Chapter- II

REVIEW OF LITERATURE

Review of literature is considered as important aspects of research work as it helps understanding specific problems and draws some hypothesis. The literature reviewed as part of the present study mainly consists of books, research articles, and studies considered by Government / autonomous research agencies. There are main works on different dimensions of development strategies and programmes. But MGNREGS, being a development programme of recent origin, only a few studies have been made so far. Among them, except few research studies and articles, others are evaluation studies conducted by various research agencies like Planning Commission, National Institute of Rural Development, Centre for Development Studies, etc. The review of literature is organised and presented here in the following order.

- Concept and definitions of livelihood
- Components of livelihood
  - Natural Capital
  - Physical Capital
  - Human Capital
  - Financial/Economic Capital and
  - Social Capital
- Sustainable rural livelihood
- Factors influencing Livelihood Sustainability
- Challenges of rural livelihood sustainability
- Approach and Framework of Livelihood
- Review about MGNREGS
  - MGNREGS meaning and concept
  - Operational structure and functions
  - MGNREGS related studies
2.1. Concept and Definitions of Livelihood

Conceptually, ‘Livelihood’ denotes the means, activities, entitlements and assets by which people make a living. Making a living determines the existence of a person in society. The movable and immoveable things can also be included in this category. The term ‘sustainable’ suggests lasting or enduring. A sustainable livelihood provides lasting security to a person and keeps him free from tension. Assets, are defined as: natural / biological \((i.e.,\) land, water, common-property resources, flora, fauna); social \((i.e.,\) community, family, social networks); political \((i.e.,\) participation, empowerment-sometimes included in the social category); human \((i.e.,\) education, labour, health, nutrition); physical \((i.e.,\) roads, clinics, markets, schools, bridges); and economic \((i.e.,\) jobs, saving, credit). The sustainability of livelihoods becomes a function of how men and women utilize asset port folios on both a short and a long-term basis. Sustainable livelihoods are those that are: able to cope with and recover from shocks and stresses such as drought, civil war, policy failure through adaptive and coping strategies. One can describe a ‘livelihood’ as a combination of the capabilities and resources people have (including social, human, financial, natural and material assets) and the activities they undertake in order to make a living and to attain their goals and aspirations (Chambers and Conway, 1992). A livelihood is sustainable when people cope with and recover from shocks and crises (eg. seasonal, environmental and economic) and can maintain or enhance their capability and assets both now and in the future, while not undermining the natural resource base.

A livelihood comprises the capabilities, assets (stores, resources, claims and access) and recovers from stress and shocks maintain or enhance its capabilities and assets and provide sustainable livelihood opportunities for the next generation and which contributes net benefits to other livelihoods at the local and global levels and in the long and short run (Chambers and Conway, 1992). Different definitions of livelihood security have been suggested by several thinkers, worldwide. Several aspects of livelihood have also been studied. A livelihood intervention (livelihood promotion) is a conscious effort by an agency or an organization to promote and support livelihood opportunities, usually for a large number of people. Livelihood intervention is more than income enhancement. It is about increasing the economic
power of people and empowering them. It is facilitating asset creation, capacity building and access to opportunities. It is building securities.

The sustainable livelihoods approach is a way of thinking about the objectives, scope and priorities for development work. It is the key factor in this approach. The approach puts people at the centre of development work and it attempts to understand socio-economic development and resource management from this human perspective. The Development Alternatives (DA) approach encompasses activities intended to help economically disadvantaged members of society to meet their daily subsistence needs in a manner that is dignified, locally appropriate and environmentally sustainable. Sustainable livelihood creation basically translates into the creation of livelihoods that empower individuals to earn enough money to provide for basic amenities such as food, clothing and shelter. It also enables people to lead a life of dignity in a sustainable manner. A person without sustainable livelihood will be like a fish out of water. Livelihoods are ways of keeping oneself meaningfully occupied by using one’s endowments (human and material) to generate adequate resources to meet the requirements of the household in a sustainable manner.

Different scholars describe in livelihood system different ways; Chambers and Conway (1992) define a livelihood as “adequate stocks and flows of food and cash to meet basic needs”. The Oxford Dictionary defines livelihood as “a means of earning money in order to live” (Oxford Advanced Learner’s Dictionary of Current English, VIII th Edition). The Dorling Kindersley Oxford Dictionary defines livelihood as “a means of living; sustenance”. Thus a livelihood is understood broadly as people and their capabilities, activities, assets, both social and material and gains from what they do. Niehof and Price (2001) point out that Livelihood generation is encompasses all activities undertaken by people to meet their basic needs and for the "results or outcome of those activities the term livelihood is used". And the definitions of the concept of livelihood raise concerns because they fail to distinguish between the dimensions of process, activities, assets and resources, and outcomes. Numerous activities undertaken to generate livelihood indicate the working of a multifaceted and dynamic system, referred to as the livelihood system. This system links several activities.
Engberg (1996) defines a livelihood as “the mix of individual and household survival strategies, developed over a given period of time that seeks to mobilize available resources and opportunities." Livelihood strategies include paid an unpaid work, accumulation and investments, borrowing, food production, income enterprise, social networking, community managing, cooperation and changing in consumption patterns and sharing. The concept of livelihood system suggests an integrated household economy with individual members who participate in market or non-market economic activities. Members of households often live in two systems of action, namely the private and public spheres that are both socially constructed (Thompson, 1995). This implies that cross-culturally, women and men are most influential in the private and public sphere, respectively. In Third World countries, particularly in rural areas of South Africa, the integration of household and farm activities is more visible in the private sphere. Farming households produce food for consumption and for sale if there is a surplus. However, both women and men work in the home and workplace or community to earn cash or in kind to generate livelihoods. Thus, the roles of men and women are exchanged now, compared to the earlier days. In earlier days women were called as ‘bread kneaders’ and men as ‘bread winners’. Therefore, the concept of livelihood system now is concerned with the whole of the household in the private as well as the public sphere.

Livelihood Literature (Hussein and Nelson, 1999; Ellis, 2000) suggests that though exogenous trends and shocks play an important role in pushing rural people towards a diversified livelihood strategy, diversification choices are also firmly rooted in the micro-economic logic of farming households. The availability of key-assets (such as savings, land, labour, education and/or access to market or employment opportunities, access to CPRs and other public goods) is an evident requisite in making rural households and individuals more or less capable to diversify (Dercon and Krishan, 1996; Abdulai and Rees, 2001). The investment of a proper mix of the above endowments is the starting move of any independent activity. Moreover, labour capability and education determine the capability of finding a job and savings are often needed to migrate. Yet diversification may also develop as a coping response to the loss of capital assets needed for undertaking conventional on-farm production. The decreased availability of arable land, increased
producer/consumer ratio, credit delinquency, and environmental deterioration can be indeed important drives towards diversification.

The maximization of return per unit of labour (Ellis, 2000) and risk management is often invoked to explain diversification behaviour (Chambers, 1997; Reardon, Delgado and Malton, 1992; Bryceson, 1996; Ellis, 2000; Hussein and Nelson, 1999). Social organization and culture can significantly influence the relative access of diverse gender to household’s capital assets (Ellis, 2000; Gladwin et al., 2001; Dolan, 2002) or constraint/promote their mobility. This might result in a different degree of involvement in diversification activities and/or in an unequal distribution of their benefits between genders (Warren, 2001). Women are often able to play an autonomous role in livelihoods diversification by undertaking small-scale enterprises on their own. The participation in innovative enterprises is often advocated as an important means to promote rural women empowerment and more equitable gender relationships within the household. These moves change the present scenario of the society and ensure a sound relationship between the men and women.

Household and individuals can diversify livelihood portfolios in different ways. Several classifications of activities included in rural livelihood portfolios have been proposed (Hussein and Nelson, 1999; Ellis, 2000 and Barrett et al., 2001), focusing on different criteria (farm vs. non-farm; on-farm vs. off-farm activities; local vs. migratory; self-employment vs. wage labour). All these classifications are useful to make sense of the nature of the choices entailed by livelihoods diversification processes (Janvry, 1981). Overall, enterprise-based diversification looks attractive because of its alleged capacity to promote more sustainable rural livelihoods. Dixon, Gulliver and Gibbon (2001) have identified the development of small-scale, labour-intensive household enterprises as the most promising rural poverty reduction strategy. Moreover, several studies (Barrett, Bezuneh and Abud, 2001; Ellis and Bahiigwa, 2001; Ferreira and Lanjouw, 2001; Escobal, 2001) indicate that in a variety of regional and local settings farmers capable of combining conventional farming activities with innovative rural enterprises enjoy higher income and safer livelihoods than farmers deriving their income from conventional farming alone or from a combination of conventional farming and wage labour.
Notwithstanding, small enterprise development can become a viable pathway towards sustainable livelihoods only if some basic conditions are made available to rural households. These include: (a) availability of (or access to) a reasonable start-up capital, which depending on the nature of the enterprise may comprehend natural (land), human (labor, know-how), financial (saving, credit), physical (infrastructure) and social (cooperative networks) assets; (b) some degree of protection against shocks and negative trends such as social welfare and insurance schemes, etc.; (c) supportive structures and processes including rural enterprise enabling policies, business development services, credit, transport and communication infrastructures, etc. (Escobal, 2001); (d) access to a well developed market capable of providing both a steady supply of inputs, food and other consumption commodities and an outlet to enterprise outputs; (e) access to marketing information, including information on contracting and other vertical integration opportunities; and (f) resilience against market failure and capacity to change the enterprise according to changes in demand and market contingencies (Woldehanna and Oskam, 2001; Barret, Bezuneh and Aboud, 2001; Rider Smith et al., 2001; Abdulai and Crole Rees, 2001). Significant external investments in enhancing access to natural resources, credit, education and training, services, and infrastructure and fair market outlets are thus needed to make rural enterprise development a viable and effective component of rural livelihood security and poverty alleviation policies.

The micro credit provided to self-help groups have brought about an increase in household income and had lessened the severity of poverty. In India, micro credit studies done on groups dealing with dairy farming have noted positive profit levels and short payback periods for loans (Lalitha and Nagarajan, 2002). Now, a large number self help groups are developing with the help of these micro credit facilities. The earnings generated from such undertakings have been instrumental in increasing the physical well being of the households. During the Asian economic crisis, self-help micro credit groups served as important cushions and safety nets. Even the developed countries like UK and USA suffered a lot, during the time of Recession. Even now, they are not fully recovered from this crisis. But India is coping well, this time also. A high proportion of the funds made available for self-help micro credit schemes were utilized by women, enabling them to meet the subsistence needs of their families during those difficult economic times. Many self-help programmes
have also incorporated elements of savings, which can be used for purposes such as health insurance and emergency loans, thereby serving as private safety nets. Self-help groups have been instrumental in empowerment by enabling women to work together in collective agencies. Women’s networks do not usually obtain business or political favours as they command few economic resources and frequently rely on time and non-monetized labour exchange. However, self-help groups, when combined with savings and credit, have enabled women to benefit economically by monetizing their contributions and in the process have empowered them to become agents of change. A related aspect is that self-help groups have facilitated the formation of social capital, where people learn to work together for a common purpose in a group or organization (Putnam, 2000).

Self-help micro credit schemes have not been without their critics, nor are they a panacea for meeting challenges in economic and social development. It is widely recognized that such schemes are not universally successful. Critics have pointed out that micro credit accessed by women has often been appropriated or “hijacked” by other household members, leaving women burdened with the responsibility of repayment and the sanctions of default (Goetz and Sen Gupta, 1996). Some argue that micro-finance programmes divert the attention of women from other more effective strategies for empowerment (Ebdon, 1995), and the attention and the resources of donors from alternative, and possibly more effective means of alleviating poverty (Rogaly, 1996). While micro credit schemes have reduced the vulnerability of women, it has often been pointed out that these schemes do not reduce poverty. The critics opine that the women did not fully get the benefit of the money generated. One important shortcoming is that as micro credit is made available to groups, based on collective collateral, the process of group formation often precludes the very poor, who are perceived as being poor credit risks (Krishnaraj and Kay, 2002). The self selection process will therefore be based on the positive aspects among the rural households. Thus everybody gets the benefits under this scheme. This supports the enhancement of household livelihoods in rural areas.
2.2. Components of livelihood

The reviews of the writings on the concept of livelihood have also thrown up the different components of livelihood, which are elaborated in this section.

2.2.1. Natural Capital

According to Gandhiji “The earth provides everything for the need of man, but not for the greed.” This remark of Gandhiji unveils the great importance of natural capital. Natural capital is one way, that we can account for the various ecological components of the environment and provide a framework to guide assessment of its current state as well as changes over time (Foster, 2003). It is further observed that the concept of natural capital and its associated models were designed by an interdisciplinary group of academics (i.e. sociologists, ecologists, economists and geographers) to bridge the gap between economic development and environmental conservation, and to find some common ground between the economic and ecological disciplines (Foster, 2003). More recently, it has been used as a tool by policy makers to establish programs designed to conserve the environment, while maintaining/increasing human welfare in social, spiritual and cultural terms. Wilcox et al., (2003) argue that natural capital is a useful concept to discuss environmental sustainability for developing indicators that measure ecosystem viability.

The concept of natural capital attempts to integrate both socio-economic and ecological thinking by describing nature as capital rather than as a factor of production. Natural capital has been used by ecologists and economists as a means to convey a greater understanding between the interactions of society and the environment. The definitions of natural capital are influenced by the merging of economic or ecological undertones. The theoretical underpinnings that form the definition will result in different methods of measurement and valuation of natural capital.

Smith et al., (2001) define natural capital as ‘those elements of the environment that yield resource materials and ecosystem services,’ and Hedman et al., (1996) reiterate natural capital as ‘environmentally provided assets.”
that provide a flow of useful goods and services.’ Those that lean more towards the economic perspective often divide natural capital into three basic economic categories: natural resource stocks, land and ecosystems. Natural resource stocks are viewed as the source of raw materials used in the production of manufactured goods (renewable and non-renewable resources). Land is seen as essential for the provision of space in which economic activity takes place, and ecosystems are essential for the services they provide directly and indirectly to the economy and society (Berkes et al., 1998; Roseland, 2000 and Olewiler, 2004). Daly (1997) proposed a fourth division of natural capital, which he termed as ‘cultivated capital.’ This is a hybrid capital that includes agricultural, forestry farms and aqua-cultural systems. This particular capital is not created by people, but is not entirely natural either. People create cultivated capital by taking elements of the natural capital and altering it to suit their needs through the selection process (Roseland, 1999).

