS has been designed based on the lessons learnt from the implementation of earlier wage employment programmes such as NREP, RLEGP, JRY, SGRY (Sampurna Gramin Rozgar Yojana) and JGSY (Jawahar Gram Smridhi Yojana).

MGNREGS is the most ambitious and well structured wage employment programme of Government of India (GOI). Its basic objective is to ensure wage employment, while its secondary objective is sustainable development through improved natural resource management. The Act also envisions strengthening democracy at the grass root levels, augmenting transparency and accountability in governance. Under MGNREGA there is a major focus on taking up works that would enable to build the natural resource base and create durable livelihood assets. Priority should be given to women in the allocation of work in such a way that at least one-third of the beneficiaries shall be women. The act also promises to provide equal wages to both men and women. MGNREGS aims at social inclusion at the most basic level in economic terms.

Budget allocation for MGNREGA has been enhanced from Rs.16,000 crores in 2008-09 to Rs.39,000 crores in 2009-10 a whopping increase of 148 per cent. It is the largest livelihood security programme ever planned and implemented anywhere in the world. Even the international organizations like UNDP are showing keen interest in the progress of this programme, since its success may prove worthy of emulation in other developing countries.

Jean Dreze, a social activist and co-author with Amartya Sen in Hunger and Public Action (1989) and India: Development and Participation (2002) is of the view that MGNREGA is very different from employment generation schemes such as Employment Assurance Scheme (EAS) and Jawahar Rozgar Yojana (JRY) etc., because under the earlier schemes, people had no rights and therefore, no bargaining power. By the same token, the administration was also not accountable. But NREGA gives people work entitlement as a matter of right, indeed a legal right enforceable in court. This strengthens the bargaining power of the people and helps them to claim their due. It makes the administration accountable because if employment is not provided the unemployment allowance has to be paid and local officials have to answer for it.

1.5: Theoretical Perspective

“Poverty is a social phenomenon in which a section of the society is unable to fulfill even its basic necessities of life. When a substantial segment of a society is deprived of the minimum level of living and continues at a bare subsistence level, that society is said to be plagued with mass poverty.”
In India, the generally accepted definition of poverty emphasizes minimum level of living rather than a reasonable level of living. This attitude is borne out of the realization that it would not be possible to provide even a minimum quantum of basic needs for some more decades and, therefore, to talk about a reasonable level of living or good life may appear to be wishful thinking at the present stage. Thus, political considerations enter the definitions of poverty because programmes of alleviating poverty may become prohibitive as the visions of good life windows.

“Two factors account for high incidence of poverty among rural labour households. Firstly, there is a considerable degree of unemployment and underemployment among rural labourers. The incidence of unemployment is the highest among casual labourers”\(^\text{13}\).

Another major cause of rural poverty is the low asset base of the poor. 51 per cent of rural households, owning assets worth less than Rs.50,000 accounted for only 10 per cent of total assets. As against this, 9.6 per cent of households owning assets worth more than Rs.25 lakhs accounted for 48.8 per cent of the assets (RBI Bulletin, May 1999).

It is really distressing that on account of lack of opportunities, the rural poor are shifting to urban areas in search of livelihood and thus swelling the ranks of poor asset-less households and urban poverty. There is a close nexus between unemployment, poverty, livelihood security, consumption, nutritional security and women empowerment. There are various types of unemployment situations across countries, as stated in Pratiyogita Darpan\(^\text{14}\), which include structural unemployment, under-employment, disguised unemployment, open unemployment, educated unemployment, frictional unemployment, seasonal unemployment and Keynesian unemployment.

Eminent thinkers and economists have propounded several theories to break the nexus between poverty and unemployment and achieve economic growth and development on a sustainable basis. Brief notes on such models relevant to this study are presented below.


1.5 (i): Vicious Cycle of Poverty and Virtuous Cycle of Prosperity\textsuperscript{15}

"The less developed countries are plagued by vicious cycle of poverty caused primarily by low marginal productivity of labour which translates into less production, the resultant low income and consequently a state of poverty. Since poverty stricken society cannot create adequate savings and investment, low productivity of labour continues and the vicious cycle of poverty perpetuates.

