CHAPTER -I

Introduction
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INTRODUCTION

Economic development of any nations begins with the development of rural economy. As Mahatma Gandhi said India lives in villages, majority of people live in villages depend on agriculture sector for their survival. Though, there is a considerable progress in the rural development, still majority of rural people are unemployed and live in extreme poverty. The unemployment rates have been rising and hover around 8 to 10 per cent. Towards reducing the poverty by providing employment, Government of India (GoI) has been introducing a number of wage employment programs. However, owing to the top-down approach of implementation and lack of community participation, these programs have not performed up to the expectations. To achieve inclusive growth, GoI has opted for a right’s based and guaranteed wage employment program intervention. Accordingly, the Indian Parliament has passed the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005, which came into force in February 2006. MGNREGA epitomizes the right to employment on demand and it has been devised as a public work program to address the issue of a rights-based approach to development; provide income security to the rural households through guaranteed wage employment; reduce/check distress migration from the rural to urban areas and create durable community assets to trigger an overall development of rural areas.

The scheme backed by the Act aims at providing safety net to the rural poor and weaker sections when other livelihood options are scarce and inadequate. It
also aims at creation of durable assets which will improve the quality/potential of natural resource base in the rural areas provision of at least 100 days of employment to every households with one third participation of women, provision of work within 15 days of registration through Gram Panchayat (GP), payment of minimum and equal wages and payment of unemployment allowance are some of the important features of this scheme. Being a demand driven public program it has the potential of inclusion of the poorest of the poor population in its activities. The issues with a policy focus on provision of sustainable employment. Specifically it examines intra-district variation and appreciates the steps taken by the government to reduce the spatial, gender, social and wage discrimination through the scheme. This too necessitates a closer probe to identify the factors at work, from a policy perspective. The various research issues delineated as detailed below would provide the rationale of the proposed study. Most of the developing countries, including India, encounter the problems of acute unemployment and underemployment, particularly in the rural areas. This manifests the low static standards of living of the people. Further, these economics predominantly depend on agriculture and which have high rate of growth in labour force owing to steep increase in population. The case of India is quite typical of this phenomenon where underemployment and unemployment are endemic among the rural population. A major problem in rural India is seasonal chronic unemployment and underemployment. A large number of people depend on wage employment for their livelihood as they have no assets or grossly inadequate assets. Such people have virtually no source of income during the lean agriculture season when employment
opportunities shirk. Wage employment program as an approach to poverty alleviation have been conceived mainly to provide additional gainful employment to the unemployment and underemployment also helps in the creation of durable assets. The economic logic of wage employment program is that in an economy which is characterized by inadequate capital stock and surplus manpower, the programs help to reduce unemployment and underemployment and at the same time facilitate capital formation.

The scheme aims to satisfy the objectives of transparently and accountability through the tools of social audits and usage of information technology and of financial inclusion through opening bank accounts of the beneficiaries. The scheme has shown satisfactory results in terms of employment, improvement in socio-economic status of the rural people in the most backward states and participation of the weaker section (Srikanthamurthy, 2011; Jha, Raghabendra, 2008; Shobak, 2011; Khera 2008; Khera and Nayak 2009; Rajalaxmi Kamath, 2010; Mohammed Shahid, 2010; VijayKumar, 2011; Kamala Sankar, 2011 and Pattanaik, 2011).