Natural capital is a set of goods and services that are defined by a set of environmental characteristics. These characteristics are what make natural capital socially and ecologically important. A fundamental characteristic of natural capital is that it is not created by humans, but can be used, altered (land-use or genetic) or degraded by human action. Many of the goods and services provided by natural resources are used for economic purposes and form most human-based capital and services. Natural ecosystems also provide earth’s life-support systems (referred to as ecosystem services) that sustain humans and other species (Collados and Duane, 1999).

Natural ecosystems are defined by a number of environmental characteristics that determine its capacity to provide environmental goods and ecosystem services. There are four fundamental environmental media that make up environmental goods including air, water, land (habitat) and biodiversity (Ekins et al., 2003). Ecosystem services are the conditions and processes through which natural ecosystems, and the species that make them up, sustain and fulfil human life. They maintain biodiversity and the production of ecosystem goods (i.e. seafood, timber, forage, and biomass) and include the life-support functions for humans and other species (i.e. cleaning, recycling, renewal and intangible aesthetic and cultural benefits). The harvesting and trade of the ecosystems goods are an important and familiar part of the human
economy, whereas the life support systems are important to maintain life (Daily, 1997).

Costanza and Daly (1992), indicated that environmental systems were often ignored by economists, because they were viewed as ‘free gifts of nature,’ available for human use and as a non-limiting factor of production. However, Foster (2003) argue that this viewpoint is outdated. They assert that the environment is the limiting factor, and that current economic policy should be designed to increase the total amount and productivity of natural capital.

Changing socio-economic policy to reconsider the environment as a limiting factor is a considerable challenge, as neoclassical economics views the economy as a separate system from the environmental and other social systems. Development is often defined as an increase in Gross Domestic Product (GDP) through price efficiencies and technological advancement. Often, development, in the traditional sense works against environmental protection and enhancement, where it is thought that technological improvement can substitute for environmental components (Collados and Duane, 1999).

The concept of capital has not only been adapted to encompass the environment. Researchers from other disciplines (i.e., sociology, geography) have also expanded the basic form of capital (manufactured) to include two other types of capital, including social capital and human capital (Putnam, 2000; Roseland, 1999; Woolcock, 2001; Flora and Flora, 1993). Costanza (2003) argues that this expanded interpretation of capital better reflects society. Human capital extends the notion of viewing human economic inputs not only as physical labour, but to include other human contributions to the economy such as the knowledge, skills, and experiences required to carry out tasks (Johnson and Stallman, 1994). Human health is also viewed as a critical component of this capital. Manufactured capital, also known as physical or built capital, consists of human-built infrastructure, technology, and materials used in economic production. Finally, social capital is a complex concept that attempts to encompass societal bonds, interactions and relationships that engender the ability of people to work together. It is sometimes paired with cultural
capital, that refers to “. . . the myths, beliefs, and norms that organize groups and facilitate survival” (Woolcock, 2001).

A more recent concept that has emerged is the idea of critical natural capital, developed out of a central debate around the concepts of weak and strong capital sustainability. The key difference between weak and strong sustainability is whether natural capital can be substituted with other forms of capital (De Groot et al., 2003; Ekins et al., 2003). The weak sustainability theory considers natural and human-made capital as substitutable as long as total capital stock remains constant, whereas the strong sustainability theory suggests that there are critical forms of natural capital that cannot be substituted by human-made capital and must be preserved at all costs (De Groot et al., 2003; Ekins et al., 2003; Roseland, 2000; Costanza and Daly, 1992).

There are two different views of critical natural capital: one that is based on an ecocentric perspective and the other on an anthropocentric perspective. The ecocentric perspective views ecosystems as the most important component to the maintenance of environmental health, while the anthropocentric perspective views ecosystem services as critical to the maintenance of human health and well-being (De Groot et al., 2003 and Mac Donald et al., 1999).

Natural capital is a complicated concept that has been adapted as new information becomes available. There is still a lack of knowledge of the various components of the environment, their interactions and the impacts of the social and economic system on the environment. However, natural and economic researchers are continuing to expand the level of knowledge available. With this new information informed decisions can be made to aid the measurement and valuation of natural capital. As natural capital is a fairly new concept, a considerable amount of controversy exists.

By measuring natural capital through monetary means, policy makers could get an idea of its total value. However, the evaluation of natural capital through monetary means also has challenges. Since there is little information about the environment, there are no appropriate market prices established on environmental goods and services. There are also potential adverse effects of valuing the environment in monetary ways. If a resource stock declines slower or faster than the
price of that good/service rises, then the value of the resource stock will remain constant (Victor, 1991). This can cause unsustainable environmental consequences, because there is an illusion that the stocks of environmental resources are constant, when in fact they are declining (Wackernagel and Rees, 1996).

Natural capital also contributes to the production of both marketed and non-marketed goods and services that benefit human welfare (Costanza, 2003). Costanza and Daly (1992) argue that natural capital contributes significantly to the development of economic goods and services and that failure to account for natural capital goods and services underestimates the overall GDP of a nation.

Costanza et al. (2002) acknowledges that there are a variety of different ways to value natural capital (Economically, Ecologically and sociologically), but the concept itself is useful because people have some notion about ‘capital’ and the impacts that the economy has on the environment. Since natural capital produces economic goods and services, failure to account for its contribution results in misperceptions of how well the economy is doing.

The purpose of economic valuations is to account for the contribution of natural capital goods and services provide to the economy and human welfare. The values that people hold, determine the importance they attribute to material goods and social activities.

The concept of natural capital is a new way of thinking about the environment in order to achieve sustainability at all levels (global, national, regional or local). There is a need to reinterpret the way that wealth and capital is viewed. All the capitals combined (human, social, economic and natural) work together to contribute to the wealth of a nation or a community. In order to have healthy and sustainable communities, there is a need to increase both the ecological carrying capacity and social carrying capacity (Roseland, 2000). Developing an understanding and identifying measures of natural capital is critical for rural and resource-based communities, that are aiming towards a sustainable future through improving their human and ecosystem well-being, and building their community capacity.
Natural capital is important to the survival of rural and urban communities alike. Rural communities depend on natural capital for economic purposes such as for extraction (forestry, agriculture and fishery), and recreation (tourism). Urban centres depend on rural communities and natural capital for commodity goods (i.e. food and other material) and services. For both, natural capital is important spiritually and emotionally. In rural communities, many people identify themselves based on where they live and how they make their lifestyle, all in which natural capital place a role.

2.2.2. Physical capital

Physical capital comprises the basic infrastructure and producer goods needed to support livelihoods. Infrastructure consists of changes to the physical environment that help people to meet their basic needs and to be more productive. Producer goods are the tools and equipment that people use to function more productively. The following components of infrastructure are usually essential for sustainable livelihoods: affordable transport; secure shelter and buildings; adequate water supply and sanitation; clean, affordable energy; and access to information (communications). Infrastructure is commonly a public good that is used without direct payment. Exceptions include shelter, which is often privately owned, and some other infrastructure that is accessed for a fee related to usage (e.g. toll roads and energy supplies). Producer goods may be owned on an individual or group basis or accessed through rental or ‘fee for service’ markets. The latter being common with more sophisticated equipment.

Physical capital comprises the productive assets that a household possesses. This includes basic infrastructure (such as transport, shelter and buildings, water supply and sanitation, energy and communications) and producer goods (tools and equipment) needed to support livelihoods. Physical capital is the stock of human made, material resources that can be used to produce a flow of future income (Lachmann, 1978). Ellis (2000) defined physical capital as the capital created by economic production processes. The physical capital is further divided into two categories: basic infrastructure (transport, buildings, water supply) and producer goods (tools, equipment, etc) (DFID, 2000). The study puts more emphasis on the producer goods as this can be easily measured at household level.
Many participatory poverty assessments have found that a lack of particular types of infrastructure is considered to be a core dimension of poverty. Without adequate access, to services such as water and energy, human health deteriorates and long periods are spent in non-productive activities such as the collection of water and fuel wood. The opportunity costs associated with poor infrastructure can preclude education, access to health services and income generation. For example, without transport infrastructure, essential fertiliser cannot be distributed effectively, agricultural yields remain low and it is then difficult and expensive to transport limited produce to the market. The increased cost (in terms of all types of capital) of production and transport means that producers operate at a comparative disadvantage in the market. Insufficient or inappropriate producer goods also constrain people’s productive capacity and therefore the human capital at their disposal (Shackle, 1992). More time and effort are spent on meeting basic needs, production and gaining access to the market.

Physical capital (in particular infrastructure) can be expensive. It requires not only the initial capital investment, but an ongoing commitment of financial and human resources to meet the operation and maintenance costs of the service. The emphasis is therefore on providing a level of service that not only meets the immediate requirements of users, but is affordable in the long term. It can also be important to provide simultaneous support to skill- and capacity-development to ensure effective management by local communities. Infrastructure is only an asset in as far as it facilitates improved service provision to enable the poor to meet their needs. For example, a participatory assessment may reveal that a key constraint to the livelihoods of a particular group is the difficulty of carrying produce to market, especially during the rainy season. A livelihood ‘response’ to this problem will include not only improvements to the physical infrastructure to improve water crossings, or drain a track during the rains, but also would consider encouraging an affordable transport service using appropriate vehicles, for example bullock carts.

The voices of the Poor can be heard across several countries, where poverty or ill-being was identified as being complex and interwoven, including a material lack and need for shelter, assets, money and often characterised by hunger, pain,
discomfort, exhaustion, social exclusion, vulnerability, powerlessness and low self-esteem (Narayan et al., 2000).

2.2.3. Human capital

According to DFID (1999) and Scoones (1998) human capital refers to the amount and quality of labour available. According to Carole and Lloyd-Jones (2002), the labour resources available to households have both quantitative and qualitative dimensions. Quantitative refers to the number of household members and time available to engage in IGAs, while qualitative refers to the level of education, skills and health status of HHD members. The VCGs’ service delivery is influenced by the availability of both the quantity and quality of labour resources. As noted by Rakodi (1999), skill training enables people to take advantage of economic opportunities. Therefore, the study considered both quality and amount of labour, as they both had an effect on the performance of the volunteers on IGA and CHBC service delivery.

The human resources that are required to provide productive labour, consist of cognitive, psychomotor and emotional skills. Engberg (1990) distinguished social skills and physical strength as important human resources. Access to human capital, in the form of educated and functionally literate labour, having a person of pensionable age and a migrant household member in another are the most common endowments of rural households. Livelihood security is enhanced, if the household invests in its member's human capital development and potential. A great number of studies indicate that poverty is closely associated with low levels of education and lack of skills (Ellis, 2000).

Health is another core component of human capital. Good health is an important asset, because most rural people rely on physical labour for income in cash or in kind. Chambers and Conway (1992) identified the bodies of most poor people as their main asset. The body has a number of dimensions, which include health, strength, time availability, and the ability to take decisions over utilisation of labour. Health impairment or illness and premature death cause a severe drain on household resources and affect the economic stability of the household (Narayan et al., 1999).
It is clear that the strength and livelihood security of a community depend on its stocks of human capital. An individual's access to livelihood assets and resources can be limited by lack of education and training. Health constraints can affect the ability of people to perform essential tasks and can bring severe distress and even destitution to households. Another constraint to human capital development is nutrition inadequacy that impairs the ability of people to perform biologically, thus diminishing strength and endurance and this in turn affects working capacity (Ellis, 2000).

The traditional knowledge was based on a concept that, the human capital was relates in the lives of rural people. This is true, particularly in women's lives, because of their role in safeguarding household food security and family nutrition. Therefore, it is an asset and a driving force for self development. Traditional knowledge was based on people's experiences and those of their ancestors built up over many generations. Contemporarily, there is an interest in the scientific and economic value of traditional knowledge, for example in the areas of food security, medicinal plants and crafts (Davis and Ebbe, 1993).

2.2.4. Financial / Economic capital

Financial capital denotes the financial resources that people use to achieve their livelihood objectives. The definition used here is not economically robust, in that it includes flows as well as stocks and it can contribute to consumption as well as production. However, it has been adopted to try to capture an important livelihood building block, namely the availability of cash or equivalent, which enables people to adopt different livelihood strategies. There are two main sources of financial capital: (a) Available stocks- Savings are the preferred type of financial capital because, they do not have liabilities attached and usually do not entail reliance on others. They can be held in several forms; cash, bank deposits or liquid assets such as livestock and jewellery. Financial resources can also be obtained through credit-providing institutions. (b) Regular inflows of money: Excluding earned income, the most common types of inflows are pensions or other transfers from the state, and remittances. In order to make a positive contribution to financial capital these inflows must be reliable (while complete reliability can never be guaranteed. There is a
difference between a one-off payment and a regular transfer on the basis of which people can plan investments).

Farm-led growth in employment and real purchasing power has received renewed recognition in recent years as the most effective “engine” of economic development and pro-poor growth. Agricultural growth supplies basic foods and raw materials for industry and exports. It frees foreign exchange for import of industrial and capital goods, releases labour and capital (rural savings and taxes) to the non-farm sector, generates rural purchasing power for non-food consumer goods and services, supports growth in services and trade and provides a nascent market for an emerging manufacturing sector (Thirtle et al., 2001). For the majority of the rural poor, there may also be few alternatives, for example, Kydd et al. (2001) have argued that the majority of the rural poor are located in areas with no viable alternative income generating activities to agriculture.

This recognition, that it is economic and particularly agricultural growth that reduces poverty, is not new, but it has been relatively neglected over the past 20 years during which the focus has been on macro policy. Foreign aid has turned away from agriculture in favour of social service provision and urban oriented developing country governments have given inadequate attention to agriculture. Brown and Haddad (1994) contended that economic growth, while by no means a sufficient condition for sustained poverty alleviation, is undoubtedly a necessary one, and that for many developing countries, agriculture is the most effective and frequently the only viable sector to generate economic growth. Indeed, very few countries have experienced rapid economic growth without agricultural growth preceding or accompanying it, while in the last 20 years countries that experienced real declines in agriculture had the lowest economic growth rates (Brown and Haddad, 1994).