The vicious circle of poverty can be broken through personal effort, community support, public policies that remove barriers and open the doors of opportunity for investment. High investment translates into enhanced level of productivity of labour. High productivity of labour produces more outputs and high incomes. High income leads to low emphasis on satisfying consumption needs in the present. Less emphasis on current period means savings and investment (for future) are high. The economy will have entered the virtuous cycle and be on the path of sustainable growth."

1.5 (ii): Keynesian Psychological Law of Consumption\textsuperscript{16}

“As the income increases the consumption also increases but less than proportionate.”

The three related propositions of this law are:

- When aggregate income increases, consumption expenditure will also increase but by a somewhat smaller amount.
- When income increases the increment income will be divided in the same proportion between saving and consumption. Saving is the complement of consumption.
- As income increases, both consumption spending and savings will go up.

1.5 (iii): Average and Marginal Propensities to Consume\textsuperscript{17}

"The relationship between income and consumption is measured by the average and marginal propensities to consume. In normal times when income increases consumption also increases, but by less than the increase in income. The marginal propensity to consume is less than 1 since the whole additional income is not spent i.e., a certain percentage of it is spent and the remainder is saved."


\textsuperscript{17} Ibid, Dewett, K.K. (2008)
1.5 (iv): Average and Marginal Propensities to Save\textsuperscript{18}

The income consumption relation can be used to derive the savings–income relation, for income not consumed is income saved.

1.5 (v): Measures for Raising Consumption\textsuperscript{19}

i. Since consumption function is a major factor determining the level of income and employment in the country, it is important to take up measures for raising consumption. Such measures include inter alia;

ii. Comprehensive Social Security: The weaker sections of the society can be helped to increase their consumption through social security measures like wage employment programmes and unemployment allowance.

iii. Liberal Wage Policy: This will help the workers, who constitute the masses, in raising their living standards and increasing their consumption.

1.5 (vi): Concept of Functional Finance Developed by J.M. Keynes\textsuperscript{20}

"The taxation and public expenditure policy of the state affects level of income and employment in the country. According to this concept, when the government increases its investment expenditure on public works, the level of income and the volume of employment in the country increases many times more than the initial investment. This is in accordance with the Keynes’ Income Multiplier.

\[
\text{Multiplier} = \frac{1}{\text{Marginal Propensity to Consume}}
\]

This multiplier effect happens because when the government increases its investment expenditure, at first employment increases and the incomes of people employed in those works increases. Further, when these people spend their additional income on the purchase of consumers goods, the demand for these goods increases and to meet this increased demand, their production will have to be increased. To increase production, more people will be offered employment and ultimately the economy will be successful in breaking the vicious circle of poverty."

\textsuperscript{18} Ibid, Dewett, K.K. (2008)
1.5 (vii): **Minimum Wage Laws**

Gregory Mankiw\(^{21}\) states that "when a minimum wage law forces the market wage to remain above the level that balances supply and demand, it raises the quantity of labour supplied and reduces the quantity of labour demanded compared to the equilibrium level. There is a surplus of labour. Because there are more workers willing to work than there are jobs, some workers are unemployed."

1.5 (viii): **Hirschman's Theory of Unbalanced Growth\(^{22}\&\(^{23}\)**

"Underdeveloped countries are beset with the problems of inadequate infrastructure, investors and entrepreneurs to exploit scarce resources. In such a situation efforts to achieve balanced economic growth may not bear expected results. So, creation and maintenance of deliberate imbalances in the economy becomes necessary for a smooth process of development. Investment made in the sectors with strong backward and forward linkages will affect the demand and supply positions in other sectors of the economy, thus leading to their expansion as well."

