

The role of Mahatma Gandhi national rural employment guarantee scheme (MGNREGS) on savings and annual investment pattern in Erode District in Tamil Nadu State

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Abstract

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was notified on 7 September 2005. The mandate of the Act is to provide 100 days of guaranteed wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work. In this paper, an attempt is made to focus on annual savings and annual savings of MGNREGS beneficiaries in Erode district located in the Tamil Nadu.

Keywords: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), employment, guaranteed wage, annual savings, annual savings

Introduction

The National Rural Employment Guarantee Act (NREGA) was passed by the Lok Sabha on 23rd August 2005 and by the Rajya Sabha on 24th August 2005, received the assent of president on 5th September 2005 and became the NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (NREGA) 2005. The NREGA was launched by the Prime Minister on February 02, 2006 from the state of Andhra Pradesh (Gram Panchayat Bandla palli; District Anantpur). The NREGA is an Indian job guarantee scheme for rural household. The scheme provides a legal guarantee for one hundred days of employment in every financial year to adult members (above the age of 18 years) of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage of Rs 100 per day. It has been renamed as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on 2nd October 2009.

Objectives of the Scheme

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was notified on 7 September 2005. The mandate of the Act is to provide 100 days of guaranteed wage employment in a financial year to every rural household one whose adult members volunteer to do unskilled manual work. The main objective of the programme includes:

- Providing at least 100 days' work as per demand resulting in the creation of productive assets of prescribed quality and productivity.
- Strengthening the livelihood resource base of the poor.
- Proactively ensuring social inclusion.
- Strengthening Panchayat Raj Institutions (PRIs).

Coverage

The Act was notified in 200 districts in the first phase with effect from February 2, 2006 and then extended second phase to 130 districts in the financial year 2007-2008 (113 districts were notified with effect from April 1, 2007 and 17 districts in UP were notified with effect from May 15, 2007). The

remaining districts were notified under MGNREGA with effect from 1 April 2008. Since 2008, MGNREGA has covered the entire country with the exception of districts that have 100 per cent urban population. Thus, NREGA covers all the 593 districts in India.

Salient Features of the Act Registration

Adult members of a rural household willing to do unskilled manual work may apply for registration either in writing, or orally to the Local Gram Panchayat (GP). The unit for registration is a household. Under the Act, each household is entitled to 100 days of employment every year. People who are registered under Forest Rights Act (FRA) entitled to 150 days of employment. In states like Rajasthan, communities like the Sahriyas have been given an entitlement of 200 days.

Application for Work

A written or oral application seeking work is to be made to the Gram Panchayat or block office, stating the time and duration for which work is sought. The Gram Panchayat will issue a dated receipt of the written application for employment against which the guarantee of providing employment within 15 days operates.

Job Cards

After due verification of place of residence and age of the adult members, the registered household is issued a job card. A job card forms the basis of identification for demanding employment. A Job Card is to be issued within 15 days of registration. Each Job Card has a unique identification number. The demand for employment in the Gram Panchayat or at block level has to be made against the Job Card number. Job Cards are also supposed to be updated with days of work and payment made to the beneficiary as and when the work is undertaken.

Unemployment Allowance

In case work is not provided within 15 days of the date from

which demanded, the state (as per the Act) will pay an unemployment allowance to the beneficiary.

Provision of Work

While allocating work, the following considerations are followed: Work is provided within a 5 km radius of the village. In case, work is provided beyond 5 km, extra wages of 10 per cent are payable to meet additional transportation and living expenses. Priority is given to women, such that at least one-third of the beneficiaries under the scheme are women. At least 50 per cent of the works in terms of cost are to be executed by the Gram Panchayats. Sixty per cent of the costs incurred have to be on agriculture related works.

Wages

The wage rate is notified state-wise by the Government of India and this is indexed to the inflation as measured by the Consumer Price Index. Wages are also to be paid according to piece rate, as per the Schedule of Rates.

Timely Payment

Payment of wages has to be done on a weekly basis and not beyond a fortnight in any case. Payment of wages is mandatorily done through individual/joint bank/post office beneficiary accounts. The MGNREG Act mandates that it is the obligation of the state to address a delay in payments for the works, if any.

Planning

Plans and decisions regarding the nature and choice of works to be undertaken in a financial year are to be decided in open assemblies of a Gram Sabha. Works can also be identified at the block and district levels which have to be approved and assigned priority by the Gram Sabha before administrative approval can be given.

Cost Sharing

Government of India bears 100 per cent wage cost of unskilled manual labour and 75 per cent of material costs, including the wages of skilled and semi-skilled workers and administrative costs at 6 per cent of the total expenditure. The State Government meets the rest of the expenditure.

Work Site Management

To ensure that the workers benefit directly under the scheme, the Act prohibits the use of contractors or machinery in

execution of the works. To ensure that the spirit of the Act is not diluted and wage employment remains its main focus, MGNREGA mandates that in the total cost of works undertaken in a Gram Panchayat, the wage expenditure to material expenditure ratio should be 60:40. Worksite facilities such as crèches, drinking water and shed have to be provided at all worksites.

Transparency and Accountability

Transparency and accountability in the programme is ensured through:

- A social audit to scrutinize all the records and works under the scheme is to be conducted once in six months in every Gram Panchayat. The social audit is to be conducted in the manner prescribed in the Audit of Scheme Rules 2011.
- Every district shall have an ombudsman who is mandated to receive complaints, verify them and pass awards which are to be complied with by the administration.
- There shall be proactive disclosure of all the information regarding implementation using the web portal.