For the poorer developing countries, economic growth is dependent on increases in agricultural productivity, which provides sufficient food for a growing non-agricultural population. The expectation is that, as this structural transformation proceeds, agriculture accounts for a falling proportion of employment and income. However, the growth process is driven by the development of the agricultural sector. Increases in food supply keeps food prices down, which is critically important to the
poorest people who spend up to three-quarters of their income on food. This will not only benefit the urban poor, but also large numbers of people who are net purchasers of food in rural areas. In an economy where food is only partially tradable, productivity increases in agriculture should result in a decrease in food prices that primarily benefit the poor. Recent studies of poverty reduction in India support this view (Datt and Ravallion, 1996). Population growth may offset this by keeping food prices up and rural wages down, however, overall agricultural intensification and productivity improvements have the potential to be both pro-poor and pro-growth (Thirtle et al., 2001). The sectoral composition of economic growth matters. Rural growth reduces poverty in both rural and urban areas, whereas urban growth does not alleviate poverty in rural areas. Similarly, growth in the primary sector reduces poverty in rural and urban areas, while growth in manufacturing has no impact on poverty in either (Datt and Ravallion, 1996). Thirtle et al. (2001) cite a range of other empirical studies that show similar results.

Rais et al. (2009) studied the impact of dairy farming on livelihood of participating women under Grameen Bank in a selected area of Rangpur District in Bangladesh. The study revealed that increase in income from dairy sector was the highest. In general the average per family total income increased by 87.51 per cent. It was indicated that the households gained remarkable increase in rented-in land (113.33 per cent) after being a member of GB with a dairy cow. Mavi et al. (2006) conducted a study on the impact of self employment programme on dairy farming in Fatehgarh Sahib District of Punjab. The study revealed that, there is significant increase in total income (109751 to 188011), dairy income (23434 to 103948), herd size (4.4 to 15.5) of the farmers after participation in the programme.

The study of Rakodi (1999), with regard to distribution of assets (Rickshaw and Sewing machine) under the bank loan scheme and its impact in terms of increase in income and reduction in debt of the beneficiaries confirms that there is an increase in the average monthly earnings. They have also found that a portion of the income gain is, diverted to fulfil the repayment obligation. According to Bristor (1995), women headed households are a result of widowhood, migration, desertion or the illness or addictive habits of their husbands. The delivery structures of welfare schemes do not recognise women as heads of households. In the absence of social
security, they suffer a higher incidence of poverty. Moreover, the indebtedness of women headed households is on the increase, as these women are unaware of the credit schemes applicable to them and the concerned authorities not comprehend the credit requirements of these poor households.

When reviewing the development programmes for the urban poor Thirtle et al. (2001) subscribe to the idea of integrating all the development programmes, ensuing the convergence of ameliorative services applicable to the social (caste-set) and environmental (living area) deprivations in order to achieve a sustainable increase in the level of income of the beneficiaries.

Thakur (1991) examines the impact of poverty alleviation programmes on the economic status of the beneficiaries in the eighties, taking into account their socio-economic factors. The study is with reference to the beneficiaries in the urban areas in the low-hill zone of Himachal Pradesh. The caste-wise analysis of the value of household assets of the beneficiaries reveals that the value of household assets inherited and the assets received under the Government scheme is higher among the non-scheduled caste households as compared to the scheduled caste households. An important lacuna identified in the Poverty Alleviation Programmes is that income generating assets such as sewing machines and knitting machines have not been given to the beneficiaries. Credit facilities are provided under the Poverty Alleviation Programmes to enable the beneficiaries to pursue petty trade or self employment. This has not been availed to the fullest extent as the weaker sections lack risk bearing capacity. The beneficiaries, especially those belonging to SC are further disadvantaged on account of socio-economic factors like high dependency ratio, low level of literacy, low income and incidence of indebtedness. The author concludes that their debt burden is continuously increasing in spite of the participation in the Poverty Alleviation Programmes.

The International Fund for Agricultural Development’s (IFAD) Rural Poverty Report 2001 claims that 75 per cent of the 1.2 billion people living below $US 1 per day are rural and estimates that by 2020, 60 per cent of the world’s poor will still be rural. Thus most poverty in the world is rural, and reaching the UN International Development Targets means giving high priority to rural development.
(Maxwell *et al.*, 2001). South Asia and Sub-Saharan Africa continue to be the regions with the greatest concentrations of absolute poverty, and only East Asia has managed to substantially reduce the proportion of its population that is absolutely poor (Brown and Haddad, 1994).

The recent research which was conducted particularly in Southeast Asia and Latin America supported a new dimension that the crux of poverty reduction is economic growth; therefore it is critical to support the productive activities of the rural poor, given the structure of developing economies (high proportion of GDP and employment in agriculture) (Dollar and Kraay, 2000). Fan *et al.* (1999) argue that economic growth is the only way of providing a permanent solution to the poverty problem and increasing the overall welfare of rural people.

Ravallion (1992) assesses the role played by Employment Guarantee Scheme implemented in India during the eighties. According to him the schemes have been designed as piecemeal policy instruments for smoothening the odd edges of the growth process. He suggests that in order to have favourable impact on the level of income of the beneficiaries, these schemes should be recast in such a manner as to be able to efficiently transfer resources to the poorest on a continuous basis. He also comments that the favourable impact of the schemes on the low Income groups would depend upon the extent to which the political and economic constraints facing the policy makers are tackled. He explains the economic constraints in terms of the work requirement of the schemes which impose the cost of forgone income on the participants. With reference to the political constraint, he draws attention to the fact that the intervening agents like local administrators have some discretion in the selection of the beneficiaries. In this context, political and personal factors may worsen the targeting performance. Hence, he recommended that the selection of beneficiaries should be made only on the basis of an ideal means test.

Jain *et al.*, (1996) evaluate the progress of Nehru Rojgar Yojana (NRY) in a medium sized city in Rajasthan commissioned by the institute of policy study. An important observation of the study points towards the slowness of service delivery by the banks as the major hurdle for obtaining loan for the beneficiaries of self employment component of NRY. It is evident that the scheme has favourable impact
on the economic status of the beneficiaries. Seventy percent of the participants have income gain varying between Rs 100 - Rs 500 per month. A crucial observation of this study is that the prospect of sustainable income improvement depends on how additional incomes are used. It is found that approximately one third of the beneficiaries use the additional income for meeting household expenditure. In the first round 20 per cent of the household invest the additional income in business in the first round and 40 per cent do so in the second round. Around 4 per cent of the beneficiaries alone save the additional income for meeting contingencies.

As inadequate access to financial loan is a major problem for the poor households in the slum, the Baroda Citizens' Council has set up a community savings and loan association (CSLA). Small loans of short duration are supplied to about 1600 households in the slums. Vaidya (2009) evaluates the impact of the loan programme on the economic status of the beneficiaries. The association is mainly operative on the savings made by the slum dwellers. Recently the Housing Development and Finance Corporation (HDFC) has provided financial assistance to CSLA and the author points out that for the first time, finance from the organised sector is used for the developmental activities of the low income groups in the slum. A unique aspect is that 66 per cent CSLA members are women, who are helped to take income generating activities through training, finance and marketing support. CSLA provides credit assistance between Rs. 500 to 5000 for house repairs, hospitalisation and income generating activities. The author suggests that small loans up to Rs 500 should be provided for emergency requirement without going through the process of application and guarantee.

Hari and Kumawat (2006) conducted a study on the impact of Swarnajayanti Gram Swarojgar Yojana (SGSY) in Jhunjhunu (Rajasthan). The study revealed that small farmers who obtained assistance under SGSY for buffalo rearing could be able to increase their annual income by Rs. 15,310 over and above Rs. 14,170 earned by the non-swarojgai families. In percent terms it was about 108 per cent higher than that of non-swarojgari families. The study also revealed that the buffalo rearing activity helped to increase employment by 92 man days (52.79 per cent) for small farmers and 72 man days (46.15 per cent) for marginal farmers. Jain (2006) reported the positive impact of employment generation on 45 per cent of the group members
who had undertaken income generating activities. The additional employment generated through SHG lending worked out to 172 mandays per member by undertaking supplementary activities such as animal husbandry, poultry etc. and nonfarm activities like petty shop and flower vending business etc. Jayachandra and Naidu (2006) conducted a study on the impact of dairy cooperatives on income, employment and creation of assets of marginal and small farmers. The study revealed that the increase in income from dairying Rs.850 (25.5 per cent) in the case of marginal farmers and Rs.1480 (22.98 per cent) in the case of small farmers per annum. More idle women in the families of both the categories of farmers have taken up dairying as a part time and full time employment. The value of asset has increased 15 per cent in the case of marginal farmers and 12.5 per cent in the case of small farmers.

2.2.5. Social capital

Generally social capital refers to the set of norms, net work and organisation through which people gain access to power and resources that are instrumental in enabling decision-making and policy formulation. Economists add to this focus, the contribution of social capital to economic growth. At the micro economic level, they view social capital primarily in terms of its ability to improve market functioning. At the micro economic level, they consider how institutions, legal framework, and the government’s role in the organisation of production, affect micro-economic performance.

Putnam (1993) points out social capital as a set of ‘horizontal associations’ among people who have an effect on the productivity of the community. These associations include ‘networks of civic engagement’ and social norms. Two assumptions underlie this concept. The first is that networks and norms are empirically associated; and second, that they have important economic consequences. In this definition, the key feature of social capital is that, it facilitates coordination and cooperation for mutual benefit of the members of the association.

Coleman (1988) sees social capital as a variety of different entities, with two elements in common. They consist of some aspect of social structure and facilitate certain actions. They may be personal or corporate actors within the structure.
Coleman thus redefines the structure by using his own definition. From the outset, this definition broadens the concept to include vertical as well as horizontal associations and the behaviour of other entities, such as firms. This wide range of associations covers both negative and positive objectives. Coleman states explicitly that ‘a given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others’.

Research done by Schneider et al. (1997), shows that ‘the design of the institutions delivering local public goods can influence level of social capital... government policies can and do affect the level of social capital. Changing the structure and composition of school boards, enhances significantly the level of parental involvement in a wide range of school-related activities that in turn help build social capital. Lam (1996) and Ostrom (1998) present similar conclusions about the design of irrigation systems. Ostrom demonstrates for the case of farmer-managed irrigation systems, how physical and organisational characteristics of the system work as parametric conditions under which individual makes choices about collective action. Opportunities for sustained cooperation are enhanced when organisational arrangements, such as coast sharing, tend to balance the distribution of bargaining power between head and tail-enders. But there are other studies, as well, which reinforce opinions about the historical and evolutionary origins of social capital. (Burt, 1992) claims that differences in economic performance among regions in Italy are accounted for largely by inherited patterns of social interaction among firms. Trust and reciprocity among firms are higher in regions where polycentric networks are the norm than in those where inherited networks are hierarchical or fragmented. Fukuyama (1995) similarly regards trust in any society as a product of inherited and in the short term inflexible patterns of cultural inheritance.

The concept of ‘social capital’ represents the latest approach for sociology of economic development. Parson’s viewpoint is that before the advent of social capital there were other types of development models of modernisation. But these models were discarded. The earlier models were especially devised by functional sociologists who represent the stages of social evolution. These earlier models are now only to be reproduced in a systematic arrangement with the concept of social capital being applied to an ever greater number of social forces influencing economic capital.
The model of presenting sociological variable as social capital along with the other manifestations of capital (human, natural and physical capitals) is same as adding a new and smaller room of economics to an already existing building. Though innovative system, social capital has resemblance with older system it looks upon economic and social security as the foundation of its purposes. For certain purposes narrow views of social capital as ‘social network’ (Burt, 1992) or as civic associations (Putnam, Leonardi and Nanetti, 1993) are perhaps useful, but if integration of sociological knowledge into economic thinking is to occur, we need a broad conception of social capital. Indeed, we may have to exhume the long-dead functionalist theories, bring them back to life and combine their enduring insights with other modes of sociological reasoning.

The concept of social capital is wide. Social capital can be defined as the enhancement of those forces that amplify the economic development of a society by creating and prolonging social relationship and patterns of social organisation. These forces function at larger, smaller and moderate levels of analysis. That is, social capital formed (a) as a population becomes organised to meet basic and fundamental needs for production, reproduction regulation and coordination (the macro institutional level); (b) as corporate units organize human capital and as categoric units generate social distinctions influencing how members of a society are treated (the meso level); and (c) as social encounters in the forms of face to face interaction unfold within corporate and categoric units (the micro level).

In this context, social capital is delineated as the collection of ceremonial as well as unceremonious social webs that individual devise to produce or allocate goods and services. It shows similarity with earlier definitions by stressing the fact that social capital is about the frequent relationships between individuals. Social capital is seen as a generalised predisposition to cooperation and trust, this leads to the empirical prediction: there is consistency in networks chosen by an individual from one situation to another, even though there may be a wide dispersion of social capital between individual within a society. An individual quantum of social capital can be gauged by measuring his / her temperament to trust other people or major institutions of society. An alternative mode of assessing an individual quantum of social capital is by adding up the individual’s participation in optional associations.
As a result a study is to be held to dissect the reasons which make some people or cultures more reliable than others. These reasons may be based on certain well grounded social psychological concepts. But they are different from the ‘bottom line’ concern with the production of goods and services in particular situations- which is the core of Coleman’s political economic approach (Coleman, 1998).

Social capital is the shared knowledge, understanding, norms, rules, and expectations about pattern of interactions that groups of individuals bring to a recurrent activity (Putnam, Leonardi and Nanetti, 1993). When an individual is to do an activity which he has done many times in relation with his society, he shows a natural tendency to devise the shared knowledge and experience that he acquired from the earlier social situations. In the establishment of any coordinated activity, participants accomplish far more per unit of time devoted to a joint activity, if they draw on capital resources to reduce the level of current inputs needed to produce a joint outcome. They are more productive with whatever physical and human capital they draw on; if they agree on the way that they will coordinate activities and credibly commit themselves to a sequence of future actions. In the realm of repeated coordination problems, humans frequently face a wide diversity of potential equilibrium in the set. When they face social dilemma or collective-action situations, participants may easily follow short-term, maximizing strategies that leave them all worse off than other options available to them. Somehow participants must find ways of creating mutually reinforcing expectations and trust to overcome the perverse short-run temptations they face (Ostrom, 1998).