1.5 (ix): **Ragnar Nurkse’s Balanced Growth Theory\(^{24}\&\(^{25}\)**

"Underdeveloped countries remain in the perpetuation of underdeveloped state due to their poor sized market. Size of the market determines the incentive for an industrialist to invest, as the investor’s production decisions are based on demand for his product. So, simultaneous investments by the Government will attract investment by private sector by increasing productivity and enlarging market size leading to overall economic growth of the country."

1.5 (x): **Dual-Sector Model of Sir William Arthur Lewis\(^{26}\)**

"Subsistence sector of agriculture is inflicted with low wages; abundance of labour, low productivity and the production technology followed is labour intensive,

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\(^{22}\) Jayshe, What is the Theory of Unbalanced Growth?, e-article, www.preservearticles.com


whereas capital sector enjoys higher wage rates; demand for more workers, higher marginal productivity and adopts capital intensive technology. The wage differential between agriculture and manufacturing sector induces the surplus labour to migrate to capital sector over time to take advantage of higher wages in that sector. By this transition the marginal productivity of migrant labourers will increase. As a consequence, the marginal product of labour curve will shift rightward, the total product of labour will increase and the capitalist’s surplus rises. Increase in labour productivity will cause a rise in the real wages and the economy will enter a phase of self-sustaining growth."

1.5 (xi): **Technological Dualism Proposed by Benjamin Higgins**

"Technological dualism, meaning disproportionate technological progress in capital intensive sector (with higher and faster progress) and labour intensive sector (with lower and slower progress) has led to disguised unemployment. Traditional sector with variable technical coefficients and labour intensive production process attracts and absorbs unemployed labour from the industrial sector. In the early stage of labour absorption, a constant labour to land ratio will be maintained through extensive cultivation and the capital and labour combination will also be constant, while production expands. However, with passage of time and continuing influx of labour from the industrial sector, labour to capital ratio rises, resulting in traditional sector becoming increasingly labour intensive and marginal productivity of labour falling below zero. At this stage disguised unemployment sets in and the producers in traditional sector become hesitant to invest in this sector, despite having the ability to invest. Neither the producers nor the workers will have any incentive to effect a change. Population growth outpaces rate of industrialization and development of modern sector needs the catalytic role to be played by foreign capital."

1.5 (xii): **Trickle-down Theory**

"A lower tax regime acts as an incentive for the individuals and the businesses to strive hard to earn more income, since they can retain more of their earnings. The surplus income will then be either spent by the individuals driving demand or invested by the businesses that will have a multiplier effect and drives the demand further. In both the cases the net result will be faster economic growth."

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1.5 (xiii): Wage-Goods Model of Development Put-forth by C.N. Vakil & P.R. Brahmananda

"Wage-goods gap is the root-cause for poverty and unemployment in a less developed country and this problem can be addressed by expanding the supply of wage-goods, especially the food grains. An increase in the capital stock in agriculture and subsidiary sectors will accelerate production and supply of wage goods. High rate of growth in these sectors will absorb the open and disguised unemployed workforce, thus solving the predicament of poverty and unemployment. The development of wage goods industry, mainly the agriculture sector, will cause a fillip in the demand for manufactured goods. This will not only strengthen the linkage between agriculture and manufacturing sectors, but also acts as a catalyst for rapid industrial development."

1.5 (xiv): Women Empowerment

"Women's empowerment has five components: (i) women's sense of self-worth (ii) their right to have and to determine choices (iii) their right to have access to opportunities and resources (iv) their right to have the power to control their own lives, both within and outside the home and (v) Their ability to influence the direction of social change to create a more just social and economic order, nationally and internationally.

Empowerment is achieved if and when women set the agenda, organize mutual self help in the neighbourhood, group or network, demand accountability by the state and society for change. It is the women’s needs and visions that are at the centre point (Young 1993)."

1.6: REVIEW OF LITERATURE

1.6 (i): Poverty Alleviation Programmes of the Government

Sinha and Prasad (1980) reported that due to IRDP, Anityodaya Programme, Food for Work Programme and other special programmes in Musahari block of Bihar, the average increase in the income of weaker sections of the community was 41.39 per cent, while it was 66.23 cent for the group having an income between Rs 1000 to Rs 2000 and increase in income was highest for the groups below Rs 4000 income.

