

**Impact of MGNREGA on Financial Inclusion- A Case Study of Majri and Dhakori
Kalan Villages of Punjab**

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Abstract

MGNREGA is widely dispersed flagship programme of Government of India. The issue of financial inclusion is emerging as the new paradigm of economic growth. The purpose is to study the impact of MGNREGA on financial inclusion of selected respondents and to assess the prevailing wage level of MGNREGA workers. The study is based both on primary and secondary data. Field survey is done to collect information from the respondents. The present study uses a structured questionnaire as a tool for data collection. The area covered is Majri and Dhakori Kalan village of Punjab located near Chandigarh. Convenience and Snowball sampling technique was used. 72 respondents were surveyed in Majri and Dhakori Kalan village. Statistical tools and techniques such as percentages, frequencies, and averages are calculated and t- test is applied for analyzing the data. MGNREGA is a relevant programme. It has been observed that wage rate doesn't matter to the workers as they just want to get employment. MGNREGA has not been successful in providing stipulated 100 days employment to all the registered persons in village.

Introduction

Sustainable development and progress of economy depends largely on robust and a strong financial system as a strong financial system facilitates national objectives of creating a market-driven, productive and competitive economy. A strong mechanism and diligent allocation of resources for top to bottom is required to ensure financial inclusion for weaker sections of society. India is the second largest country in terms of population and manpower. India is considered as the land where more than one fourth of population is below poverty line due to fluctuations in employment, shrinking employment opportunities and low wage rates. It is therefore central government has introduced lot of programs in order to financially include the weaker sections of society in financial inclusion and ensured right based and guaranteed wage employment programs.

Financial Inclusion in India

Financial inclusion can be defined as the delivery of financial services at an affordable cost to various sections of low-income and disadvantaged segments of society. An all-inclusive financial system is essential because it enhances efficiency and welfare by providing scope for secure and safe saving practices and by facilitating a wide range of

efficient financial services. Financial Inclusion implies facilitating access to adequate and timely financial products and services at an affordable price to vulnerable sections of the society. It enables them to link with formal lending and preventing them with falling into debt-trap. The benefits from lower interest improve their income and wealth. At macro level, financial inclusion broadens the resource base of financial system, removes the rigidities in financial market and promotes inclusive growth. The issue of financial inclusion is emerging as the new paradigm of economic growth. It plays a major role in driving away poverty from the country by delivering banking services to the under privileged and rural sections of society at affordable prices. Numerous steps have been taken by Indian government to financially include people of all the sections of society irrespective of their caste, creed and religion but still there are around more than 40 % of population are financially excluded.

It is since 1994 the concept of financial inclusion got noticed with the establishment of cooperative bank. The next major step was nationalization of commercial banks in 1969. The establishment of Regional Rural Banks (RRBs) in 1975 was another milestone in making banking network accessible to rural population. The issue of financial inclusion was first time included in the Annual Policy of the Reserve Bank for 2004-05. Kisan Credit Card (KCxC) for crop loan started in 1998 which has linked more than 100 million farmers with banks and the current focus is to link remaining small and marginal farmers. Financial literacy and Credit Counseling Centres (FLCC) have been set up in each district by the lead banks. These were renamed as Financial Literacy Centres (FLC) in 2012. A multilingual website has been launched by the Reserve Bank in June, 2007 in 13 languages on all matters concerning financial education and banking for common persons and students. It is however, that the concept of financial inclusion became a buzzword with the launching of Jan Dhan Yojana by Modi's Government.

Overview MGNREGA

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the most advertised and widely dispersed flagship program of the government of India, was carved out of a statutory act (known by the same name) notified by the Indian parliament in 2005. The MGNREGA was notified on September 7, 2005. The Act came into force on 2nd February, 2006 in the poorest 200 districts, termed the 'Phase 1' districts; it was extended to another 130 'Phase 2' districts in April 2007; and in April 2008 it was implemented in the remaining 'Phase 3' districts as well. The unique features of the Act include time bound employment

guarantee, incentive-disincentive structure of the State Governments for providing employment or payment of unemployment allowance at their own cost and emphasis on labour intensive works prohibiting the use of contractors and machinery. This is a flagship programme of the Government that directly touches lives of the poor and promotes inclusive growth. It is the largest ever public employment programme visualized in human history. It has unleashed a silent revolution by forcing the government and private employers to provide minimum wages to the poorest of the poor. The main and immediate 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. The government has also fixed the minimum wage rate as per the nature of work in different districts. Today MGNREGA is implemented in 688 districts across the country and benefitting around 5.17 million households all over country and 0.34 million households in 2015-16.