Never is social capital confined to a single form or idea. It takes many different forms. Putnam, Leonardi, and Nanetti (1993) identifies social capital as involving networks, norms, and social beliefs that evolve out of processes that are not overtly investment activities. Family structure is considered another form of social capital. Bates (1990) for example, summarizes research on the Luo and Kikuyu of Kenya, the Bambara of Mali, and on East African pastoralists, and clearly demonstrates that different types of lineage groups create different types of property rights and access to flows of future incomes. He points to the costs to individual families of belonging to extended lineages and the benefits that they obtain by
spreading risk in those environments where ecological or economic variation is very high.

The concept of social capital is attractive to governments and development agencies in part because it could enable decision-makers to make investments that increase the efficiency and probability of success for development initiatives. So government and other development agencies guide the functioning of social capital. It ensures the economic security of the nations and bestows each of the citizens with gainful livelihoods. It would not just explain differences in success between projects or between communities. It could contribute to success.

The understanding of social capital proposed here is consistent with an investment approach, although social capital appears more akin to natural than to physical capital, being largely inherited from generation to generation. Structural and cognitive forms of social capital can be built up over time. The formation of social capital cannot be compared with the planting of a forest. Social capital cannot be seeded as simply and directly as a forest is planted. But what is common in the formation of social capital and the planting of forest is that both social capital and forest have to ‘take root’ after being established. Social capital investors cannot influence the motivations and evaluations of people so much as reforestation influences soil, water and nutrient condition. Unlike the mineral deposit which was created years ago as a fixed stock, the evolution of rules, roles, norms and values which constitute social capital is accumulative and dynamic. It is similar to the formation of soil. Diverse processes are involved in the evolution of social capital as in the formation of soil. But the progress of the rules, roles, norms and values is fairly faster than the formation of soil. Regrettably, just like the soil, the social networks may perish faster (Woolcock, 2001).

Much of the creation of social organisation- role, rules, procedures, precedents, relationships- is unplanned and purposive only in small ways. Its role as social capital is mostly a by-product. These components of social organisation unite into networks and thus enable the people to act together in reciprocally advantageous ways. Not contributing to the reciprocal advantage, organisation, which is purely coercive or exploitive, is essentially redistributive rather than productive. It does not
come under the title of social capital. Though the emergence of values, norms, attitudes and beliefs which constitute social capital is a gradual process, their destruction is abrupt. Much as with other forms of capital, accumulation occurs usually with some expenditure though net expenditure can be fairly small if the benefits are evident and attractive. What has been accumulated can be subsequently lose through a variety of uses or misuses.

2.3. Social capital and livelihoods

Social capital is established with the solitary objective to keep up advance livelihoods. Social capital can be defined as the judicious bend of the trails of social organisation which enables the society to advance its efficiency through reciprocal advantageous interactions. Social capital pivots on the amount as well as the excellence of mutual beneficiary interaction. Social capital being engrafted in social structure and bonds, institutions enforces its creation and use. A vigorous civil society functions as a nursery for establishing social capital. Social capital acts on all levels- micro, meso and macro (World Bank, 2000). It serves as an amalgamative force which unites all the social concepts together. Social capital, perceived by Bourdieu (1985) and Coleman (1988) focuses on the micro or individual perspective. If we perceive social capital from an individual regard we can see it as functioning for the individual advantage resulting from the individual’s successful interaction with his society. Social interaction here becomes purposive. The purposive is to devise social interaction as a resource from which advantage can be derived. Hence individual benefit can be attained by building up social interactions. Thus Social capital can be considered as other forms of capital in which an individual can purposefully invest. Nevertheless we can assert that social capital is out and out a deliberate endeavour to gain profit. In fact social capital is an accidental repercussion of individual reciprocal interaction for some other purpose. The reason for mutual interaction may be plainly because of man’s social nature. Another reason is that utility can only be attained by maintaining social relationship. Novel and wider perspective of social capital have extended the concept of social capital. It has been widened so as to discuss the sock of social capital at the community provincial or national level. This concept is perceived by Putnam (1993) in his pursuit of facts about the role of horizontal connection on governmental efficiency in Italy. The
consideration of social capital in moderate and larger level has a probability of eluding the individual’s role in forming capital taking the stock as given. An amalgamative view of social capital thus pursues to include the components of each of these perspectives of social capital. The household livelihood strategies and rural development projects, the existence of social capital at a meso or macro level plays an important role as well as household decisions that directly or indirectly lead to the creation of social capital.

A study held in Senegal in the year 1995 about poverty and living conditions, shows that rural people preferred an extended and sound family web which would enable them to have gainful employment credits and financial aid (Narayan et al., 1999). Goldsmith (1996) describes social capital as an accumulation of various types of "social, psychological, cultural, cognitive, institutional and related assets that increase the amount (or probability) of mutually beneficial cooperative behaviour". Not only the individual but also the community is profitable from the reciprocal interaction among individuals. Kinship networks, friends, neighbours and the community are critical assets and coping mechanism for the rural households.

Social capital plays dual roles, as social webs bestow the individuals with profit such as access to scarce resources. Nevertheless membership needs to have claims and entitlements made upon one’s resources (Narayan et al., 1999). Of the rural population, women badly need aid. In rural regions, women confront too many chaotic situations such as defenceless financial crises, ill health, unstable relations with husband and diverse ascending and descending situations in the households. Social capital to a great extent is a powerful means to goad women’s capacity to transcend all these vexations in the household. When a member in a society is in a predicament, he is prompted to seek help from his neighbours, friends or other social members. This will lead to intimate relationship between the member and his community and thus it will result in social cohesion. Confrontation of problems in an individual’s life and his inclination to seek help from community, create new bonds and strengthen social relationships. Hence social capital acts as a meaningful aid which helps people to surpass the individual’s problems in their daily life (Robb, 1998).
Unceremonious webs alone are of no avail in supporting the rural population especially women. To women, ceremonial and organised networks are more reliable and they feel more comfort when they act in a formal social organisation. Such formal organisations, in which women are involved, underpin the enhancement of the society and its economic security. These organisations reach their goals by making women self sufficient and self reliant. Women are enabled to discern the strategies of earning wealth through the traditional activities such as sewing, crocheting and baking.

Social capital is a two-way process, because social networks provide benefits such as access to scarce resources. However, membership also entails having claims and entitlements made upon one's resources (May, 1996). Social networks are important, in particular for rural women, for mitigating uncertainties, such as a vulnerable financial situation, ill health, unstable relations with husbands and numerous up-and-down situations in the household. In some communities, a time of crisis may result in strengthened social cohesion and may even generate new relations that improve overall social capital as poor communities find resourceful ways of overcoming their problems (Robb, 1998).

Informal networks alone are not sufficient basis for coping strategies, especially for rural women. They usually participate in formal social networks or organisations in groups. Women's groups generally promote the social and economic development of the poor rural population. They do this by enabling members to improve their livelihood strategies. Most of these groups engage in traditional women's activities based on the home economics extension model, such as sewing, crocheting, baking and so forth. Community groups offer collectively owned or managed assets and resources. For example, community gardens inputs are shared to produce more food. In examining social capital, it is important to identify claims made on individuals or households, relatives, neighbours, community groups, NGOs, the state and the international community. Claims are an intangible asset defined as "demands and appeals, which can be made for material, moral or other practical support or access" (Chambers and Conway, 1992). Often claims of food, implements, loans, gifts or work are frequently made at the time of stress or shock. By claims they mean that people can call upon material, moral and practical assistance or support.
2.4. Sustainable Rural Livelihoods

Lucas (1997) identified education, skills, knowledge and health as human capital which spurs the access to gainful livelihoods. This individual human capital has been looked upon decisive factor of migration probability. It is blatant that people, who are gifted with education, knowledge, skills have relatively better advantage in destination labour markets and they do show remarkable probability to migrate. This implies that the better off are likely to be represented disproportionately high in migration streams. Nevertheless educational attainment does not stimulate the migration tendency as much as the other assets.

Planning Commission of India (2000) recorded that, the number of assets created under JRY and EAS in Fingeshwar and Kharkhara. Under JRY over 82 per cent of the total assets were created. It also showed that creation of assets under both the schemes is higher at around 60 per cent in Fingeshwar Gram Panchayat. Transhiti and Mahabub Hossain (2001) found that the coefficient of worker is statistically significant in rice income and in non-rice income as well as in total household income equations. The coefficient of human capital is significant in the equation for non-rice income but not for the rice income. This finding suggest that human labour is still a major source of income in rural economy but it requires much more skill and technical knowhow for mobility from agricultural to non-agricultural activities. Sarma (2004) advocated that the theory of under development views poverty as product of the vicious circle of low per capita income, low savings, and consequently low capital formation and productivity and so on. In rural regions unemployment, under employment and unsustainable livelihoods retard the growth of per capita income and thus cause poverty and other economical problems.

Sarma (2004) observed that the social infrastructure for the elements of human capital such as education, skills and training is to be improved so that people will become capable of achieving gainful employments. He also hinted that care should be paid to spur self employment on a macro level through the provision of micro credits. Thus obliteration of poverty is the focal area in India’s special emphases in the provisions of Basic Minimum Services (BMS). ETC, India 2004, in its report, indicated that income generation programme launched through SHGs in all
the watersheds have been able to make good impact on the income levels of the landless and the marginal farmers. Women’s skills in the field of commerce have been improved by proper training, besides the income level could be raised. The case of women who derived profit from small scale industries bears testimony to the above mentioned fact (Sarma, 2004).

Sridhar (2005), in their Quick Evaluation of Beneficiary Oriented (SC/ST) Programme of SGRY, revealed that, 30.30 per cent beneficiaries who acquired various sustainable income generating assets e.g. sewing machines, rickshaw vans, cattle etc., confirmed of increase in their income. Nearly nineteen per cent beneficiaries of the total who were sanctioned for open irrigation wells, bore wells for irrigation could increase their income as an outcome of the asset. Dolli (2006) conducted a study on sustainability of natural resource management in watershed development project in Bijapur district, which revealed that the impact of NRM was positive and significant on livelihood of participating families in both the projects. The significant impact was also seen with respect to human, physical, natural, social, financial capitals and also food security of the participating farmers both in case of SHG and non-SHG members.

2.5. Rural Livelihood Diversification

As noted above, the linkages from irrigation development may expand the non-farm labour market as well as providing rural households with opportunities for livelihood diversification. Diversification is a key feature of livelihood strategies. It is defined as the process by which rural families construct a diverse portfolio of activities and social support capabilities in order to survive and to improve their standards of living (Ellis, 2000). When rural households are engaged in diverse activities mainly for economic support, their livelihoods become more stabile and reliable. Pivoting on a single livelihood has become very risky. Smallholders and landless workers may earn around half their total household income from non-agricultural sources. Thirte et al., (2001) cite several reviews of farm household surveys for Latin America, the Caribbean, Africa and Asia. They established that in most cases, 25 to 60 per cent of household income was from non-farm sources. Most estimates were in the 40 to 50 per cent range. It is generally assumed that the share of
income from non-farm sources has been increasing over time; however, there is a lack of comparable farm surveys to establish this.

Many rural households may therefore have complex livelihood strategies that cross the simple boundaries of hunting and gathering, farming, labouring, and being an entrepreneur and a consumer. They may engage in all of these activities, farming a small plot and selling some of the product, earning wages as labourers, purchasing agricultural products and other commodities on the market, and collecting wild resources. For such households, the in-farm output, prices, employment, wages and natural resources that may arise from irrigation development may have complex effects. Thus the concept of diversification offers limitless ways of earning one’s bread and butter.

As a result of livelihood diversity complicated interactions with poverty, income distribution, farm productivity, and environmental conservation and gender relations occur. Rural people are eager to branch out livelihood and they may do this, regionally or over long distances. As a by-product of diversification of livelihood there occurs the phenomenon of multi-locational households. Rural people migrate from their indigenous area to another area in a particular season or they make permanent migration. It is termed as multi location households. Though the reason behind the migration is to achieve multi-livelihood this migration may create problems in the households. When women and other members in the family are left by their father or husband they may suffer physical as well as psychological stress, defencelessness and insecurity. Besides women left behind by male migrants may suffer over burden of work and more perplexity in basic survival (Jetley, 1987).

Ellis (2000) recognises six decisive factors of diversification: seasonality, risk, labour markets, credit markets, asset strategies and coping strategies. One dimension of a sustainable livelihood is adequate and stable flows of income and consumption the whole year round. Seasonality is known to cause troughs and peaks in labour utilisation, and can lead to food insecurity, due to the mismatch between uneven farm income streams and continuous consumption requirements. These are often called the ‘labour smoothing’ and ‘consumption smoothing’ problem, respectively. Diversification can contribute to reducing the adverse effects by
utilising labour and generating alternative sources of income during off-peak periods. Unless the rural people have multi-livelihoods they will have to suffer starvation during adverse seasons. Especially if they stick on agriculture alone they won’t have any income at the time of changes in nature such as drought and flood.

Livelihood diversification enables the rural people to mitigate the risk of losing all income sources simultaneously, for example in an emergency (Start, 2001). It also implies trading a higher but more risky income for a lower diversified and less variable income. However, this may not apply if households can exploit complementarities between their asset endowment and varying demand and returns in product and labour markets. Labour markets may offer opportunities to achieve higher returns to labour (Ellis, 2000) or prompt diversification because of the discontinuity of casual employment (Start, 2001). Cash resources obtained from diversification may be used to invest in, or improve the quality of, any or all of the five forms of livelihood assets. They may be critical when access to credit is limited, for example, sending children to secondary school or buying equipment, such as an irrigation pumpset, that can be used to enhance future income-generating opportunities. It is also possible for diversification to improve the independent income-generating capabilities of women. By achieving this it also improves the care and nutritional status of children, since a high proportion of cash income in the hands of women tends to be spent on family welfare.

