

# Women Financial Inclusion through Mahatma Gandhi National Rural Employment Guarantee Scheme

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## ABSTRACT

*The Government of India passed the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREG Act) in September 2005. This Act commenced with effect from 2.2.06. MGNREGA is a path breaking legislation and a flagship programme for promoting inclusive growth by ensuring a legal guarantee of 100 days of employment to rural poor. Its Rights based framework creates a paradigm shift from earlier wage employment programmes. The Acts' objective is to generate employment opportunities, and regenerate the natural resource base of rural livelihood through an implementation process that strengthens grass root democratic processes. A large number of projects have been taken up under MGNREG Act in the country that provides employment on a huge scale. Mostly Scheduled Castes, Scheduled Tribes and women workers are volunteering to work under the programme. The Government in Ministry of Finance has also launched a drive for financial inclusion by opening of accounts of households in unbanked and under-banked areas. In order to achieve the twin objectives of financial inclusion and timely and proper payment of wages to the MGNREGS workers this MOU is being entered into. It was mandated that NREGA payments should be done only through banks and the post office system in conjunction. Banks and post offices are being made intermediaries for routing MGNREGP payments through bank accounts to enhance financial inclusion. The channeling of MGNREGA payments through banks and post offices has seen positive results.*

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## INTRODUCTION

Few other government initiatives have had the sort of potential for rural transformation that Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) does. From ensuring that people do not sleep hungry and reducing exploitation of labour, to creating rural assets, being a source of economic independence for women, revitalising panchayati raj institutions, the promise of this programme remains important today. The pity has been that while MNREGA is a rich area of research, few studies have tried to give a balanced view of its successes and failures in different states.

### Objectives of the study

- To study the financial process of MGNREGS.
- To analyse the role of MGNREGS in financial inclusion of the rural poor.

## METHODOLOGY

The material for the study is drawn from secondary sources. The method followed is historical and descriptive. The secondary data has been collected from different reports books, journals and periodicals. The data thus collected, have been analyzed for specific interpretation.

In his inaugural address at the Mahatma Gandhi National Rural Employment Guarantee Act conference, the Indian Prime Minister, Dr Manmohan Singh, said that 30 new works have already been added to the list of works permitted under MNREGA, whose focus is by and large on providing employment in rural areas mainly through agriculture. Besides direct financial benefit, the scheme has given many indirect benefits to the people and brought down the migration graph, he said.

"MNREGA has brought momentum in the financial inclusion of our rural population. More than four crore accounts have been opened in banks while more than that have been opened in post offices. These accounts will assist us in reaching the incentives of the Direct Benefit Transfer Scheme to the rural population," the Prime Minister said on Saturday.

The Prime Minister said the use of Information Technology in MNREGA at many levels has helped making governance better and increase accountability and transparency in government work. Noting that the Centre has taken many new initiatives in relation to this scheme in last one year, Singh said more improvement can be brought if the resources available with MNREGA and Integrated Child Development Scheme (ICDS) can be used together. The Prime Minister asked the Rural Development Ministry to ensure, in consultation with states, that the panchayats are provided full technical assistance.

*"This will help prepare the labour budget truly as per the local development plan and will facilitate the inclusion of all possible resources. Besides, this will also strengthen the Panchyati Raj institutions and increase people's participation in development works,"* Singh said.

One aspect of MNREGA that is not studied too often is financial inclusion. MNREGA has already contributed to perhaps the largest financial inclusion drive in rural India in recent times. In 2008, the government made it compulsory for MNREGA wages to be disbursed through bank or post office accounts. The Reserve Bank of India allowed 'zero balance' or 'no frills' accounts to be opened for all MNREGA job card holders. Today, close to 40% of all rural households have a job card and nearly 90% of MNREGA job card holders have a bank or post office account. More than half (56%) are bank accounts. In many cases, accounts have been opened in the names of women. Under MNREGA, all adults are eligible for work, so each job card can have more than one registered worker. As a proportion of registered MNREGA workers, just about 40% have an account. Predictably some states have done better than others. Workers with individual MNREGA bank accounts are highest in Kerala (73%), followed by Andhra Pradesh (61%), Tamil Nadu (49%) and Himachal Pradesh (39%). The all India average is 25%.

Besides spurring financial inclusion, the payment of wages through accounts also had an impact on wage corruption. When wages were paid in cash, the implementing agency was the same as the payment agency: it was easy to inflate attendance, claim wages from authorities, pocket the inflated amount and pay the labourer his/her fair share. When wages are paid through accounts, the inflated amount (if any) is deposited into the labourers' account, so that the only way corrupt officials can get a share is through extortion (money is taken forcibly from labourers after they withdraw it) or collusion (MNREGA official collude with labourers or post office functionaries to defraud the system). While extortion and collusion do occur, wage corruption has become more difficult.

Overall wage corruption can be estimated by matching the days of work as reported in official sources with independent estimates of employment collected directly from labourers. The rural development ministry's website ([www.nrega.nic.in](http://www.nrega.nic.in)) reports the official employment figures and the National Sample Survey Organisation (NSS) collected information on MNREGA employment in 2007-8 and 2009-10.