**Poverty Alleviation Programs in India: A Retrospective Evaluation**

Poverty is a major threat to Indian Economy. It is a persistent problem and policy makers attempt to mitigate the vagaries of poverty. However, some of the programs are very much effective in addressing poverty, among them MGNREGS is one of the world largest employment generation program. It would be better to trace the history of employment generation program in India to understand or recognize the significant positive impacts of MGNREGS.
The growth oriented strategy of the 1960s failed to make any significant dent on the problems of rural poverty and unemployment which led to its reexamination in the late 1960s. Inequitable distribution of benefits of the growth oriented programs between the rich and the poor households with wider in an area was officially acknowledged in the early 1970s and a number of corrective measures in the form of programs were taken up to ameliorate the problems. The poverty alleviation programs were aimed at tackling the problems of poverty and backwardness by directly helping the weaker sections to increase their incomes through self-employment and wage paid employment. The major premise of the group specific programs was that their benefit would flow to the weaker sections because of the specificity of the target groups and target areas. Let us discuss the salient features of the major poverty and unemployment eradication programs launched in India from time to time. But, these programs made little impact on reducing intra-regional disparities. Therefore, to make direct dent on poverty, a number of poverty alleviation and employment generating rural development programs have been launched during and after the fifth five year plan. These programs can be categorized into two groups.

- Self-Employment programs
- Wage Employment Programs

**Self-Employment programs: Training of Rural Youth for Self-Employment**

TRYSEM was launched in 1979 with the principal objective of removing unemployment among the rural youth. It is a centrally sponsored schemeed aimed
at providing basic technical and entrepreneurial skills to rural youth in the age group of 18-35 from the families living below poverty line. The program aimed at enabling them to take up self-employment in the fields of agriculture and allied sectors, industries, services and business activities. TRYSEM, beneficiaries are selected by GP (Grama Panchayat). Under the scheme, a minimum of 50% youth should be belonging to SC/ST, section and 40 should be women and 3 percent for physical challenged.

**Integrated Rural Development Program (IRDP)**

IRDP was a major instrument of government in alleviating poverty. It was the single largest poverty eradication program currently underway in all the community development blocks in the country and was launched in 1980. Assistance was given in the form of subsidy by the government and term credit by banks to those families who lived below the poverty line (BPL). The beneficiary group consisted of families of small and marginal farmers, agricultural labourers and rural artisans. District Rural Development Agency (DRDA) was the implementing agency of this program. This program was merged with SGSY in 1999.

**Development of Women and Children in Rural Areas (DWCRA)**

This program was initially launched as a sub scheme of the IRDP during 1982 in 50 districts and subsequently extended to all districts in the country by 1994-95. It aimed not only at raising the income of rural women of poor household, but also enabling organized participation of group of women in program of credit,
skill training and infrastructure support for self-employment for rural women, who could take up economic activities individually on their own. The program sought to improve the access of rural women to health, education, safe drinking water, sanitation, nutrition etc and thereby bring about quality enhancement in the life of women and children. In 1999, the program was merged with SGSY.

Supply of Improved Tool Kits to Rural Artisans (SITRA)

SITRA was launched as a sub scheme of the IRDP in 1992, with the objective of enabling the rural artisans below the poverty line to enhance the quality of their products, increasing their production and income and thus ensuring a better quality of life with the application of improved tools. Under these schemes, 50 percent of beneficiaries were to be from SC/ST communities. Wherever SC/ST persons were not available, the DRDA could decide on allocating the percentage meant for them to other categories of artisans. Preference was also given to women and the physically challenged persons. These programs have also been merged with SGSY.

Ganga Kalyan Yojana (GKY)

The GKY was launched during 1996-97 with the purpose of providing assistance to individuals and groups of beneficiaries like small and marginal farmers belonging to BPL for construction of bore wells and tube wells. The individuals/groups were assisted through subsidy by the government and through term credit by the financial institutions. At least 50 percent funds under the scheme had been earmarked for the SC/ST beneficiaries. 75 percent subsidy is allowed for
Wage Employment Programs

Along with the self-employment programs, the Government of India had also started Wage Employment program to uplift the economic status of rural people. We review here some of the major wage employment programs.