Coping strategies are ex-post responses to shocks or unanticipated livelihood failure, demonstrating that diversification may arise from necessity or choice (Ellis, 2000). Thus diversification can be either a means of survival but doing little for poverty reduction, or a means to sustainable improvements in living standards through exploitation of new opportunities. In the context of economic and population growth trends, the question is whether diversification is a reflection of worsening impoverishment and desperation as land becomes increasingly scarce, or increasing prosperity as labour is attracted into higher paying nonfarm jobs. Additional concerns are whether the rural non-farm economy is a residual sector offering only distress or coping activities, and mopping up labour displaced from a failing smallholder agricultural sector; or a dynamic diversifying economy that is growing, creating new jobs and averting downward pressure on wages. The latter implies that livelihood
Diversification is a progressive and positive strategy of adaptation which can lead to accumulation by rural producers (Start, 2001), for example in SE Asia (Rosegrant and Hazell, 1999) where smallholder farms are becoming part-time enterprises.

Diversification is more likely to be associated with impoverishment when increasing land scarcity occurs in conjunction with slow agricultural growth, and stagnant national and regional economies, and falling wages. This scenario is more common in South Asia and in Africa (Thirtle et al., 2001). Where the positive scenario exists, diverse and multiple livelihoods should be part of a structural transformation leading to specialisation, but this may be a slow process (Start, 2001). Maxwell et al. (2001) observe that in many places there is a U-curve of diversification, which sees nonfarm activity concentrated among the poor, as a survival or coping strategy, and among the rich, as an accumulation strategy. Thus the credit obtained from diverse livelihood can be utilised for extra expenditure and this credit serves as a source of financial comfort, whenever a rural man needs money badly. As far as a rural person is concerned diversification of livelihood is a boon whenever he confronts financial crisis. On the other hand, to a rich man, diversification of livelihood is an additional source of income, which accumulates his wealth. In plain words, to a rural man, diversification of livelihood is indispensible and to a rich man, it is an accessory. With less access to land and greater dependence on waged work and microenterprises, non-farm income may be disproportionately important for the rural poor. However, wealthier households may still earn more from this sector in absolute terms, and in terms of return to labour invested (Adams, 1994). For the poor, diversification may thus be far from a solution if they find themselves in a casualised labour market, frequently searching for work, with low returns, high transaction costs (both economic and social), high vulnerability, and little scope for accumulation (Maxwell et al., 2001).

Local diversification rather than diversification through out-migration is only likely where rural areas have a strong growth sector with good potential for linkages. This can be seen in Nepal when comparing the Terai to the hill regions. Requirements are infrastructure, adequate human capital, working credit, input and land markets, as well as access to output markets (Reardon et al., 2000), (Maxwell et al., 2001). Barriers to entry are critical in affecting access to non-farm
employment for different groups, and in explaining why the distribution of non-farm income is skewed in favour of the relatively rich. Formal salaried jobs or business beyond the most micro-scale requires formal qualifications or adequate working capital, and also often participation in social and political networks. Returns to labour are high compared to farming, but only relatively resource-rich households can access this. Poor households tend to be engaged in non-farm employment that is low skilled or not requiring of investment or working capital, for example, manual labouring, petty trading and some crafts. Returns per hour worked may be lower than in farming, reflecting the low productivity of the activity plus the surplus labour available (Readrdon et al., 2000). Pro-poor labour markets have few or lower barriers to entry and contribute to diversification. However, due to diversification many farmers may need labour-saving, not labour-using technologies (Maxwell et al., 2001).

2.6. Factors responsible for Livelihood Sustainability

Reddy (2001), through his study on watershed development and livelihood security, reached the finding that improvements in the household income and employment are statistically significant in all the sample villages with the total livelihoods assets (financial capital); while fuel wood and water availability were not found significant in all the villages except Malapuram; human capital indicators have improved significantly where as social capital has not changed significantly due to watershed intervention.

Migration is another significant aspect which stirs up the sustainability of rural livelihood. Bhattacharya (2000) in the study on 'An Analysis of Rural-to-Urban Migration in India’ finds that, states with a relatively high proportion of Scheduled Tribes in the population have higher rural to rural migration rates, whereas Scheduled Caste population has the opposite effect on migration. He argues that Scheduled Tribes large outside the Hindu caste system and therefore are not "ordained" to specialize in certain specific occupations. Further, unlike Scheduled Castes who are dispersed geographically, STs are concentrated in certain areas within states and in which they usually have a sizeable presence and they may therefore feel freer to
move within these areas than SCs do generally. The study implies that even cast system does play a significant role in the diversification of livelihoods.

The study held by Ostrom (1998) focussed opportunities and experiences of seasonal rural to urban migration among Scheduled Tribe population in Western India. Urban informal sector work is highly 'ethnically' differentiated; with tribe people limited to low pay, unskilled, less secure work at destination. However, within the tribal group, the poor and better off have different experiences of migration. Whereas migration among the better off is used to manage risk and build assets, migration is more common among poorer people and often leads to labour 'bondage' or sale of assets. The poorer are more likely to undertake long-term migration of entire households to service debt accumulated at high interest rates for subsistence purposes. Because of this, migration often serves to increase intra-community inequality among Scheduled Tribe communities.

Social capital and its components such as social network relations and affiliations enable the rural people to migrate. Through migration sustainability of livelihoods can be obtained. The study conducted by De Haan (1999) shows that social capital becomes a decisive factor of population mobility, particularly due to 'segmentation' of migration streams between specific regions of origin and destination due to kinship and other networks. Social networks and affiliations with formal institutions such as trade unions and community based organizations facilitate labour migration, for example by providing initial accommodation and employment at destination or information on employment opportunities facilitating job search. Migration may be too risky as an option for poor communities lacking developed social networks with migration destinations. Sending localities may be discriminated against because of issues of culture and identity such as gender, ethnicity, religion and caste, which may disable opportunities if migration is not seen to be socially or culturally acceptable. Certain cultural groups may lack access to migrant networks, where these develop within cultural boundaries. For example, among the Fulani ethnic group in Burkina Faso migration was traditionally restricted to the high status class, although the increase in migration propensity among low status households in recent decades has diminished such distinctions. Alternatively, migration may be the
only option available to certain groups who are excluded from profitable work at origin.

2.7. Problems associated Livelihood Sustainability

Too many problems are associated with rural livelihood sustainability. For the smooth functions of livelihood sustainability the problems are to be eradicated. As a first step, the problems have to be identified. The studies held by eminent researches about livelihood sustainability dissect the problems in the field.

Bharathi (2005) in her study on ‘Assessment of entrepreneurial activities promoted under NATP on empowerment of women in agriculture’ reported that the problems faced by members are lack of formal education, lack of training, lack of social mobility, and insufficient loans as well as their economic problems and technical problems like non-availability of spare parts, shortage of electricity and unskilled women group members. Her study drives home the need of educating rural women. Joseph and Easwaran (2006) in a study on SHGs and tribal development in Mizoram reported the number of constraints, problems and or obstacles faced are lack of co-ordination between government agencies, banks and SHGs, delay in sanctioning and disbursement of loans to SHGs, high rate of interest on the loan, insufficient of loan for income generation, conflict over loan sharing, problems in marketing products.

Tejaswini and Veerabhadraiah (1996) identified the problems faced by rural women in SHG activities. The findings revealed that 85 per cent of them facing difficulty in getting good price for their products, lack of common work place (83 per cent), lack of proper marketing facilities (75 per cent), problems in getting loan money released in time (66 per cent) and lack of training facilities (50 per cent). Another predicament in the field of rural livelihood is associated with the rural dairy sector. Pandey and Brijbala (2000) listed out the constraints faced by the rural dairy farmers as artificial insemination and breeding constraints, feed and fodder oriented constraints. Vyas and Patil (2001) reported that non-availability of loan facilities, non-availability of artificial insemination and milk marketing facilities and no pasture land as the main constraints faced by milk producers.
Arunkumar (2004) in his study on profile of SHGs and their contribution for livestock development in Karnataka reported the problems faced by the members were lack of timely support from banks/other organization was the major problem, inadequate number of organizations linked up, unequal distribution of work among members, non introduction of agriculture based income generating activities (IGA), non availability of information about IGA, and difficulty in getting external loans. Bardhan et al., (2005) conducted a study on constraints perceived by farmers in rearing dairy animals reported that constraints perceived by farmers in rearing dairy animals as no-remunerative price of milk, testing of milk only on the basis of fat percentage, reproductive problems, distant location of AI centres and high cost of feeds.

Unemployment is another one of the constraints which prevents rural people from achieving livelihood security. Unless the rural people are beneficially employed, their income will be reduced; as a result they will be incapable of purchasing what is essential for household.

All these problems should be alleviated, so that the concept of sustainability of livelihoods will come true.

2.8. Approach and Framework of Livelihood

There are many approaches and frameworks proposed by scholars related to livelihood. Some of them are given below

2.8.1. Capability Approach

The Capability Approach was propounded by the Nobel laureate Amartya Sen in 1979. The approach developed through inter-disciplinary interaction and the contribution of several scholars. Among whom Martha Nussbaum introduced specificities in the definitions of certain concepts. It gives a scope for expansion through creative interpretation and field application. It has now become the tool for evaluating individual wellbeing and social arrangements. Its influence extends to welfare economics, social policy, political philosophy and development (Sreenivasa, 2006). ‘In the evaluation of the society, one must go beyond the all
constrains to the actual lives people lead; the people have reason to value their quality of life’ (Sen, 1999).

Capability Approach formulates development policy. Sen defines his concepts as ‘each individuals force them to achieve the particular life’. The capability of a person reflects the alternative combinations of functionings the person can achieve. This approach based on living as a combination of various doings and beings, accessed in terms of capability to achieve valuable functioning (Sen, 1999). Sen’s ‘Poverty and Famines’ referred to the capacity to command different bundles of commodities as entitlements. His economic analysis, inculcates, ‘entitlement failures’ as a major reason for poverty (Alexander, 2005). The failure to see the importance of entitlements has been responsible for the present miserable condition of millions of people.

Sen’s idea of entitlement, born out of his analysis of the causes of famines, is a conceptual forerunner to what is today more popularly known as the Capability Approach. Sen’s critiques of traditional welfare economics, which typically conflate well-being with either opulence (income, commodity command) or Utility (happiness, desire fulfillment) provided for furthering the conceptual foundations of Capabilities Approach (Clark, 2002). Sen, however, distinguishes between commodities human functioning, capability and utility.

The capability approach takes on a definition from a combination of two explanation of extreme poverty. The first comes from Sen, who views poverty as a matter of capability deprivation. It rejects monetary income as the measure of wellbeing; but focuses on indicators of the freedom to live the valued life. The second explanation comes from Harris White. She defines poverty and destitution, as having economic, social and poverty aspects. Using Sen’s terminology she argues that lack of capability in all three of these aspects predetermines destitution (Harris, 2002). The Capability Approach recognizes the link between the means to poverty eradication and its end. The Capability Approach makes strong and explicit link between human agency, poverty and public policy and as such is use full for understanding the processes surrounding chronic impoverishment and escape from poverty (Hulme et al., 2001).
Sen has played the critical role in identifying the links between poverty and human right. He highlights the relevance of freedom and human rights to development. He also points out the five identifiable freedom; political freedom, economic facilities, social opportunities, transparency guarantees and protective security. He reinstates them as the prerequisites of development.

2.8.2. Sustainable livelihood Approach

Livelihood approaches are conceptual frameworks that promote people centered development. They are responsive and participatory, and they favour multi-disciplinary and multilevel development interactions. Livelihood approaches generate a deeper understanding of the wide range or livelihood strategies pursued by people that poverty alleviation or eradication measures address. The crux of sustainable livelihood approach is that the livelihoods of poor people are at the center of any strategy for poverty reduction. It puts people at the center of development and enables poor people themselves to participate in identifying and addressing their livelihood priorities. As well as being people- centered, the livelihood approach is holistic as it seeks to identify the various factors which hinder are provide opportunities to people to improve their situation and how these factors relate to each other, including links to macro policies (Chambers and Conway 1992; Scooners, 1998).

To make up a living, poor women and men incorporate their capabilities, social and material assets and utilize all the opportunities available to them in the milieu, whether urban or rural. A sustainable livelihood is dynamic and therefore has the capability to adapt and respond to continuous change and there by recover from stress and shocks.

Livelihood is related to poor people’s own priorities interpretations and abilities. People are at the center of the livelihoods framework and are perceived as capable actors and not helpless victims. A livelihood therefore draws on the wealth of knowledge, skills and adaptive strategies of the poor. As it is centered on households and communities, it is location sensitive and household members contribute in different way depending on their various roles, responsibilities and capabilities (Meikle et al., 2001).
2.8.3. Sustainable livelihood framework

A number of livelihood approach frameworks have been conceived by practitioners and NGO’s to illustrate the central assets and vulnerability analysis, which underpins the approach. The DFID framework uses the concept of capital assets as a central feature and considers how these are affected by the ‘vulnerability context’ in which they are derived, and by ‘transforming structures and process’ alternatively labeled policies, institutions and processes, to constitute ‘livelihood strategies’ which lead to various livelihood outcome (Toner, 2002).

Figure 2.1 Sustainable livelihoods Framework

(Source: Author’s derivation from the livelihood framework of Carney, 1998.)

At the centre of the framework are the assets on which households or individuals draw to build their livelihoods. They are influenced by the vulnerability context, which refers to the sources of insecurity to which poor people and their assets are vulnerable. Access to and use of assets is influenced by policies, organizations and relationships between individuals and organizations and authority. The strategies which individuals and households adopt produce outcomes, which are defined in terms of greater or less wellbeing.
Five of the Capital Assets identified by Carney (1998) form the basis to get access to system or resources through which other forms of capital can be produced. The ability to get access to reproduction of capital assets reflects access profile of the household.