Objectives of MGNREGA

Employment	Sustainable Development
<ul style="list-style-type: none">➤ Enhancement of Livelihood➤ Security of Households.➤ Labour Market and Migration➤ Environmental Services and Agricultural Productivity	<ul style="list-style-type: none">➤ Sustainable Rural Assets creation➤ Create Livelihood Resource Base➤ Restore Environment➤ Gender & Social Empowerment

The MGNREGA, besides, the main features mentioned above also involves participatory planning and implementation of the scheme through:

- (i) Proactive role of Gram Sabha,
- (ii) Rigorous & continuous monitoring by way of social audit, and
- (iii) Involvement of ordinary people at the grass-roots level.

It addresses:

- Chronic poverty
- Drought
- Deforestation

- Soil erosion etc.

It also aims at:

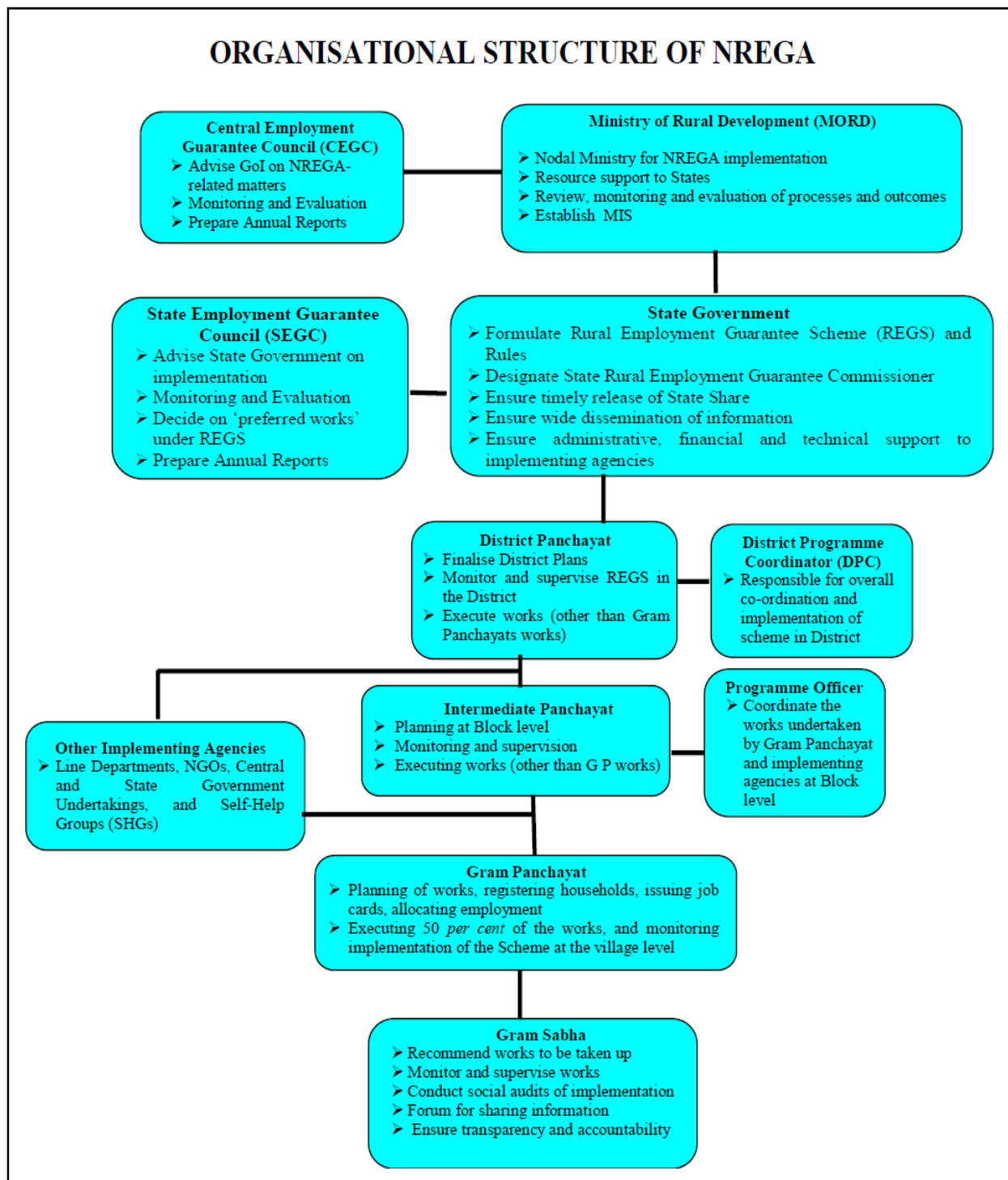
- Generating productive assets,
- Protecting the environment,
- Empowering rural women, and
- Arresting rural-urban migration.