Pant (1981) indicated that the income of all the selected beneficiaries under Anthyodaya Programme in Allahabadh and Fatehpur districts of Uttar Pradesh increased by 44 per cent. The scheme had failed to raise landless and poor households above the poverty line or even the destitution line in a large number of cases.

Muthayya et al (1983) reported that the IRDP beneficiaries of Karnataka, Kerala and Andhra Pradesh could not cross over the poverty line despite earning an average annual household incremental income of Rs 836.

Lakshmi Devi (1985) found that IRDP resulted in increase in income for 28.33 per cent of the beneficiaries in Trichur district of Kerala.

Ghosh, D.K. (1993) in his study on Impact of Poverty Alleviation Programmes on Agricultural Labourers in West Bengal found that 10.5 per cent of assisted families could cross the poverty line and 70.5 per cent of assisted families were able to increase their standard of living, 82 per cent of the assisted families were able to increase their food consumption. Contrary to IRDP, JRY neither ensured continuous employment nor took care of adequate employment.

Sharma et al (1993) in their research paper attempted to examine the pattern of employment, income and consumption of a sample of 80 tea plantation labourers in Kangra district of Himachal Pradesh. The study revealed that the labour employment in tea plantation was mainly during plucking periods of April-May and September – October. In other months, December to February were important for pruning and other inter culture operations. Tea plantation labour was the largest contributor to gross household income, followed by service / pension and non-agriculture sector. About 72 per cent of the total expenditure was on food items and about 9 per cent of the expenditure was on non-vegetarian food. Health and education were given least priority. Provisions of better educational facilities to the females in the study area, along with alternative employment opportunities were likely to streamline the tea plantation labour employment.

Anurekha Chari (2006) has reported on gender analysis of Maharashtra’s Employment Guarantee Scheme (EGS) in Maharashtra. She found that, of the 12.7 million women working in the rural areas, 89 per cent were in agriculture, 41 per cent as cultivators and 48 per cent as agricultural labour. Thus women mostly worked as
subsidiary and marginal workers. In these situations, women more often than not took recourse to short term unskilled employment on schemes such as EGS. Thus the high visibility of women on EGS work sites could be due to lack of recourse to other high paying jobs in the labour market. This reflected gender insensitive development process rather than the gender sensitivity of the scheme.

1.6 (ii): MGNREGA Programme

Bela Bhatia et al (2006) conducted an appraisal of NREGS implementation in two districts of Jharkhand. The study revealed that, there was little difference between NREGA and earlier employment programmes such as NFFWP and SGRY. The basic purpose of providing employment on demand, at the statutory minimum wage, was nowhere near being achieved. There were irregularities such as delays in wage payments, non payment of minimum wages and inadequate worksite facilities in the earlier employment programmes. But, NREGA was providing vital employment opportunities to the rural poor with the necessary work site and payment facilities and helping to revive the local economy.

Santosh Mehrotra (2008) has reported that share of SCs in India’s population was 14 per cent whereas their share in households which received employment under NREGA was 27 per cent. The share of STs in the total population was only 8 per cent, but they constituted 32 per cent of the total number of workers employed under the NREGA.

Jayati Ghosh (2009) reported that the share of women in total rural workforce of Karnataka in 2004-05 was 41.9 per cent, whereas share of women in NREGA in 2008 was found to be 51.6 per cent, the highest being in Tamil Nadu where the women workers constituted 79.1 per cent of the total work force. She also found that, share of SCs in total population of India in 2001 was 16.2 per cent, whereas their share in NREGA in 2008 was 30.9 per cent. Share of STs in total population of India in 2001 was 8.1 per cent and their share in NREGA workforce in 2008 was 24.1 per cent.
1.7: Research Gap