National Rural Employment Program (NREP)

The NREP is first wage employment program started in October 1980, with the aim to provide supplementary employment opportunities to the needy where the problem of unemployment and underemployment was chronic and accentuated during the lean periods of agricultural operations. The basic objectives of the program were: 1) Generation of gainful employment to rural poor, 2).Creation of durable community assets to improve the rural infrastructure. The program was implemented as centrally sponsored scheme shared by center and state on a 50:50 basis. It was implemented by DRDA, which prepared a self-project for each district/block considering the felt needs in the rural areas. The allocation of funds to the states/UTs was made on the basis of criterion under which 75 percent weightage was given to the number of agricultural labourers and marginal farmers, and 25 percent to the incidence of poverty in each state/UT. The same criteria are adopted by the state in the allocation of funds to the districts. This program was merged with the JRY in 1989. Statistics shows that in the year 1984-85, Rs.1834.25 crores were spent and, through this, 1775.18 million man-days were generated. In 1985-86, Rs.513.95 crores were spent and 316.41 million man-days were generated. In 1986-87, Rs.717.77 crores were spent and through this 395.39 million man-days
were generated. In 1987-88, Rs.788.31 crores were spent and through this 370.77 million man-days were generated. In 1988-89, Rs.901.84 crores were spent and 394.96 million man-days were generated. Overall, in cumulative years, Rs 2939.86 crores were spent and 1744.53 million man-days were generated.

**Rural Landless Employment Guarantee Program (RLEG)**

RLEG was started in August 1983 to enhance the employment opportunities in rural areas so that at least one member of each landless labour household could be provided employment up to 100 days in a year. This program was also merged with the JRY. In the year 1984-85, Rs.360.00 crores were spent and 262.81 million man-days were generated. In 1985-86, Rs.295.73 crores were spent and 247.58 million man-days were generated. In 1986-87 Rs. 236.45 crores were spent and 306.14 million man-days were generated. In 1987-88, Rs. 268.42 crores were spent and 302.72 million man-days were generated. In 1988-89, Rs.260. Cores were spent and 296.56 millions man-days were generated. Cumulatively, 971.02 crores were spent and 1,153,300 man-days were generated.

**Jawahar Rozgar Yojana (JRY)**

JRY was launched on April 1989 as a centrally sponsored scheme by merging the NREP and the RLEG. Its primary objective is the generation of additional gainful employment on productive work for the unemployed and underemployed rural people. The secondary objectives are creation of sustainable employment by strengthening the rural economic infrastructure, creating commercially viable social assets, creating assets in favor of the rural poor for their direct and continuing
benefits, generating a positive impact on wage level and overall empowerment in the quality of life in rural areas. Initially, JRY had two sub schemes one was Indira Awas Yojana (IAY) for construction of houses for SC/ST and freed bonded labour the other was Million Wells Schemes (MWS) for the development of well-irrigation to the benefit of the SC/ST communities. Later on, these two sub schemes of the JRY were separated from it. A unique feature of the JRY is that it is implemented by Gram Panchayats. District Rural Development Agencies / Zilla Parichads receives funds from the Union/State Governments and releases them to different GPs based on the criteria set out in JRY guidelines. The GPs prepare a set of projects at panchayat circle/village level and undertake the work after technical approval. A few years after of its initiation, political indifference and irregular fund flow created problems in implementation at the grassroots level, resulting in a limited impact on rural employment generation. Due to this, the scheme was merged with Sampoorna Grameen Rozgar Yojana (SGRY) in 2002.

**Indira Awaas Yojana (IAY)**

Indira Awas Yojana is a component of JRY Program, was launched during 1985-86 to provide assistance for constructions of dwelling units to members of SC/ST and freed bonded labourers living below poverty line in the rural areas. Since the commencement of JRY, IAY has been implemented as its sub-component. From the year 1993-94, the scope of the scheme was extended to cover non Scheduled Castes and Scheduled Tribes and the rural poor subject to the condition that the benefit to non-SC/ST would not be more than 40 percent of the IAY allocation. 3 percent of the houses are reserved for the disabled living below poverty line. IAY
became an independent scheme in 1996. The funding pattern of IAY is on 75:25 basis between the central and the state governments. During 2000, the allocation of funds under this scheme to the states / UTs had been made, based on poverty ratio and rural housing shortage. Sanitary latrines and smokeless chullahs or integral parts of IAY houses.