The Act is further marked by certain salient features that purport to facilitate in achieving the act's goals and objectives. Notable among them are: (a) all adult members of a rural household, willing to do unskilled manual work, may apply for registration in writing or orally to the local Gram Panchayat (b) the Job Card should be issued within 15 days of application (c) employment will be provided within 15 days of application for work, if it is not then daily unemployment allowance as per the Act, has to be paid (d) wages are to be paid according to the Minimum Wages Act 1948 for agricultural labors in the State unless the Centre notifies a wage rate which will not be less than Rs. 60/ per day. Equal wages will be provided to both men and women (e) at least one-third beneficiaries shall be women who have registered and requested work under the scheme (f) permissible works predominantly include rural connectivity, water and soil conservation, afforestation and land development works (g) Work should ordinarily be provided within 5 km radius of the village. In case work is provided beyond 5km extra wages of 10% are payable to meet additional transportation (h) and living expenses social audit has to be done by the Gram Sabha and (i) all accounts and records relating to the Scheme should be available for public scrutiny.

2.0 REVIEW OF LITERATURE

Ranaware Kruhna et.al (2015) surveyed the 4,881 users of more than 4100 works created under the MGNREGA in Maharashtra. It provides evidence that MGNREGA works support agriculture and benefit a large number of small and marginal farmers. 90 percent of the respondents considered the works very useful and only 8 percent felt they were useless. Overall, this study suggests that the widespread perception that the MGNREGA does not create anything productive appears to be misplaced although there is scope for improving the choice of works, their design and their execution.

Organisational Structure of NREGA and Governance Responsibilities of Governments at Various Levels



Source: MRD, GOI (2008), Performance Audit of Implementation of National Rural Employment Guarantee Act (NREGA).

Indrakant S. (2015) examined the enhancement of financial inclusion through MGNERGS in Andhra Pradesh. It analysed the status and performance in financial inclusion of AP at state and district levels with help of CRISIL Inclusive Index. Financial Index has been constructed. Field-level data from six villages has been used to examine the impact of policy change in payment of wages on financial inclusion in different types of villages. The study concluded that status and performance of AP during 2009-2012 in terms of CRISIL Inclusive score appears to be satisfactory. There are some indications of widening variations in the extent of financial inclusion across the districts.

Sangwan S.S (2014) The study has examined the scope of MGNERGA in promoting financial inclusion. An analysis of reasons for opening bank account reveals that 41 percent males and 62 percent females opened an account to get wages form MGNERGA. His work based on field study of two villages from Punjab also reveals that villagers preferred to have an account in a commercial bank rather than in Regional Rural Bank.

Agriculture Development and Rural Transformation Centre & Institute for Social & Economic Change (2013) The report has major objective to measure the extent of manpower employment generated under MGNREGA, their various socio-economic characteristics and gender variability in implementing MGNERGA since its inception in selected states. The study is based on both primary and secondary data. The study discussed total employment generated and their socio-economic characteristics, number of projects completed and total amount spent. Qualitative aspects and indicators of MGNREGA were also discussed. In the end suggestions of villagers were given to raise efficacy of MGNERGA. The major suggestions were increasing working days and wage rate, providing food within the programme, allowing private land development through MGNREGA for longevity of the programme and by providing proper information on various aspects of the programme.

Objectives of the Study

- To study the impact of MGNREGA on financial inclusion of selected respondents.
- To assess the prevailing wage level of MGNREGA workers.

Research Hypotheses

H₀₁: MGNREGA workers are ready to work even on lesser wages than official minimum wage rate.