MGNREGS was implemented in the year 2006-07 in 200 backward districts and was extended to all the districts of the country only in the year 2008-09. Except for a few quick appraisal studies, not much detailed research works were taken up to analyze the success of MGNREGS in achieving the objectives of its enactment by GOI when the proposal was submitted. However many studies were taken up in the later period which have looked into physical achievement of the programme in terms of number of works taken up, number of days of employment generated, number of households covered under the scheme, number of households availing 100 days of employment, types of works executed, proportion of women, SC and ST workers in the total number of beneficiaries and so on and financial aspects inter alia; total money allocated, money spent, proportion of labour payment and material cost in the total expenditure, number of bank accounts opened, additional income earned by the beneficiaries and so on.

Since no study had been taken up comparing the performance of MGNREGS in the economically backward and forward regions of Karnataka State, selected for primary review, and issues relating to those factors which were responsible for poor or better performance of MGNREGS in the two contrasting situations, this study assumes importance.

Gap that the present study helps to fill include:

Impact of MGNREGS on household employment, income, agricultural productivity, economic empowerment of women, on agricultural operations, natural resource management and factors contributing to performance in economically backward and forward regions of the state.

1.8: Objectives

Keeping in view the enormity of the economic challenges faced by the country and the potential of MGNREGA programme to address some of these problems that directly affect the rural economy, this study was undertaken with the following objectives. The objective wise hypotheses developed are also presented below which were tested in the present research work.
Objectives of the present study are to:

1. Discuss about the issues relating to poverty, unemployment and rural development from theoretical and empirical perspectives.
2. Spell out the extent of population growth, poverty, inequity and unemployment at the global level.
3. Discuss about the poverty alleviation and rural development programmes across countries.
4. Briefly review the policies and programmes of Government of India relating to poverty alleviation, employment generation and rural development.
5. Assess the effectiveness of MGNREGS towards reduction in poverty through enhancement of employment and income of the households in Karnataka.
6. Study the extent of economic empowerment of women; and conservation of natural resources through MGNREGA and its impact on the rural economy in Karnataka.
7. Highlight the major factors contributing to the performance of MGNREGS in economically backward and forward districts of Karnataka.

1.9: Hypotheses

1. Higher the level of education and income lesser is the extent of unemployment and poverty.
2. Higher the investment in employment generation programmes, larger is the reduction in poverty.
3. Increase in employment, income, expenditure and savings among the beneficiaries has been largely facilitated due to MGNREGS.
4. Higher the extent of population below poverty line greater is the participation of women and aged persons in MGNREGS.
5. Empowerment of women and their involvement in social and economic group activities and household decision making has been achieved through MGNREGS.
6. MGNREGS has positively contributed to improvement in natural resource base in rural areas and increased cropping intensity and productivity.
7. Higher the drought proneness and lesser the proportion of area under irrigation, better is the performance of MGNREGS.
1.10: Methodology

The study was basically analytical in nature and macro and micro in approach. Awareness about MGNREGA among workers, provision of work site facilities, wage rates followed and payment made, additional days of employment obtained, incremental income earned, women empowerment, natural resource conservation, effect on farm productivity and so on were analysed at the micro level by collecting primary data from the stakeholders. Secondary data culled out from MGNREGA website, at the state and district levels, was utilized to study the factors affecting performance of MGNREGS in economically backward and forward regions, age cohort in MGNREGS, season-wise employment in the scheme and so on.

The data collected from secondary as well as primary sources have been presented in the form of tables and graphs. Besides, the data was subjected to rigorous statistical analysis which was being done to discuss the objectives set and to test the hypotheses developed. The relevant statistical tools applied include: Measures of Central Tendency and percentages, Tests of Significance – Paired t-test, Multivariate Analysis of Variance (MANOVA), Discriminant Analysis, Factor Analysis and Cluster Analysis.