**Employment Assurance Scheme (EAS)**

The EAS was launched for providing employment during the lean agricultural season. The primary objective of the EAS is creation of additional wage employment opportunities during the period of acute shortage of wage employment through manual work for the rural poor living below the poverty line. The EAS also aims at creation of durable community social and economic assets for sustained employment and development. In the year 1993, when the Employment Assurance Scheme was introduced, the centralized fund distribution trend was followed ignoring the essence of bottom up approach in planning and implementation of rural employment program. As a result, EAS had limitations in the expansion of rural livelihood opportunities. In 2002, EAS was merged to in the Sampoorna Grameen Rozgar Yojana.

**Jawagar Gram Samridhi Yojana (JGSY)**

JGSY was launched on April 1999 as a modified version of the JRY. Its primary objective was to create demand driven village infrastructure including durable assets and the secondary objective was to generate supplementary employment for the unemployed poor in the rural areas. The program is being
implemented by the GP. DRDAs/ZPs release the funds including the state matching share directly to GPs. GP is the sole authority for preparation of annual action plan and its implementation with the approval of GS. Since its emphasis is on the creation of durable assets at the village level, the condition of maintenance of 60:40 wage material ratio has been relaxed so as to enable the GPs to built-up demand driven rural infrastructure, simultaneously taking due care of need based wage employment generation

**Sampoorna Grameen Rozgar Yojana (SGRY)**

SGRY was launched by Government of India during 2001-02 with the objective of providing wage employment and food security to rural poor and creating durable community, social and economic assets, and infrastructure development in rural areas. The works to be taken under the scheme will be labour intensive such as soil and water conservation works, watershed development, afforestation, construction of village infrastructure and Panchayat Ghars. Priority will be accorded to providing employment to the poorest among the poor, women, SC/ST and parents of child labourers withdrawn from hazardous occupations. Under this scheme, 5 Kgs of foodgrains will be distributed as part of wages for man-days and balance of wages will be paid in cash. It was expected to generate about 100 crores of man-days of employment every year in rural areas from this scheme. All wage employment schemes of government of India have been merged with the SGRY. Consequently, the EAS and JGSY schemes have been dismantled. Studies have shown that it provided 29 days of employment per beneficiary per
Need for the Study

Mahatma Gandhi's statement in the epigraph holds well even today with around 69 percent of the country's population still living in rural areas. Gandhi emphasized on a self-sufficient village, decentralization of economic and political powers and development which shifts the emphasis from physical capital formation to human capital formation and, from industrial development to rural development as a basis for overall development. The human capital model of development seems most appropriate for labour-surplus developing countries like India, where a lot of underdeveloped human resources having a high potential for development exist. This is the path India should choose to bring about overall sustainable development. In a developing country like India, one of the biggest hurdles to socio-economic development and mass welfare is the ever increasing disparity between the rich and the poor. In a recent report released by the Planning Commission of India, it was reflected that 22.7 percent Indians live below the poverty line while 75 per cent of the population living below the poverty line live in rural areas. The high incidence of poverty in rural India is directly related to the prevalence of unemployment on a large scale. Majority of the rural population is landless and dependents entirely on wage employment. While the self-employment program is intended to remove poverty on a sustainable basis, there is a need for taking care of wage employment needs of the rural poor. The rural workforce continues to suffer from excessive seasonality of employment, lack of wage employment opportunities and low wage rate. Migration of labour gender discrimination in wage payment, distressed child labor, etc. are, therefore, common features of rural areas. Efforts to provide wage
employment as a short-run strategy for alleviation of rural poverty have been a major component of development planning in India.

The unemployment and underemployment problem can be solved if the excessive labour force in rural areas are properly utilized. In India, there is lack of employment planning therefore a considerable segment of labour force could not be utilized optimally. In order to solve the prolonged issue, the think tankers of India developed an army of schemes which are produced neither satisfactory nor effective results. The recent rural employment scheme called MGNREGS has been producing successive results and studies proved that MGNREGS is one of the successful program in addressing rural employment program.