Research Methodology

The present study is descriptive and analytical in nature. The study is based both on primary and secondary data. Field survey is done to collect information from the respondents. The present study uses a structured questionnaire as a tool for data collection. The questionnaire comprised of two sections. The first section enquired about the demographic data of the respondents. The second section was used to record their awareness and their behavior and intentions regarding the MGNREGA schemes and to analyze the impact of financial inclusion on selected respondents. The area covered is Majri and Dhakori Kalan village of Punjab located near Chandigarh. Convenience and Snowball sampling technique was used. 72 respondents were surveyed in Majri and Dhakori Kalan village. Statistical tools and techniques such as percentages, frequencies, and averages are calculated and t- test is applied for analyzing the data.

Analysis & Interpretation of Data

Socio-Economic Demographic Profile of Respondents

Table 1: Education-wise Respondent

Education	Respondents	%
Illiterate	23	32
Literate up to primary	13	18
Middle	8	11
Matriculation	13	18
Higher Secondary	9	12
Graduation	4	6
Post Graduation or above	2	3
Total	72	100.00

Source: Field Survey, 2016

Table 1 indicates that 32% of the respondents are illiterate followed by 18% as literate up to primary and 18% as matriculation, followed by 12% who got education up to higher secondary, 11% did their qualification up to middle, followed by 6% Graduates and only 3 % of Post graduates.

Table 2 Occupation-wise Respondents

Occupation	Respondents
Cultivator	1
Agricultural Labourer	5
Livestock and Allied Activities	2
Mining and quarrying	1
Manufacturing process, servicing and repairs	7
Construction	0
Trade and Commerce	4
Transport, storage and communications	3
Other Services	15
Household Work	25
Student	1
Non Worker	6
Seeking Work	2
Total	72

Source: Field Survey, 2016

It is discovered that out of 72 respondents 25 respondents were busy with household work, followed by 15 % respondents doing other services like working in banks, running beauty parlours, etc., followed by 6 % who were free and 5 % working as agricultural labourers and so on.

Table 3: Caste-wise Respondents

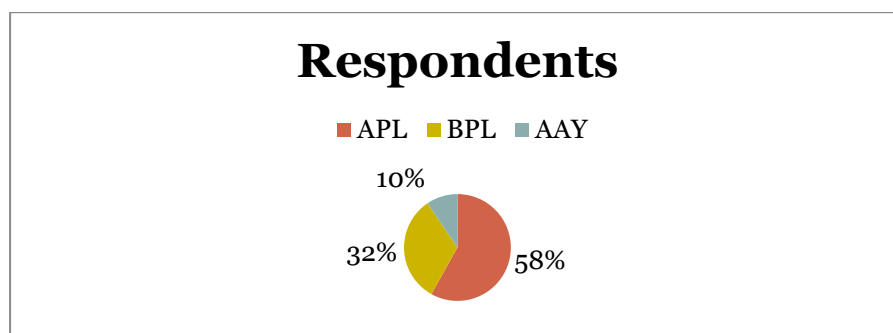
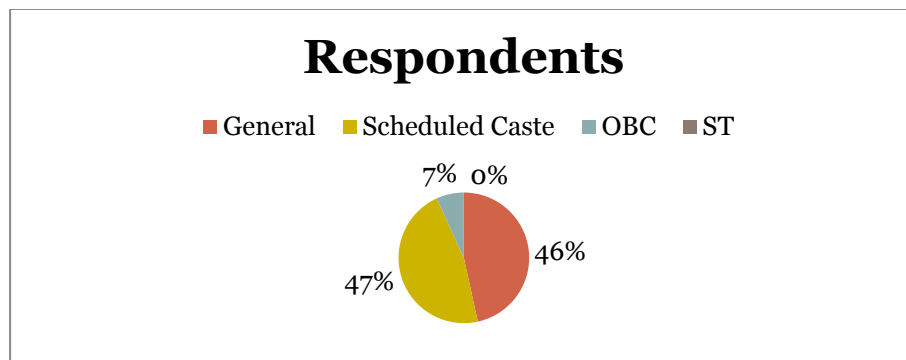
Caste	Respondents	%
General	34	46
Scheduled Caste	34	47
OBC	5	7
ST	0	0
Total	72	100.00

Source: Field Survey, 2016

Table 4: Economic Category-wise Respondents

Economic Category	Respondents
APL	43
BPL	24
AAY	7
Total	100

Source: Field Survey, 2016



Out of 72 respondents 47 % of the respondents belong to SC category, followed by 46 % as general category respondent followed by 7 % OBC. 55% of the respondents hold APL cards, where as 32 % have BPL cards and 10 % respondents posses AAY cards.