1.11: Scope of the Study

Since independence, Government of India launched numerous programmes aimed at increasing agricultural production to combat food scarcity, poverty, starvation deaths, improving health, education, employment opportunities, standard of living in village communities. All these efforts spread across various ministries till the fifth five year plan were brought under the umbrella of rural development, having more focused approach and implanted by Ministry of Rural Development since the sixth five year plan. Of all the rural development and poverty alleviation programmes undertaken by the Government has been MGNREGS, the first such attempt in the world, which guarantees wage employment at a massive scale. The present study was a modest attempt to analyse the impact of MGNREGS on the rural economy in Chitradurga and Davanagere districts, falling under economically backward region and part of Central Dry Zone and Hassan and Shivamogga districts belonging to economically forward region and Southern Transition Zone of Karnataka.

The study has covered the primary data and impact factor in rural poverty, wage rates, income, expenditure and savings during various five year plan periods.
The impact of MGNREGS on variables such as wage rates, income, expenditure and savings were studied. The research work also attempted to evaluate the economic empowerment offered by MGNREGA to women. Conservation of Natural Resources tops the priority list of proposed MGNREGA works and hence its impact on rural economy were included in the study. Though the scheme is demand oriented rather than target oriented and it doesn’t have a fixed budget, not all the districts are equally efficient in implementing MGNREGS. The scope of the study included assessment of factors that enhanced performance of MGNREGS in economically backward and forward regions of the state. Effect of the scheme on farm productivity were also analysed as case studies.

1.12: Data Source

Secondary data relating to global poverty, poverty alleviation programmes undertaken and their impact on the rural communities in various under developed and developing countries was collected from World Development Reports, World Development Indicators, data relating to India was collected from Reports and Documents of the Planning Commission, Ministry of Rural Development.

Information regarding working in MGNREGS and other Poverty Alleviation Programmes, income earned, household expenditure, savings, and wage rates earned in MGNREGS and working elsewhere and so on was collected using pretested schedules from the randomly selected MGNREGA beneficiaries. Secondary data regarding participation of different classes of workers in NREGS, different works taken up under MGNREGS, environmental benefits accrued from those works, progress of MGNREGS in districts, states was collected from Gram Panchayaths, Taluka Panchayaths, Zilla Panchayaths and MGNREGA website. Besides, information was collected from World Bank reports, reports of Government of India and Karnataka, books, articles from the journals, periodicals, research papers and internet sources.

Besides, several other Reports, Documents, books, research papers, monographs, news paper clips, internet sources etc., referred to have been duly acknowledged.
1.13: Sample Size

Four districts of Karnataka viz., Chitradurga and Davanagere from economically backward region, Shivamogga and Hassan from economically forward region were selected for primary study. In each district, two Taluks and in each Taluk four Gram Panchayaths were selected based on financial performance and person days of employment generated. In each Gram Panchayath ten MGNREGS beneficiaries were selected randomly for the study purpose. In total 320 beneficiaries were interviewed in person.

1.14: Case Study

MGNREGS works are taken up even on individual farms. To assess the impact of MGNREGS on inter alia, cropping pattern and productivity in such farms and also the impact of community works under taken on natural resource conservation and the resulting effect on rural economy were also analyzed through case studies. One such case study was undertaken in each district.

1.15: Chapter Scheme

The chapter scheme of the thesis is as follows:

1. Introduction
2. Theoretical Base, Empirical Studies and Research Gap
3. Methodology
4. Population, Poverty and Unemployment - A Global Scenario
5. Poverty Alleviation and Rural Development Programmes - Global Experience
6. Poverty Alleviation and Rural Development Programmes in India - A Brief Review
7. MGNREGS and its Impact on Rural Economy in Karnataka
   - A Case Study in Chitradurga, Davanagere, Hassan and Shivamogga Districts.
8. Summary, Research Findings and Suggestions
   Appendix
   Bibliography

1.16: Chapter Contents

The text of the thesis has been classified in to eight chapters and the chapter-wise flow of presentation is as follows.
Chapter I gives a bird’s eye view of the importance rural poverty and unemployment nexus, Strategies developed in India for poverty reduction, including MGNREGA, theories that form the basis for study of poverty eradication strategies, review of literature, poverty alleviation programmes of the Government, research gap, objectives and hypotheses, methodology adopted in carrying out the present study, scope of the study, data source used, sample size selected, case studies undertaken, chapter scheme followed, expected study outcome, limitations of the present study, scope for further research in this field.