There are multiple choices or opportunities in order to use the available assets that are known as Livelihood Strategies. It is a continuous decision making process which vary based on external situations. It may be regular and seasonal, occasional and unexpected. It could also be reactive like selling livestock at abnormal time and structural decisions that can change whole nature of livelihood like migration. Members of household involve in multiple livelihood activities based on their choices and opportunities like trading, offering services as manual farm hands or in official work, involvement in organizations or community groups.

The livelihood activities generate income for the household in different forms i.e. goods, services and cash. The income relocates in four different sectors as input: into livelihood activities, social payments: taxes, interest on loans, investment: to enhance and sustain livelihoods assets and consumption: food, housing, clothes, etc.

Many local and external forces influence livelihoods differently such as local market, physical environment and the social and political environment. Due to such dynamic features, livelihoods are always vulnerable and uncertain. However, the impact of these external forces varies with each household. Some households have more resistance power to the impact but some are more sensitive to such influences. Here the section of such external forces represents the vulnerability context under which livelihood activities are undertaken and livelihood assets are likewise subjected to.

The modification of the livelihood model made possible by synthesizing some existing frameworks has been necessitated by the differing elements evidenced in the livelihoods of the rural households in the communities studied. The DFID livelihood framework does not specify the factors that make all rural households vulnerable while in the livelihoods framework of Lloyd-Jones (2002), the vulnerability context defines stocks, trends and seasons as well as culture. It is notable that the livelihood framework is a tool that defines the scope of and provides the analytical basis for
livelihoods analysis, by identifying the main factors affecting livelihoods and the relationships between them (Carney, 1998).

2.9. Review literature on MGNREGS

- Review of MGNREGS and Operational structure and Functions of MGNREGS
- Studies on MGNREGS
- Review of MGNREGS at the National level
- Review on programme at the state level

2.9.1. Mahatma Gandhi National Rural Employment Guarantee Scheme

Mahatma Gandhi National Rural Employment Guarantee Act 2005, enacted on 2nd February 2006, mandates, so far, up to 100 days of employment per year for adult members of rural households at the minimum wage rate. The manual work as per this scheme will have to be provided within 15 days of applying. In case of failure in providing work, the applicant is entitled to an unemployment allowance. Initially, the Act came into force in Kerala in two most backwards districts, Palakkad and Wayanad, and later in 2007-08, it was extended to another two districts, Kasargod and Idukki. It was later implemented in all the 14 districts from April 2008 onwards. MGNREGA recognises employment as a legal right and it has emerged as a right-based social protection initiative open to all rural people willing to do manual labour in public works. This commitment is clearly a landmark even in the history of rural development policies in India as well as in the history of poverty reduction strategies in the world. The passing of the Act is definitely due to the long struggle in which academics, Non-governmental Organisations (NGOs) and even some policy makers participated. The employment guarantee scheme, designed for the successful implementation of the Act, therefore, will have to have a strong planning component of works and well designed strategy for implementing the scheme. Somehow these areas have always received inadequate attention of policymakers and implementers in India in the past, with the result that, as studies after studies have shown, the planning and implementation of all wage employment programmes, including the Employment Guarantee Scheme of Maharashtra, have remained weak (Hirway, 1986; Hirway and
Terhal, 1994; Dev, 1995). In order to make the present act successful, it is extremely important to improve these areas radically.

Work can be taken up under the Rural Employment Guarantee Scheme Schedule I of the Act which lists eight categories of works that are supposed to be “the focus of the Scheme”. Briefly, these include

- Water conservation and water harvesting;
- Drought proofing (including afforestation);
- Irrigation canals including micro and minor irrigation works;
- Provision of irrigation facility to land owned by households belonging to the Scheduled Castes and Scheduled Tribes, beneficiaries of land reforms, or beneficiaries of Indira Awas Yojana;
- Renovation of traditional water bodies including desilting of tanks;
- Land development;
- Flood control and protection works including drainage in water-logged areas; and
- Rural connectivity to provide all-weather access. In addition, there is a residual ninth category: “any other work which may be notified by the Central Government in consultation with the State Government”.

2.9.2. Objective of the Act

The basic objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. This work guarantee can also serve other objectives: generating productive assets, protecting the environment, empowering rural women, reducing rural urban migration and fostering social equity, among others (MGNREG Act-2005).
2.9.3. Goals of MGNREGS

- Strong social safety net for the vulnerable groups by providing a fall-back employment source, when other employment alternatives are scarce or inadequate.

- Growth engine for sustainable development of an agricultural economy. Through the process of providing employment on works that address causes of chronic poverty such as drought, deforestation and soil erosion, the Act seeks to strengthen the natural resource base of rural livelihood and create durable assets in rural areas. Effectively implemented, MGNREGA has the potential to transform the geography of poverty.

- Empowerment of rural poor through the processes of a rights-based Law.

- New ways of doing business, as a model of governance reform anchored on the principles of transparency and grass root democracy. Thus, MGNREGA fosters conditions for inclusive growth ranging from basic wage security and recharging rural economy to a transformative empowerment process of democracy.

The Central Government shall notify the areas in which the Act will come into force from such date as may be appointed in the notification, and different dates may be appointed for different States or for different areas in a State. Each State Government shall formulate an Employment Guarantee Scheme. This is required under Section 4 of the Act. The Act defines the legally non-negotiable parameters within which the State Governments have the flexibility of drawing up the Employment Guarantee Scheme according to their contextual requirements. Schedule I of the Act specifies the minimum features of a State Rural Employment Guarantee Scheme, and Schedule II defines the entitlements of workers employed under the Scheme.

2.9.4. Basic Implementation Principles

Collaborative Partnership and Public Accountability: The Act envisages a collaborative partnership between the Central Government, the State Governments,
the Panchayats and the local community. Broadly, the main implementation activities are at the Village and Block levels, while coordination activities are mainly at the Block and District levels. Planning, supervision and monitoring take place at all levels (Village, Block, District and State). At each level, the concerned authorities are accountable to the community.

Community Participation: The Gram Sabha is the statutorily mandated institutional mechanism for community participation. In addition, other methods of community participation could be evolved: local Vigilance and Monitoring Committees, workers’ associations, local beneficiary committees, self-help groups, user groups and other grass-root structures. Active community participation is particularly important for ensuring transparency and public accountability.

Role of Panchayats: The Panchayats at each level will be the ‘Principal Authorities for planning and implementation of the Schemes under the Act’ (NREGA, Section 13(1)). Where Part IX of the Constitution does not apply, local councils/authorities as mandated by the State concerned will be invested with corresponding responsibilities.

District Programme Coordinator and Programme Officer: The overall responsibility for ensuring that the Scheme is implemented according to the Act belongs to the District Programme Coordinator (DPC) at the District level, and to the Programme Officer (PO) at the Block level.

Coordination among Agencies: The Panchayats at different levels will need to coordinate with each other for the effective implementation of the Act. Similarly, the Panchayats and the District/Block administration will have to work together. Each REGS must stipulate clearly the institutional mechanisms for effective coordination, appropriate to the context.

Resource Support: The Central and the State Governments will facilitate the implementation of the Act through timely and adequate resource support.

The implementation process involves too many procedures which ensure the complete satisfaction of the decided goals. The most implementation objectives of
this implementation process are to enhance the livelihood of rural people. The divergent procedures involved in the implementation process are presented below.

**Figure 2.2 Demand based Employment Generation**


First of all, the rural households have to apply for registration, the registration will be verified and the job card will be issued by the Grama Panchayat after verification. Then the rural household which has got the job card should apply for work. After receiving the work application the authority should give them work. If the authority fails to assign job to the applicant, the authority should give the
unemployment allowance. The allowed work should be supervised by the representative of Kudumbashree. After the completion and inspection of the work, the workers are paid in accordance with their work.

2.8.5. Implementing Agencies and Their Respective Roles

2.8.5.1. Central level

Central Employment Guarantee Council (CEGC) or Central Council will be set up by the Central Government. The Central Council shall be responsible for advising the Central Government on MGNREGA-related matters, and for monitoring and evaluating the implementation of the Act. It will prepare Annual Reports on the implementation of MGNREGA and submit these to Parliament. The Ministry of Rural Development will be the nodal Ministry for the implementation of MGNREGA. It will set up the Central Council; it will be responsible for ensuring timely and adequate resource support to the States and to the Central Council. It will undertake regular review, monitoring and evaluation of processes and outcomes. The council will establish an MIS to capture and track data on every critical aspect of implementation, and assess the utilization of resources through a set of performance indicators. It will support innovations that help in improving processes towards the achievement of the objectives of the Act. It will support the use of Information Technology (IT) to increase the efficiency and transparency of the processes as well as improve interface with the public. It will also ensure that the implementation of NREGA at all levels is sought to be made transparent and accountable to the public (MoRD, 2008).

2.8.5.2. State level

State Employment Guarantee Council (SEGC) is to be set up by every State Government under Section 12 of MGNREGA. The SEGC shall advise the State Government on the implementation of the Scheme, and evaluate and monitor it. Other roles of the State Council include deciding the ‘preferred works’ to be implemented under REGS, and recommending the proposals of works to be submitted to the Central Government by the State Government under Schedule I, Section 1 (ix) of the Act. The State Council will prepare an Annual Report on REGS,
to be presented to the State Legislature. The State Government will formulate REGS, and the Rules pertinent to its implementation, in consonance with the Act. It will set up the SEGC and may establish a State Employment Guarantee Fund to ensure timely resource support to the Scheme. It will ensure that the state share of the REGS budget is released on time. It will ensure wide communication of the Scheme and dissemination of information regarding its implementation. It will ensure all administrative, financial and technical support to the District Programme Coordinator, Programme Officer, Panchayat Raj Institutions (PRI) and all other agencies involved in implementation. The State Government will ensure that the agencies involved are trained for their tasks. It will establish a network of professional agencies to ensure technical support to the Implementing Agencies as well as for quality-control measures. It will undertake the regular review, monitoring and evaluation of REGS processes and outcomes. It will also ensure that the implementation of the Scheme at all levels is transparent and accountable to the public.

The State Government will designate an officer, not below the rank of a Commissioner, as the State Rural Employment Guarantee Commissioner responsible for ensuring that all activities required to fulfil the objectives of the Act are carried out. The Commissioner may also function as the Member Secretary of the SEGC, and be authorized to hear appeals that may lie against the decisions or actions of the DPC. He may also be directed to ensure that the system of grievance redressal, social audit, application of the right to information, and other measures of public accountability and transparency are effective as well as responsive to the demands of REGS workers and the community (MoRD, 2008).

2.8.5.3. District level

District Panchayats will be responsible for finalizing the District Plans and for monitoring and supervising the Employment Guarantee Scheme in the District. District Panchayats can also execute works from among the 50 per cent that are not to be executed by Gram Panchayats. The State Government will designate a District Programme Coordinator, who can be either the Chief Executive Officer of the District Panchayat, or the District Collector, or any other district-level officer of
appropriate rank. The DPC shall be responsible for the overall coordination and implementation of the Scheme in the District.

In addition to Panchayats, Line Departments, NGOs, and Central and State government undertakings, Self-Help Groups (SHGs) can also be identified as Implementing Agencies. The State Government shall delegate financial and administrative powers to the District Programme Coordinator and the Programme Officer, as is deemed necessary for the effective implementation of the Scheme (MoRD, 2008).

2.8.5.4. Block level

The Block Panchayat will be responsible for planning at the Block level, and for monitoring and supervision. It can also be given the responsibility of executing works from among the 50 per cent that are not to be executed by the Gram Panchayat. A Programme Officer will be appointed at the Block level with necessary support staff for facilitating implementation at the Block level. The Programme Officer will not be below the rank of the Block Development Officer. The Programme Officer will be a full-time dedicated officer, and may be selected from among Departmental personnel and may also be taken on deputation. Fresh recruitment may also be made on contract. The Programme Officer essentially acts as a ‘coordinator’ for REGS at the Block level. Among his/her important functions are: scrutinizing village plans; matching employment opportunities with the demand for work at the Block level; supervising the Implementing Agencies; safeguarding the entitlements of REGS workers; ensuring that social audits are conducted by the Gram Sabhas; and responding to complaints. Ultimately, the chief responsibility of the Programme Officer as coordinator of REGS at the Block level is to ensure that anyone who applies for work gets employment within 15 days. The Programme Officer will also assist the Intermediate Panchayat in its functions. He/she will be answerable to the District Programme Coordinator (MoRD, 2008).

2.8.5.5. Village level

The Gram Panchayat has a pivotal role in the implementation of Rural Employment Guarantee Scheme. It is responsible for planning of works, registering
households, issuing job cards, allocating employment, executing 50 per cent of the works, and monitoring the implementation of the Scheme at the village level. The implementation of MGNREGA involves a considerable organizational burden at the level of the Gram Panchayat. This involves registering families, issuing job cards, receiving applications for work, maintaining records, allocating employment and so on, aside from planning and executing the ‘Panchayat works’. It will be very difficult for these tasks to be effectively discharged by the ordinary staff of the Gram Panchayat. Therefore, it may be advisable to appoint an ‘employment guarantee assistant’, in each Gram Panchayat for this purpose.

The Act authorizes the Gram Sabha to recommend works to be taken up under REGS, to monitor and supervise these works, and to conduct social audits of the implementation of the Scheme. In addition, it is suggested that the Gram Sabha be used extensively for facilitating the implementation of the Scheme. The Gram Sabha should be used as a forum for sharing information about the Scheme, for instance, to help people to apply for registration. In addition, the Gram Sabha has a crucial role to play in ensuring transparency and accountability. This involves, for instance, verifying applications for registration and conducting social audits (MoRD, 2008).
Figure 2.3 Operational Structure and Functions of MGNREGS

2.8.6. Planning and Implementation

Planning is critical to the successful implementation of the Rural Employment Guarantee Scheme (REGS). A key indicator of success is the timely generation of employment within 15 days while ensuring that the design and selection of works are such that good quality assets are developed. The need to act within a time limit necessitates advance planning. The basic aim of the planning process is to ensure that the District is prepared well in advance to offer productive employment on demand.