Statement of the Problem

Economic growth of Indian economy is still disturbed by the poverty which is inherent and long lasting problem to the economy. History recalls that there are number of Poverty alleviation program specifically rural employment oriented had launched to address the issue. Followed by successful rural employment programs, the government of India recently launched a Program in the name of Father of our nation called Mahatma Gandhi National Rural Employment Guarantee Program, aim to guarantee wage employment at an unprecedented scale. It is needless to say that the success of program largely depends on the implementation process. In addition to this, its success depends on the awareness of workers and their active participation in the process of implementation and monitoring. The radical provisions of NREGA are signaling for inauguration of new strategic chapter of
poverty eradication. The financial allocations for schemes can vary from year to year. If the necessity for it declines over time, as it should if implemented properly in the right direction, the allocations can be reduced (Shah M 2009). The budgetary outlay enhanced from Rs.12,000 crore to Rs.41,000 crore over five years. There is a concomitant disincentive for not providing employment as the states then bear the double indemnity of unemployment and the cost of unemployment allowance (MoRD 2008). The number of employed households gradually amplified from 2.11 crore during 2006-07 to 5.51 crore in 2010-11 at national level. The growth in the number of works executed under MGNREGA is significant. The framework for MGNREGA clearly indicated that the whole MGNREGS governance process is a participatory one. In about in five years of implementation of MGNREGA several noteworthy trends have been evident from the increase in employment opportunities compared with earlier wage employment programs, increase in minimum wages, stemming of distress migration, and implementation of large number of works related to soil and water conservation, resulting in increased productivity in many states. The Planning Commission's evaluation report also indicated that marginal and low-income groups (before the Act from 33% and 22% respectively) have moved to higher income group (to 44% and 26.3% after the Act) (Planning Commission, 2008). Of the total budgetary outlay, Tamil Nadu alone spent about Rs.16000 crore during last five years and more than 122 crore person-days of employment have been provided to rural workforce. The official websites claim that the greatest achievement is increase in daily the minimum wage paid to worker from Rs.80 to Rs.100. The state government says that it has opted for only
labour intensive works and it is successfully kept away the contractors and machines in execution of works. Due to its successful implementation MGNREGS, it could curtail the migration from rural to urban areas. While reviewing literature, it has been found that some authors indicated that there is no difference between MGNREGS and other earlier wage employment programs and others affirmed that many poor have been uplifted from Below Poverty Line (BPL) status to Above Poverty Line (APL) status after MGNREGS implementation.

During the last five years of its implementation, many studies have been conducted by various organisations as well as by individual scholars focusing upon implementation issues with specific reference to employment generation. At this juncture, it is important to understand that to what extent the MGNREGS has made its impact (after five years of implementation) on lives of the rural poor with reference to changing household income, and expenditure pattern, usefulness of assets created under MGNREGS and inclusiveness of the rural poor in overall development process. Besides these, this research study also examines the impact of MGNREGS employment on migration pattern of the rural community. This research study also verifies whether MGNREGS works could revitalize the stagnant agriculture sector in the state by execution of works that enhance the natural resource base. It is imperative to study and document the effectiveness of some of the initiatives. Further, how the entitlements of workers have been protected by ensuring minimum wage, worksite facilities etc., need to be validated. In this above context, the present study examines the impact of MGNREGS on the socioeconomic status of the rural people in Salem District, Tamil Nadu.
Objectives of the Study

1. To analyse the functioning of MGNREGS and examine the financial allocation in implementing the program
2. To assess the impact of MGNREGS on the level of income, employment, assets, savings and indebtedness of the beneficiaries
3. To examine the problems and prospects in the implementation of the program and
4. To offer policy suggestions for a better and effective implementation of the program.

HYPOTHESES

Based on the objectives, the following hypotheses have been framed for the study.