Chapter II delves on definitions of poverty, causes of poverty, theories related to employment generation, such as Vicious Cycle of Poverty and Virtuous Cycle of Prosperity, Keynesian Psychological Law of Consumption, Average and Marginal Propensities to Consume, Average and Marginal Propensities to Save, Measures for Raising Consumption, Concept of Functional Finance developed by J.M. Keynes, Minimum Wage Laws, Hirschman’s Theory of Unbalanced Growth, Ragnar Nurkse’s Balanced Growth Theory, Dual-Sector Model of Sir William Arthur Lewis, Technological Dualism proposed by Benjamin Higgins, Trickle-down Theory, Wage-Goods Model of Development put-forth by Vakil and Brahmananda, Women Empowerment, Backward bending supply curve of labour. The chapter also gives a brief review of empirical studies classified and presented under the sub-headings of Socio-Economic Features of Participants in Employment Generation Programmes, Types of works taken up under Employment Generation Programmes, Impact of NREGS and other Employment Generation Programmes on Employment, Income, Expenditure and Savings of the Participants, Economic Empowerment of Women through Employment Generation Programmes, Constraints encountered in implementation of and participation in employment generation programmes.

Chapter III presents an overview of Maharashtra Employment Guarantee Scheme (MEGS), a predecessor to MGNREGS. Sampling frame work adopted in the current study, A brief profile of Karnataka State that includes administrative and demographic details, share of different sectors of the economy in State’s income, land utilization pattern, land holding pattern, cultivated area, Source-wise irrigation, Agricultural production, Horticultural crops cultivation, Livestock and poultry production, Fish production, description of the study area categorized as Economically Forward Region (Hassan and Shivamogga Districts), Economically
Backward Region (Chitradurga and Davanagere Districts), details of sources of data, analytical framework adopted that included Measures of Central Tendency and Percentages, Tests of Significance, Paired t-test, Multivariate Analysis of Variance (MANOVA), Discriminant analysis, Factor Analysis, Cluster Analysis are briefly described.

Chapter IV discusses in brief about world population, a comparison of population and income in low, medium and high income groups of countries across different regions of the world, rural poverty scenario in Asia, Africa, Latin America and Europe - Eastern Europe (including the Newly Independent States) and unemployment at the global level.

Chapter V shares the global experience pertaining to poverty alleviation and rural development programmes. The programmes discussed in brief include (i) Microfinance as a means of poverty reduction in Bangladesh and Mongolia (ii) Conditional cash transfers as a strategy to fight poverty in Latin American, African and Asian countries (iii) Unconditional and Universal Cash Transfers in Ethiopia, Somalia and Zambia (iv) Employment Guarantee Schemes in countries including Republic of Korea, China, Indonesia, India and Argentina (v) Granting Property Rights in India, African and Latin American countries (vi) Debt-Exchange Programme of Pakistan (vii) Poverty alleviation efforts in Kenya that included Mushroom farming and Water supply Project and (viii) Poverty alleviation programmes in Bangladesh.

Chapter VI presents a brief review of poverty alleviation and rural development programmes in India. The contents of the chapter include population scenario in India, GDP and food grain production, rural poverty, status of unemployment, Government initiative to eradicate poverty, plan-wise developmental programmes for reduction of poverty and unemployment, details of some major programmes implemented in India to address the problems of unemployment and poverty that includes RLEGEP, NFWP, SGRY, SGSY, JRY, MWS, Intensified Jawhar Rozgar Yojana, EAS, IAY, AAY, IRDP, DWCRA, RMK, JGSY, PMEGP, NSAP, IGNOAPS, IGNWPS, IGNDPS, NFBS, PMGSY and MGNREGA. A brief review of case studies of rural Development through individual initiatives, one in Ralegan Siddhi of Maharashtra by Padma Bhushan Anna Baburao Hazare and the other one in
Hiware Bazar Village of Maharashtra by Popatrao Bapuji Pawar also finds a place in this chapter.