Section 16(4) of the Act requires the Gram Panchayats to forward proposals for REGS projects to the Programme Officer for scrutiny and preliminary approval prior to the commencement of the year in which these projects are to be executed. Under Section 14(6) of the Act, the District Programme Coordinator is required to prepare a ‘labour budget’ by the end of December for the next financial year (MoRD, 2008). This labour budget should contain the details of the anticipated demand for unskilled manual work in the District, and the plan for engagement of labourers in REGS works. It should be submitted to the District Panchayat.

The Schedule I of the Act suggests the need to integrate work priorities with a longer-term development strategy. It states that the ‘creation of durable assets and strengthening the livelihood resource base of the rural poor shall be an important objective of the Scheme’. Therefore, Districts shall develop Perspective Plans to enable them to assess the causal factors of poverty and possible interventions.

The Annual Plan will be the working plan that identifies the activities to be taken up on priority in a year. The Perspective Plan will provide the framework for facilitating this identification. If new activities need to be taken up, their justification should be indicated in terms of needs and outcomes. The process for this will be as stipulated in the Act, based on the participation of the community, with a principal role assigned to the Panchayats. Every year the Gram Panchayat shall convene a meeting of the Gram Sabha to estimate the demand for labour, and to propose the number and priority of works to be taken up in the next financial year. Participation of likely beneficiaries should be ensured in the Gram Sabha so that their priorities and needs shape the annual plan. The recommendations formulated in the Gram Sabha will be forwarded to the Gram Panchayat. Based on these recommendations,
the Gram Panchayat will prepare an annual plan and forward it to the Programme Officer. The annual plan should indicate clearly the existing demand for work, the demand in the previous year, the works taken up in the previous year, ongoing works and works proposed for the next year, likely costs and the proposed implementing agencies. The Gram Panchayat will also identify the 50 per cent of the works in its area that it may wish to take up.

The Programme Officer will scrutinize the annual plan for its technical feasibility. The Block Programme Officer (BPO) will maintain the priority indicated by the Gram Panchayat. It is possible that there may be a need for works that involve more than one Gram Panchayat. Such works may be included by the Block Panchayat. It is, however, reiterated that the priority of works in a Gram Panchayat will be as determined by the Gram Panchayat. On the basis of these discussions, the plan for the area of the Block level will be approved by the Block Panchayat and forwarded to the District Programme Coordinator (DPC). The district programme coordinator will scrutinize the plan proposals of all the Block Panchayats, examining the appropriateness and adequacy of works in terms of likely demand as well as their technical and financial feasibility.

The district plan will comprise a block-wise shelf of projects. The block-wise shelf of projects will be arranged Gram Panchayat-wise. The Implementing agency for each work has to be identified keeping in view the mandatory minimum 50 per cent of the works to be executed by the Gram Panchayat. The District Panchayat will examine and approve the district plan.

The State Employment Guarantee Council is expected to prepare a list of preferred works for different areas based on their ability to create durable assets. The district programme coordinator will coordinate the preparation of detailed technical estimates and sanctions. The project report of each approved work shall contain all details as may be specified in the technical/works manual of the state government. It will also clarify the expected outcomes such as person days of employment, specifications of the physical assets and enduring outcomes. The state government should prescribe the time frame for each level to propose, scrutinize and approve the works and approved works should be widely publicized.
2.8.7. Implementation

At least 50 per cent of the works in terms of costs will be allotted to the Gram Panchayat for execution. This is the statutory minimum, and the programme officer or the district programme coordinator may allot more if deemed feasible. The other implementing agencies can be Block and District Panchayats, line departments of the government, public sector undertakings of the Central and State Governments, cooperative societies with a majority shareholding by the Central and State Governments, and reputed NGOs having a proven track record of performance. Self-Help Groups may also be considered as possible implementing agencies. The selection of the implementing agency will be based on technical expertise and resources, capacity to handle work within the given time frame, reputation for work, and the overall interests of beneficiaries. The selection of the implementing agency will have to be indicated in the annual plan. A panel of agencies approved in order of priority may be considered to ensure that alternative options are available in the event where an agency fails to execute the work. This will ensure that works do not suffer because of individual agency failure, and that work seekers get employment, on time.

2.8.8. Funding nature of MGNREGS

The MGNREGS is a particularly important strategy in the current economic context of global economic crisis and national economic slowdown, when raising aggregate demand is a major task for the government. Fiscal policy that provides more wage income directly to unskilled workers in rural areas is likely to be much more effective in increasing aggregate incomes than other forms of public spending, because of the higher value of the multiplier in such expenditure. These poor people have lots of unmet essential needs which they will try to fulfil when they have money in their hands. This will give better living standard for these poor on one hand and raise the aggregate expenditure demand for consumer goods on other hand.

The Central Government shall establish a fund to be called the National Employment Guarantee Fund, to be managed according to the Rules made for this purpose. The grants to state governments or districts for implementation of MGNREGA shall be released from this Fund. The state government may, by notification, establish a fund to be called the State Employment Guarantee Fund. This
fund is to be expended and administered as a revolving fund, with rules that govern and ensure its utilization according to the purposes of the Act. Similar revolving funds should be set up under Rural Employment Guarantee Scheme (REGS) at the District, Block, and Gram Panchayat levels.

The State Government must indicate the fund that it has designated as the receptacle fund for receiving the Central share. This may be at the state or the district Level. The responsibility of the state government to ensure the fulfilment of the legal guarantee under the Act will begin as soon as the funds are received in the account designated by it as the receptacle fund for the central share. The state government will design a complete financial management system for the transfer and use of funds. This must ensure transparency, efficiency and accountability, and track the use of funds towards the final outcomes. Separate bank accounts shall be opened for funds under the Scheme at the State, District and Block levels. The accounts shall be opened in public sector banks. The District Programme Coordinator will be a joint holder of the account at the district level, and the programme officer will be a joint holder of the account at the block level. Funds allocated to REGS should not be used for other purposes under any circumstances (MoRD, 2008).

2.8.9. Funding Pattern

The Central government bears the entire costs of the unskilled manual workers, 75 percent of the cost of material, wage of skilled and semi skilled workers. Administrative expenses as may be determined by the central government, which will include, inner alia, the salary and the allowances of the programme officer and his supporting staff and work site facilities and Expenses of the National Employment Guarantee Council.

The State government bear the cost on the 25 per cent of the cost of material, wages of skilled and semi skilled workers (as a ratio of 60:40 is to be maintained for wages of the skilled manual workers and the material, skilled/semi skilled workers wages, the state government has to bear only 25 per cent of the 40 per cent component, which means a contribution of 10 per cent of the expenditure). Unemployment allowance and administrative expense of state employment guarantee council and other expense are bearing state government (MGNREG Act-2005).
### Table 2.1 MGNREGS Financial Detail in India

<table>
<thead>
<tr>
<th>Particular</th>
<th>MGNREGS Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-07</td>
</tr>
<tr>
<td>No. of Districts</td>
<td></td>
</tr>
<tr>
<td>Budget Outlay (In Rs Billion):</td>
<td>113</td>
</tr>
<tr>
<td>Central Release (In Rs Billion):</td>
<td>86.41</td>
</tr>
<tr>
<td>Total available fund [including OB]: In Rs. Billion.</td>
<td>120.74</td>
</tr>
<tr>
<td>Expenditure (In Rs. Billion)</td>
<td>88.23</td>
</tr>
<tr>
<td>Average wage per day</td>
<td>Rs. 65</td>
</tr>
</tbody>
</table>

Source: [http://nrega.nic.in](http://nrega.nic.in), accessed on 2nd March 2010. (*up to Feb, 2010)

The Government of India has established a fund called the National Employment Guarantee Fund, from which grants are released directly to the Districts. Revolving funds are to be set up under REGS at the District, Block and Gram Panchayat levels, with separate bank accounts being opened for such funds at each level. In 2009-10 finance year’s budget outlay Rs. 391 Billions, total available fund including old balance Rs. 488.03 billions, the expenditure in that year Rs. 335.07 billions. National level average wage rate per day is Rs. 90 (table 2.1). This Act was introduced with an aim of improving the purchasing power of the rural people, primarily semi or unskilled work to people living in rural India, where or not they are below the poverty line. Around one third of the stipulated work force is women.
2.8.10. MGNREGS and Unemployment Allowance

If a worker who has applied for work under MGNREGA is not provided employment within 15 days from the date on which work is requested, an unemployment allowance shall be payable by the state government at the rate prescribed in the Act. This entitlement comes into effect as soon as the Act is notified in a particular district or area. The programme officer shall be responsible for the prompt payment of unemployment allowances throughout the block. The payment of unemployment allowances should follow the same pattern as the payment of wages. In particular, it is recommended that unemployment allowances should be paid on a weekly basis at the gram panchayat level, on ‘employment guarantee day’. The payment of unemployment allowance shall be made no later than 15 days from the date on which it becomes due for payment (NREGA, Section 7.5). In the event of any delay, the recipients shall be entitled to compensation based on the same principles as wage compensation under the Payment of Wages Act, 1936. The Compensation costs shall be borne by the State Government (MoRD, 2008).

2.8.11. Transparency and Accountability

Parallel to the complaints made to the district administration, rural workers should come together as a collective and participate in the process of social auditing. According to Section 4 of the RTI Act, which concerns proactive disclosure of information, all matters at all levels relating to the MGNREGA should strictly comply by the RTI Act. Requests for copies of REGS-related documents submitted under MGNREGA should be complied within seven days. No request should be refused under any circumstances. In particular, no information should be withheld by invoking Clause 8 of the Right to Information Act. All MGNREGA-related information is in the public domain. The MGNREGA gives a central role to ‘Social Audits’ as a means of continuous public vigilance (NREGA, Section 17). The basic objective of a social audit is to ensure public accountability in the implementation of projects, laws and policies. At these ‘Social Audit Forums’ information will be read out publicly, and people will be given an opportunity to question officials, seek and obtain information, verify financial expenditure, examine the provision of
entitlements, discuss the priorities reflected in choices made, and critically evaluate the quality of work as well as the services of the Programme staff.

2.8.12. Monitoring and Evaluation

The important objective of the Rural Employment Guarantee Scheme is the ‘creation of durable assets and strengthening the livelihood resource base of the rural poor’ (Schedule I, Section 2). Investments made under MGNREGA are expected to generate employment and purchasing power, raise economic productivity, promote women’s participation in the workforce, strengthen the rural infrastructure through the creation of durable assets, reduce distress migration, and contribute to the regeneration of natural resources. Thus, outlays for REGS have to be transformed into outcomes. The REGS formulated by the State Governments must indicate the expected outcomes as well as the methods through which the outcomes are to be assessed.

The Village level, Panchayat and Block level, District and State level mechanism are set out for the effective monitoring and evaluation of the implementation of the programme. The Gram Sabha will monitor all the works at the village level as well as the employment provided to each person who has applied for work. It will also monitor the registration and issue of job cards and the timely payment of wages. The Gram Panchayat will monitor works executed by other implementing agencies, muster rolls maintained by them at worksites, and the payments made. The Block Panchayat and the Programme Officer will monitor the registration of households; employment provided to each applicant, unemployment allowances paid, social audits, flow of funds, timely and correct payment of wages, and progress and quality of works. The programme officer shall be responsible for sending all reports and returns to the District Programme Coordinator (DPC), who in turn shall send reports to the state and central governments.

The District Panchayat and the District Programme Coordinator will monitor all aspects of implementation, including registration, employment, unemployment allowances, and social audits, flow of funds, progress and quality of works, qualitative aspects of implementation, timely and correct payment of wages, and timely payment of unemployment allowances. The state government shall monitor
the performance of all districts on the quality and pace of implementation as laid down in the National Monitoring System, the State Rural Employment Guarantee Scheme, and the directives of the State Employment Guarantee Council. The state government will send consolidated reports and returns to the central government.

A comprehensive Monitoring and Information System (MIS) will be developed by the Ministry of Rural Development to facilitate monitoring. A national online monitoring system for key performance indicators will be evolved. All programme implementation authorities—from the programme officer to the district and state levels—shall report regularly on this system. Field visits, inspections and sample checks (internally and externally) must be undertaken on a regular basis to ensure comprehensive and continuous assessment of the Scheme. In addition, a central monitoring and evaluation system will be evolved by the central employment guarantee council (Vijayanand, 2008).

2.8.13. Review on MGNREGS related Studies

Detailed and systematic reviews have been conducted to assess the wage employment programme (MGNREGS). The literature on MGNREGA comprises scholarly review in the form of research articles, working papers as well as media reports. Both have different views and give importance to different themes and analyse performance of MGNREGS differently. The scholarly review on MGNREGS shows a distinct pattern over the passage of time. Initially the focus was on defending the MGNREGS from its critics in politics and the media.

Poverty has been a hurdle which mars the dream of any nation to achieve absolute development. Too many ways are there to obliterate poverty, but unfortunately judicious steps are not taken to annihilate this issue. The most important factor which influences the status of a poor is employment. This was viewed in different angles by various experts. Bishiho assumed employment as a state of being engaged in production (Sen, 1975). Amathya Sen considered employment as one which gives income to the employed, yields output and gives a person the recognition of being engaged in something worthwhile. Realizing the seriousness of this problem many experts under took various solutions. Bhattacharya characterized rural unemployment is a condition under which the worker would be
willing to work longer hours or more intensively for a higher income but could have no opportunity of doing so due to the absence of opportunities for working (Battacharya, 1957). The most important reason which results in poverty and unemployment in rural area is the lack of skill in making best use of man power. The attack on poverty has been sharpened and strengthened by restricting and revamping income and the levels of living of the poorest of the poor. The war on poverty is our priority; our goal is to remove poverty and create fuller employment (Gogana, 2007). The National Employment Guarantee Act (NREGA) is poised to bring cheers to the dives of millions of rural poor with the inclusion of new works under its wings and the convergence with other flagship programmes. Efforts are on to bring in more transparency and accountability in it with district ombudsmen being envisaged to ensure that the benefits reach out to the poor and the needy villager (Roy and Samanta, 2010).

There are systematic methods which uplift the life of the targeted people from below the poverty line. Rural development can be explained as a process of improving the living standard of the low income population residing in rural areas (Rao, 2004). As a process of altering the problems of rural areas and to create change in the existing line, welfare is the most crucial issue of the present day especially in underdeveloped countries. Various authors have various connotations on this issue, welfare as a state of mind influenced by various economic factors.