Objectives of the Study

- To study the socio economic profile of sample beneficiaries under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in Erode district.
- To analyse the impact of MGNREGS scheme on migration, savings and annual investment pattern of MGNREGS workers.

Research Methodology

The data base for this research study consists of both primary and secondary data. Erode District is purposively selected for the present research work. 250 MGNREGS sample beneficiaries were chosen randomly by introducing Simple Random Sampling. The sample beneficiaries were contacted with a specially prepared and pre tested interview schedule. Published books, journals, newspaper articles, official records, government orders and official website of MGNREGS are the major sources of secondary data.

Statistical Tools

The data collected through the schedules has been classified and tabulated into many tables for analysis purpose. Simple statistical tools like frequency distribution method and weighted average ranking score analysis have been used to analyse the data.

**Analysis and Interpretation
Frequency Distribution**

Table 1: Showing Description of Socio Economic Profile of sample beneficiaries and impact on migration under MGNREGS following frequency distribution is constructed.

Profile	Groups	Frequency	Percentage
Gender	Male	66	26
	Female	184	74
Age	29-39 years	46	18
	40-50 years	52	21
	Above 50 years	152	61
Social category	ST	12	5
	SC	168	67
	BC	70	28
Religion	Hindu	210	84
	Muslim	30	12
	Christian	10	4

Landholding	Land Less	190	76
	Marginal(<1acre)	25	10
	Small(1 to 2 acres)	15	6
	Medium (2 to 5 acres)	20	8
Occupation	Agricultural labour	135	54
	Agriculture	55	22
	Petty Business	10	4
	Non Agriculture Labour	50	20
Annual Income	Rs.10000-Rs.250000	115	46
	Rs.25001-Rs.40000	55	22
	Rs.40001-Rs.55000	75	30
	Rs.55001-Rs.70000	5	2
Method of migration	Contract	144	58
	Casual	106	42
Type of work at Migrant place	Construction Work	139	56
	Cable Work	53	21
	Industrial Labour	45	18
	Horticulture Work	13	5
Daily wage rate at migrant place	BELOW Rs.100	17	7
	Rs.101-150	44	18
	Rs.151-200	165	66
	Rs.201-250	24	10
Reasons for Migration	Wage difference	45	18
	Crop Failure	39	16
	Employment	97	39
	Education of child	69	28

(Source: primary data)

From the above frequency distribution the following points are understood

- Majority of the respondents are (74%) are female.
- Majority of the respondents are (61%) having age group of above 50 years.
- Majority of the respondents (67%) are belong to the community of SC.
- Majority of the respondents (84) are Hindus.
- Majority of the respondents (76%) are not having land for agriculture.
- Majority of the respondents (54%) are agricultural labour.
- The respondents (46%) are earning annual income of Rs.10,000-Rs.25,000.
- Majority of the respondents are (58%) working as contract basis under migration.
- Majority of the respondents are doing (56%) construction work.
- Majority of the respondents are (66%) earning income of Rs151-Rs.200 on daily basis.
- The respondents are (39%) choosing migration for employment.

Weighted Average Score Ranking Analysis

The frequency of respondents (f) has been multiplied with the scale value (x). The total score fx was divided by number of factors. Based on the average, the rank has been given for the factors.

Table 2: Shows the Forms and Sources of Savings of Household

Total Savings of the Household	Tot	Avg	Rank
Land	757	303	5
Jewels	954	382	3
Bank Deposit	1145	458	1
Post Office	973	389	2
LIC	877	351	4
Chit Funds	551	220	6

(Source: primary data)

The above table reveals that the forms and sources of savings of the household. It is viewed from the table that “Bank deposit” were ranked first by respondents with the average of 458. “Post office” was ranked as second with the average score of 389. “Jewels” were ranked at third with the average of 382. “LIC” was ranked as fourth with the average score of 351. “Land” was ranked at fifth with the average of 303. “Chit funds” were ranked as sixth with the average score of 220.

Table 3: Shows the Impact on Annual Household Investment Pattern

Annual Investment Pattern	Total	Avg	Rank
Land and Building	699	175	2
Consumer Durables	666	167	3
Livestock	731	183	1
Financial Assets	404	101	4

(Source: primary data)

The above table shows that impact on annual investment pattern. It is observed from the table that “Livestock” was ranked first by respondents with the average of 183. “Land and building” was ranked at second with the average score of 175. “Consumer durables” were ranked as third with the average score of 167. “Financial assets” were ranked at fourth with the average score of 101.

Conclusion

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is considered as a “Silver Bullet” for eradicating rural poverty and unemployment, by way of generating demand for productive labour force in villages. It provides an alternative source of livelihood which will have an impact on reducing migration, alleviating poverty, and making villages self-sustaining through productive assets creation such as road construction, cleaning up of water tanks, soil and water conservation work, etc. For which it has been considered as the largest anti-poverty programme in the world. But the success of this Act depends upon its proper implementation. Much of

the pitfalls of MGNREGA implementation can be overcome if proper processes and procedures are put in place. Thus, there should be continuous efforts towards creating adequate awareness on different provisions of MGNREGS amongst the people. Creating awareness is necessary not only to motivate the people to work under the scheme but also to encourage them to participate in its planning and implementation.

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