**Chapter VII** results of the research study conducted in Chitradurga, Davanagere, Hassan and Shivamogga Districts to analyse the impact of MGNREGS on rural economy in Karnataka is discussed in detail in this chapter. The presentations are made under the sub-headings of (i) Implementation of MGNREGA in selected districts of CDZ and STZ (ii) General awareness about MGNREGA among workers (iii) Compliance with procedures to seek employment under MGNREGA (iv) Provision of worksite facilities to the workers under MGNREGS (v) Wage rate followed and payment made under MGNREGS (vi) MGNREGA wage rate as floor wages for agricultural operations (vii) MGNREGS wage bill payment through Bank / Post Office Accounts (viii) Impact of MGNREGA on household income of the workers (ix) MGNREGA and gender equity (x) Monitoring of MGNREGS works in STZ and CDZ (xi) MGNREGS and Natural Resource Conservation (xii) Impact of MGNREGS on village development (xiii) Factors Affecting Performance of MGNREGS in sample Districts of economically forward and backward regions of Karnataka: (a) Discriminant analysis (b) Factor analysis (c) Cluster analysis (xiv) Economic Analysis of MGNREGA in the drought prone states of Karnataka and Rajasthan: (a) Employment generation potential outside MGNREGS (b) BPL families and MGNREGS (c) Age cohort in MGNREGS (d) Season-wise employment in MGNREGS (e) Duration-wise employment in MGNREGS (f) Economic Scarcity of labour and MGNREGS (g) Reservation wage argument (xv) Impact of MGNREGA on individual farmers and the farm economy: a few case Studies (a) Case study 1: Chitradurga district of economically backward region (b) Case study 2: Davanagere district of economically backward region (c) Case study 3: Shivamogga district of economically forward region (d) Case study 4: Hassan district of economically forward region (xvi) Constraints identified in implementation of MGNREGS: (a) Constraints from workers’ perspective (b) Constraints from administrators’ perspective.

**Chapter VIII** summarizes the research work, presents the major research findings, suggests the policy implications and outlines the scope for further research.
1.17: Outcome of the Study

The outcome of the study will help both central and state governments to formulate policies that improve the efficacy of MGNREGS by addressing the deficiencies and plugging the loopholes, if any. Such policy measures include, inter alia, creation of awareness regarding provisions of MGNREGA among potential beneficiaries, shielding agriculture from possible adverse effects of changes in market wage rates, achieving convergence of activities of various developmental departments in letter and spirit and so on.

1.18: Limitations of the Study

The present study was restricted to only two Agro-climatic zones of Karnataka represented by four districts, belonging to economically forward and backward regions. A larger representation comprising of all the ten Agro-climatic zones of the state, with a bigger sample size would have made the study much more comprehensive, but for the constraints in terms of time and cost.

1.19: Scope for Further Research

Research work related to MGNREGS may be taken up in the following lines:

- Keynesian multiplier effect resulting from employment growth through MGNREGS that has spurred economic activities in other sectors,
- If increased income from MGNREGS has added to inflationary trend in contradiction to Keynesian multiplier effect,
- Empirical evidence if Indian agriculture is facing backward bending labour supply curve because of MGNREGS,
- Quantification of positive impact of MGNREGS on natural resource management in rural areas,
- Impact of MGNREGS works taken up in individual farms on agricultural productivity in those farms,
- Impact of MGNREGS on migration in different parts of the state and its efficiency and equity implications,
- Impact of MGNREGS on the savings and investment among beneficiaries belonging to different social and economic classes,
- Impact of NREGA on social capital formation across areas with different human and economic endowments in the state,
- Role of MGNREGS in stabilizing rural economy and mitigating adverse impact of recession and
- Contribution of MGNREGS to adaptation to climate changes through conservation of natural resource base.