Critics of the MGNREGA had focused on two sets of issues: one, that it was too expensive and, two, that corruption would prevent its success. The pro-market liberalisers viewed the MGNREGA as a dangerous piece of legislation that would snowball India's fiscal deficit out of control. In response economist Mihir Shah asserted that it could actually 'crowd-in' private investment and lay the foundation for non-inflationary growth in the medium-term (Shah, 2004). According to Shah, the capacity of the agricultural sector to absorb labour had declined drastically due to a decline in the per capita output of agriculture, which called for a massive increase in public investment in rural India in the direction of sustainable environmental regeneration. The future of agriculture pivots on restoring the health of the many 'public goods' that private agriculture critically depends on (Shah, 2004). The other issue of corruption could be dealt through social mobilization by grass roots
organizations. Jean Dreze pointed out, ‘legislation alone will not guarantee employment, and continuous mobilisation is required’ (Lakshman, Nirmala, 2006). The Act empowered citizens to play an active role in the implementation of employment guarantee schemes through Gram Sabhas, social audit, participatory planning and other activities. In fact the real significance of the act was directly proportionate to the extent and manner its provisions were creatively pushed to their limits by the mobilization of the disadvantaged. The MGNREGA could become a major new instrument for galvanising Panchayat Raj institutions in India (Shah, 2004).

2.8.13.1. Impact assessment on MGNREGS

With the passage of time the focus has been on analysing impact. Three themes seem to be apparent – one set of scholars are trying to assess the magnitude of impact while another set of scholars are trying to assess the nature of impact. A third strand is the kind of reforms that may be needed to functionalise MGNREGA fully.

The MGNREGA was defended by a retired bureaucrat who disputed the figures of high costs said to be to the tune of one lakh fifty thousand crore pointing out that Maharashtra had had an employment guarantee scheme for over 30 years (Chary, 2005). Based on the Maharashtra figures the employment guarantee scheme would cost only Rs 17,000 crore or even less. Another writer saw it as a momentous initiative that had the potential to boost the rural economy and compared it with employment programmes across the world (Olson, 2005). The Act improved the rural economy's ability to absorb labour and it led to better wages. It was based on the principle of self-targeting and only those in dire need (Sridhar, 2005).

The rural unemployed labourers in Panchayats in Delhi had productive employment for a longer period of time; this was being facilitated by a smooth flow of information from Delhi to all tiers of the district officials and the Panchayati Raj (Jain, 2006). Gender participation is very high in Dungarpur district of Rajasthan where 90 percent of the workers under the MGNREGA scheme are women (Ghosh, 2006). The Corruption being minimized in Rajasthan due to public vigilance led to more than one and a half lakh people gaining employment in Dungarpur district.
There was massive participation of rural folk Tribal women who had once looked forward to see their men back home (Iqbal, 2006).

Dey (2007) advocated changes in operational details of MGNREGA and other government programmes. Dey recommended their might be a worksite supervisor who could be held accountable for work at the site and for providing worksite facilities. This person would form the base of a para-engineering system to carry out tasks. This worksite manager could be paid skilled worker wages from the material component of MGNREGA. This would provide employment opportunities to educated unemployed rural youth. Dey considered the lack of qualified personnel in several government programmes and the fact that schools, anganwadis and Panchayats use underpaid labour. If government services were included in the definition of work, basic services would be strengthened and educated unemployed would gain employment as well.

Dreze et al. (2008) highlighted a theoretical ground to the Employment Guarantee Scheme as instrument in generating capability building and resisting the widespread unemployment among the rural poor created by the market. The work argues the necessity of capability development as the fundamental prerequisite of all growth models. The paper argues the need of situating within the definitional contours of the term work, such aspects that render its statutory guarantee in the form of employment guarantee schemes as measures of capacity building and enabling in securing the fundamental right to food. In a word Siddharth’s study drives home the need of capability building. Tankha (2009) noticed that MGNREGS provided relief to the unemployed casual labour in rural areas. MGNREGS, to a greater extent, has succeeded in enabling the rural households to enhance their living standards. So also it has helped in generating saving and investment among the rural households. At the same time there are serious apprehensions as to whether the programme led to the creation of durable productive assets. Many projects are of ad hoc nature with less scope for sustainability in the long run. Majority of projects executed were renovation of the existing water bodies.

Harway and Saluja (2009) views on MGNREGS were crucial. She was of the opinion that the National Rural Employment Guarantee Act should be implemented
properly so that a large number of critical issues of the Indian economy would be address effectively. Hence the Act ought to be looked upon as an element of complete employment strategies for India. If it is treated as a welfare programme that provides one shot employment to the un/under employed, it may end up as a permanent burden on the Indian exchequer. She underlines the need to introduce several changes to its design and way of implementation.

Swapan (2008), did an empirical study of four major Indian States, so as to analyse the success of MGNREGA. She pointed out the relevance of unorthodox economic theory. Dreze et al. (2008), made a remarkable comment on MGNREGA. According to him MGNREGA provided us with a historic opportunity of channelling large amounts of public investment into the backward regions of our country. He presented MGNREGA as a ‘big push’ which is likely to create a breakthrough in the productive sectors. It may bring the areas (rain fed and agriculture) to the mainstream growth path. However, he suggests for complete reforming of the existing implementation mechanism of the MGNREGA. A reformed and expanded MGNREGA programme holds out the prospect of not only transforming livelihoods of the poorest people of our country but also heralding a revolution in rural governance in India.

Acharya (2010) notes the imperfections and leakage at the village level in Purulia District where the programme has been implemented since its inception. Inadequate arrangements for the historic programme have created hurdles. He argues that the NREGA simply replaces the earlier one without creating any impact about its uniqueness. Das (2009), argue that MGNREGA is a powerful instrument for poverty reduction and human development when Panchayat Raj Institutions (PRIs) have enough capacity to change local people in participatory planning for Gram Panchayat. Or, alternatively, left to PRIs, discretion the MGNREGA can also turn into a manipulative tool for expropriation and systematic corruption. For these purposes the tool is strategised and adapted at the state level and utilized at the local level. the paper shows how MGNREGA is being adopted as a tool to create new opportunity in terms of grama Panchayat planning in West Bengal under the new initiative of Strengthening Rural Decentralization (SRD) programme and how MGNREGA has better utility and prospects when used as a resource tool for
participatory GP planning and can be utilized more fruitfully as a means of poverty reduction and human development as compared to the stereotype usage of MGNREGA by Panchayat Raj Institutions.

The studies of Aggrwal (2008), call attention to the inadequacies of the scheme, at the same time they recognize its strength. Their study flashes light on the large scale involvement of rural households especially women in the MGNREGA works. Though the functioning of MGNREGS could improve the wages and the quality of assets, it could not make a notable impact on either migration or local development.

Bhatia (2009), gave some valid suggestions to ensure social justice in the implementation of the scheme. The scheme needs to be envisaged as an opportunity to address the disparities between social groups, they argue that a clearly articulated policy of affirmative action favouring pro-active inclusion of women and socio-economically backward classes can make a scheme like MGNREGA effectively contribute to poverty reduction.

Roy and Samanta (2010), reveal some findings about the working of MGNREGA at the decentralized level. They have found that the allocation of funds across local bodies (Panchayat) was not strictly based on proper need assessment. Second, there are administrative, physical and capacity (of GP) constraints to provide employment to many people for larger days in the poor pockets. They opined that instead of expending Panchayats’ capacity to deal with single large scheme such as MGNREGS, greater flexibility in determining unskilled / semi skilled and wage / non wage components of MGNREGS should be provided. As a result MGNREGS can be more meaningfully linked with the local context, in general and with the Annual Action Plan of the Panchayat, in particular. Anish (2008), make some observations regarding MGNREGS in UP. From his study, he noticed that there are significant differences between the job card issues to the job seekers and the actual job supplied, (ii) in overall MGNREGS employment, SC draws fairly substantial share, (iii) almost half of the MGNREGS funds go to the wages given to the unskilled manual workers, and (iv) conservation of water appears to be a priority area for most of the regions and districts.
Chathukulam and Girieesan (2007), note that though several Gram Panchayats had taken initiative in the registration of STs, the interest could not be sustained in the subsequent phases of the scheme. Many tribal persons are in receipt of job cards, but have no idea about what to do next. Delay in wage payments for many days on completion of work retards the interest of the tribal community members due to various socio-economic factors.

Narayana (2008), made some very significant observations regarding the social implication of MGNREGA. They note that concerted work by ST promoters, including working along with them, brought some of tribals into the net. Having witnessed the untold merits (not working under the same employer and prospects of getting wage on par with men) enjoyed by women belonging to lower castes; the forward caste women became interested in the participation of MGNREGS. As a result they too were engaged in MGNREGS works. Thus, MGNREGA brings about a social transformation beyond the narrow concerns of the Act.

Institutional arrangements were the focus of another team of researchers. Ambastha, Shah, and Shankar (2008) commented that MGNREGA had great promise, but it could not be realized if it was implemented in the same framework of governance which has served India since independence. The MGNREGA Act had made provisions for provision of separate staff for implementation: a full time programme officer in each block; an employment guarantee assistant in each Panchayat; panels of accredited engineers at the district and block levels; technical resource support groups at the state and district levels. Hardly has any state government appointed them. The lack of dedicated technical resources led to routing through normal department channels that have already been burdened. There were no specified time frames for processing of proposals so there were inevitable delays. The authors advocated an appropriate human resource support structure for MGNREGA with mechanisms for continuous capacity building. Information technology should be used to reduce time and administrative costs by developing an online MIS which would also serve to make the system more transparent. In the end, reforms had to be balanced with civil society activism to prevent the new systems from succumbing to corruption.
The potential of ICTs to transform MGNREGA also received due attention. Pankaj (2010) dwelt on the role of ICTs in improving transparency and accountability in MGNREGA. He also pointed out that the success of MGNREGS depended on proper execution of works, correct entries in the nominal muster roll and timely as well as accurate payment of wages. He implemented a system at worksites which would reflect timely closing of the NMR by 11 AM every day in the district. The information was passed to the district level through SMS by mobile services. This would reduce the possibility of bogus entries since the total number of workers on duty had been relayed to the monitoring office. The inspecting official verified the figures with the NMR at the worksite. He also implemented a system of daily reporting through SMS by an authorized person to the block and district levels using appropriate software. This not only reduced corruption but provided feedback to improve performance.

Hirway and Saluja (2008), conducted a study on the impact of MGNREGA in a village in Sabarkantha district of Gujarat in which they examined the multiplier effect of MGNREGS on household production, income and employment, and the village economy. The researchers performed a multiplier analysis: the income multiplier revealed that MGNREGS increased base income of the village by 1.17 percent. The employment multiplier revealed that an additional 994 person days were generated in the economy in an employment base of nearly 60000 person days. According to the researchers, the multipliers were of low value because of the low output, income and employment coefficients but an expansion of MGNREGS works could lead to acceleration in the value of the multiplier. Further, they noted that as a result of MGNREGS villagers had already shifted to more productive, remunerative and labour intensive crops changing the production and employment multipliers. They drew up a list of potential MGNREGS works and extrapolated their effects: MGNREGS works would reduce unpaid SNA and non SNA work of women and poor which would directly benefit the health status of the people and reduce expenditure on health while improving productivity; potential MGNREGS works would enable children attend school regularly by reducing unpaid work of children, and; benefit women by releasing them in the labour market. From their study, the researchers reached the conclusion that MGNREGS is a utilitarian programme. But the current MGNREGS has not yet been able to bring out the desired changes. If the
expected outcome is to come, MGNREGS should be planned well and it should be expanded properly.

The Centre for Science and Environment (CSE, 2010) submitted a report to the Ministry of Rural Development (MoRD) in which, it assessed the performance of MGNREGA in terms of its potential for creation of natural wealth. It pointed out that MGNREGA needs to provide both short and long term food security through work on improvement of agriculture and provision of water. According to CSE there is less focus on water conservation activities due to the wage structure under the Act which has made the creation of productive assets less attractive. Since wages are based on task rate the payment is irregular and less than the minimum wages so Panchayats seek road construction work where wage payment is irrespective of work completion. There is bad planning of water conservation works and the lack of maintenance is putting a large number of structures into disuse. It was concluded by saying that instead of evaluating MGNREGA on the number of jobs created, it should be evaluated and monitored for its impact on livelihood security. The authority should prefer village ecology to activities, when they organise MGNREGA programme.

The central concern of other scholars was the reforms in MGNREGA. Aiyar and Samji (2006) compared the implementation of the programme in Karnataka and Andhra Pradesh. Their research revealed problems in the implementation process which made them give priority to setting up administrative processes to give work and disburse payments. The need to provide utilization certificates coupled with the lack of field staff had led to reduced flow of funds to Panchayats in Karnataka which needed to be addressed. The researchers thus emphasize the need of proper administration in the functioning of MGNREGS. More field staffs should be brought and utilisation certificate should be provided. Similarly Pankaj (2010) compared between Bihar and Jharkhand on the progress of NREGA. His assessment was that implementation was tardy and the effort was driven by the supply side. There was some improvement in Bihar in terms of livelihood security, work participation rate, reduction in distress migration and creation of community assets. Bihar had also put institutional arrangements on track and made provisions for separate staff for MGNREGA which had strengthened the implementation process. Regretfully stirring
up PRIs and civil society has not yet come true. In Jharkhand the situation was more difficult due to political and administrative indifference and the lack of formal PRIs.

The studies examined, show that, reviewers maintained constant support to the relevance of livelihood. The review elaborated very well on several aspects of livelihood. Natural, physical, economic, human and social capitals etc were given much emphasis. Factors influencing livelihood sustainability, challenges of rural livelihood security and nuances of MGNREGS etc were also brought into limelight, through this review. Though some of the reviews emphasised are pessimistic about present mode of working of MGNREGA yielding proper results, none of them denies its utmost importance in transforming the prospects of rural Indian lifestyle. All of them recognize the capacity of MGNREGS to bring fundamental transformation in rural connectivity, agricultural productivity, and improvement of ecology and creation of durable assets in the backward regions.

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