Table 5: Purpose of DBT

Purpose of DBT	No of Respondents
Gas Subsidy	50
Pension	26
MGNREGA	9
Any Other	6

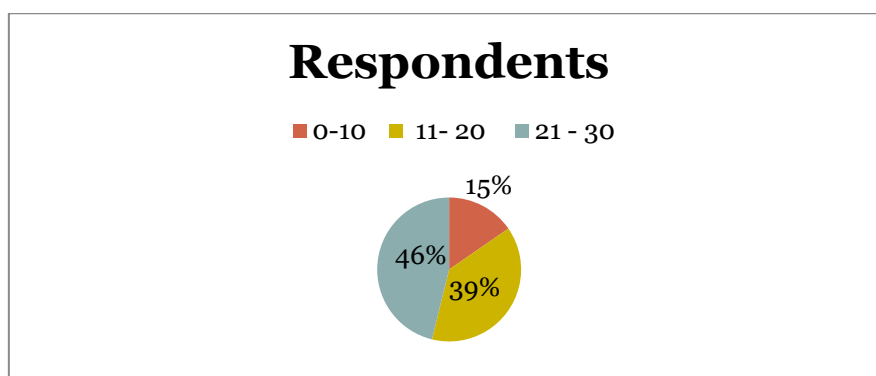
Source: Field Survey, 2016

Table 6: No of Days worked under MGREGA

No of MGNREGA days worked in	Respondents
0-10	2
11- 20	5
21 – 30	6

Source: Field Survey, 2016

DBT stands for Direct Bank Transfer, few respondents were getting money through government from then one purpose however there were many who were not receiving DBT at all. The reason in more than one reason was that there are people who are getting MGNREGA wages as well a pension or MGNREGA and gas subsidy. However it was discovered that many people do not hold any bank account and are not able to avail any kind of DBT.



During the financial year 2015 -16 only 13 respondents worked under MGNREGA and the kind of work they were involved in was laying of mud roads on the side of pucca roads.

Table 7: Satisfaction in receiving Wages through Bank

Satisfaction Wages in Bank A/c	Response
Satisfied	8
Unsatisfied	5

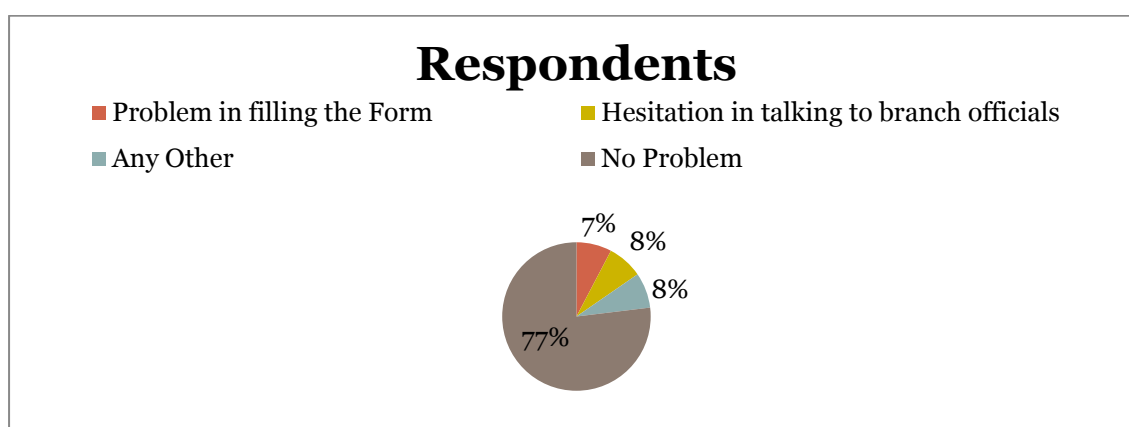
Source: Field Survey, 2016

Out of the 13 workers of MGNREGA only 8 respondents were satisfied with the wage payment system as they actually received the promised amount whereas 5 were unsatisfied since they did not receive the amount even after 60 days of completing their work. The reason for this is that the dealing hand did not send their details for job cards and other registration formalities.