1. There is a significant variation in the level of employment of the beneficiary households after implementation of MGNREGS
2. There is a positive relationship between the generation of employment and the level of income of the beneficiary under the MGNREGS scheme
3. MGNREGS has increased the income level of the beneficiary
4. The intensity of poverty has declined among the target group after getting benefits through MGNREGS
5. There is positive impact of MGNREGS on the savings, assets and indebtedness of the beneficiary
Methodology of the Study

This is empirical study as it depends on both primary and secondary data. The primary data for the study has been collected through structured interview schedule, which has been validated through pilot survey of 50 respondents. The schedule contains questions which are probing detailed information regarding their socio-economic aspects. The schedule has been structured in various parts. Part one deals with personal profile of the respondents; part two deals with family size and set up of the respondents; part three deals with housing facilities; part four deals with awareness about the MGNREGS; part five deals with operation mechanism of the scheme and part six deals with asset creation under MGNREGS; part seven deals with women participation in MGNREGS and the last part deals with saving and income pattern of the respondents.

The secondary data for the study derived from published sources such as Books, Journals, Reports published by MHRD, and NGO bodies, and web sources.

Sample Size Determination

Based on few performance indicators, Salem district has been selected as the study area and samples have been selected by following the stratified random select method. However, the sample size for the study has been determined through the following scientific methods.

The formula for sample size is as follows:

\[ n = \left( \frac{ZS}{E} \right)^2 \]
Where,

\[ Z = \text{Expected Confident level of 95\%} \Rightarrow 1.96 \]

\[ S = \text{Population Standard Deviation (Which is calculated from the pilot survey of 50 respondents)} \]

\[ E = \text{Accepted level of Sampling Errors} \]

\[ n = \left( \frac{(1.96)(0.442)}{0.05} \right)^2 = 300.204 \]

Then,

\[ n = \left( \frac{N - n}{N} \right) n \]

\[ n = \left( \frac{13560 - 300.204}{13560} \right) * 300.204 \]

\[ n = 293.5578 = 300 \text{ (Round off)} \]

In total, 300 sample beneficiaries have been selected for the study. 150 Non-beneficiaries have also been selected as sample to make comparison between them for analyzing the effectiveness of the Scheme. Finally, 450 sample respondent have been considered for the present study.

**Statistical Tools for Data Segregation and Inference**

The data collected from primary and secondary sources have been analysed and tabulated in a systematic manner. The Statistical Package for Social Science (SPSS) has been used for data analysis purpose. Simple statistical tools such as measures of central tendency (Mean) and measures of location (Standard
Deviation) are applied to understand the nature and distribution of the data. For testing the hypotheses, Linear regression, ‘t’ test, Anova and Chi-Square were applied. Diagrammatic representations were made wherever the data becomes too clumsy to understand.

**Scope and Limitations**

The study covered various aspects of the research problem. It examined the changes in income, expenditure, savings and debt position of the beneficiaries and compared with non-beneficiaries. Further, the study has also analysed the modus operandi of the scheme in the study. The reference period of the study is 2006-2015. Though the study covered various aspect of MGNREGS, however it has certain limitations. They are:

1. The study is micro in nature and therefore results arrived thereof may not be generalized.
2. The study has considered only very minimum number of beneficiaries as samples and therefore sampling errors may be possible for the study.
3. The study has analysed only the information given by the respondents on recall basis, therefore some of the parameters could not be measured properly.
4. The study is about socioeconomic changes in the beneficiaries’ household and socioeconomic parameters may be constant over a period of time.
Outline of the Thesis

The thesis is presented into six chapters.

Chapter one introduces the need for the research study, objectives and hypotheses along research methodology.

Chapter two provides snapshots of various studies relating to the research problem.

Chapter three gives growth and development of MGNREGA.

Chapter four provides Operation of MGNREGS in India and Tamil Nadu.

Chapter five is about data analysis and Interpretation.

The final chapter is summary and conclusions of the study.