Table 8: Problems faced in Operating Account

Problems faced in Operating Account	Respondents
Problem in filling the Form	1
Hesitation in talking to branch officials	1
Any Other	1
No Problem	10

Source: Field Survey, 2016



Since most of the respondents working under MGNREGA were totally illiterate and they did not know how to write their name faced lot of problem in filling the form and they were totally dependent on other people for filling the forms. Though few of them were literate up to primary level they were quiet hesitant in talking to bank officials and never asked for the money.

Table 9: Whether Authorized to Withdraw money or not

Authorisation	Respondents
Yes	9
No	4

Source: Field Survey, 2016

It was discovered in the survey that few of the people working under MGNREGA were not authorised to operate their Accounts the contractors' posses their Bank accounts and ATM cards and operate it on their own. The main reason was that they did not know how to operate the ATM and there is no other member in their family like they are the only one living.

Table 10 Wage Rate Given under MGNREGA

Wage Rate	Responses
In Majri	Rs 166
Surrounding Villages	Rs 210

Source: Field Survey, 2016

Table 11: Preference for MGNREGA

Preference	Respondents
First	56
Last Resort	16

Source: Field Survey, 2016

In Majri village the wage rate offered is Rs 166 where as for the same kind of work the surrounding villagers are getting Rs 210.

Out of the total respondents who have worked in MGNREGA for last three years 56 respondents that they still prefer to work under MGNREGA but the concerned person is not providing them with work while 16 respondents responded that MGNREGA is their last resort and they do not work under MGNREGA even if they are offered with high wages.

Table 12: t-test for Equality of Means (Wage Rate)

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
wage	Equal variances assumed	3.37	0.068	-	142	0.449	-14.3056	18.85407	-	22.96537
	Equal variances not assumed			-					-	
				0.759	137.276	0.449	-14.3056	18.85407	51.5875	22.9764

Source: Calculated Values

T test was applied just to see the significance of variance of wages and wage rate t- test was tested (i) the variance between the lower wages and upper wages is insignificant. (ii) It is found that people are ready to work even at low wages.

Qualitative Aspect of the Study

- It is discovered that since most of the people are widowed, living alone or are not supported by their family and don't have any other source of income they are ready to work even at the wage rate lower than that offered by the government.
- Attitude of Sarpanch and other officials: In a discussion with village Sarpanch it is discovered that he is not interested in getting the work of MGNREGA started as in that case his responsibilities will grow and he will have to keep the record and keep the track of the work in progress.

- In formal Discussion with people of weaker section of society disclosed the information that there are number of persons with in these villages who does not allow actual workers to get the money and they take the benefit of the people who are not educated they withdraw the money on their behalf and ask those workers to leave their thumb mark on the register stating that they have received the money. It is also discovered that the persons who are keeping the records of this work do not tell them the prevailing wage rate but instead tell them almost half of the wage rate and when someone asks for the same they tell the money has been spent on the project and on them during the course of work. It is in this way that the workers are being harassed and are not being paid as the government promises them.
- Financial Illiteracy is also one of the challenges in the area of financial inclusion. Lack of basic education prevents the people to have an access from financial services
- Another challenge in the area of financial inclusion is that access to formal financial services requires various documents of proof regarding persons' identity, income, birth certificates, etc. But poor people generally lack these documents and thus are devoid of these services.

Following observations were made in villages regarding MGNREGA

- Lack of Initiative on the Part of Sarpanch and concerned officials
- Failure on the Part of District Administration to get the village plan Implemented.
- Non Involvement Of line Department in Implementation of works
- Lack of Technical support.

Conclusion

The concept of financial inclusion has gained substantial importance in the Indian context. Financial Inclusion can be defined as the wide range of financial products and services to which everybody can have an access which allows them to efficiently manage their finances, regardless of their level of income or social status. MGNREGA is a relevant programme. It has been observed that wage rate doesn't matter to the workers as they just want to get employment. MGNREGA has not been successful in providing stipulated 100 days employment to all the registered persons in village.

Policy Implications

- The Panchayats should take the responsibility of facilitating the villagers to open a bank account, especially with focus on poorer sections who do not know its significance.
- It should also undertake task of generating awareness and publicity about the financial inclusion and ensure that all the households of a village open a bank account and use the same for financial transactions such as payment of wages under MGNREGA, pensions and scholarships.
- There is a need for the banks and Panchayats to work in convergence and ensure collective action in helping the below poverty line population and others in such a way that the selection of beneficiaries under government schemes and programmes would get timely support.
- MNREGA work should not suffer due to lack of timely funds.

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