The MNREGA Monthly Progress Report (MPR) gives the days of work for each household that reported getting work. The average for July 2009 to June 2010 was 54 days of work on an average; the corresponding average from the NSS is 37 days, ie, a maximum leakage rate of 31% at the all-India level. However, it was felt that some states were using the MPR to inflate the scale of employment provided, so a switch to the Management Information System (MIS) was initiated in 2009-10. The MPR gives the upper limit on MNREGA employment claimed to have been provided. A similar exercise in 2007-08 found a leakage rate of 44%. (In 2007-08, MPR was used for tracking programme implementation). This rough estimate of corruption suggests that wage corruption went down from 44% to 31% (at most) in just two years.

Financial inclusion, however, came at a price: initially, it led to substantial disruption as workers without accounts were denied work. Further, reduced potential for wage corruption contributed to delays in wage payments. Earlier, whenever a labour payment was sanctioned, MNREGA functionaries also got a share. This is no longer possible, so foot-dragging over payments has become more rampant. Tamil Nadu was the only exception — in spite of the central directive on payments, they stood firm and continued with cash payments, because they feared that the transition would be too disruptive. They found other ways of dealing with wage corruption — collective and public cash payments, monitoring attendance through SMS reports combined with random field checks, implementation through gram panchayats and so on. In 2007-08, estimates for Tamil Nadu suggest that there was almost no wage corruption.

A similar threat of disruption of MNREGA looms large today with rumours that Aadhaar, despite enrollment rates being very low still, will become compulsory for MNREGA workers. Instead, the government should continue to focus on the

good work that began in 2008, ie, expanding the reach of the formal banking system to rural areas, and work towards bringing greater transparency in the implementation of the programme.

Sonia Gandhi, chief of India's ruling Congress party strongly pitched for utilising MNREGA to increase agricultural production, saying the flagship scheme can play a big role to usher in second green revolution in India. "I am of the belief that MNREGA has tremendous potential to increase agriculture production, which we have not been able to tap fully till date. There are many possibilities not only for creating community assets in villages but also providing irrigation facilities to small and marginalised farmers, developing land and promoting farming.

*"Manifold increase in the produce of farmers can be made by connecting this scheme with the use of modern technologies in agriculture. There is no doubt that MNREGA can play a big role in fulfilling our dreams of second green revolution,"*

Gandhi said at the Mahatma Gandhi National Rural Employment Guarantee Act conference in New Delhi on Saturday. Acknowledging the challenges in proper implementation of the scheme, the UPA Chairperson said, "We frequently hear complaints of corruption and misutilisation of funds in this scheme. It is very essential to put a check on this." The government will take steps to reduce its shortcomings through the tools of modern communication and information, she said while maintaining that it was necessary that social audits happened timely and according to norms.

Sharing his concern on panchyati raj institutions, the UPA Chairperson said, "There is also a need to think how to make implementation better. How to bring momentum in the empowerment of Panchayati Raj institutions."

Noting that there are many challenges, Sonia stressed on reform in the delivery system ruing that despite the rights of employment, a large number of people -- especially those living in the far flung areas -- are deprived of their rights of benefits. Though the participation of women in this scheme (MREGA) at the national level is almost equal to that of males, but still there are many states where either due to lack of information or lack of amenities at the work place, women are not being able to participate.

"It is essential to remove this problem. In Left Wing Extremism-affected districts, this scheme has become a powerful tool of empowerment. There is a need to implement it more forcefully in these areas," she said. Gandhi emphasised the need to strengthen the system to provide employment to workers within 15 days of enrolment and to ensure timely wage payment for their work.

"Apart from providing employment to the rural population, there is also a challenge of permanent assets creation, which is relevant in total rural development," she said.

The Prime Minister said around eight crore people have benefited from the scheme so far and an amount of Rs 1.3 lakh crore has reached them under the scheme.

"People from SC/STs have benefited in more than 50 per cent of the works while the participation of women in these schemes has been around 47 per cent. Perhaps this has happened for first time that women are getting wages equal to their male counterparts," he said.

Singh also noted that 80 percent of the wages being given to the women are going in banks and post offices. "Due to the scheme, the number of women is on constant rise, who take the financial decisions of their families," he said.

This shows how much importance the government gives to the policies and programmes for inclusive growth, Singh said, adding that a close look at the seven-year record of MNREGA shows that it accrued benefits to the poorest in the society especially small farmers and landless labourers. He said the scheme led to good results in management of natural resources, especially in rain-fed areas of the country. "There are enough proofs that the scheme has helped to a great extent in getting the small and very small farmers a better produce by increasing land productivity and water conservation," Singh said. Stress has been given on better planning, increasing the role of panchayats and improving the quality of assets under the amended rules for MNREGA which are being formally implemented today, he said.

## CONCLUSION

The direct transfer of wages into workers' bank accounts is a substantial protection against embezzlement, provided that banking norms are adhered to and that workers are able to manage their own accounts. MGNREGA workers had a fairly positive attitude towards bank payments, and an interest in learning how to use the banking system [12]. While the rushed

transition to bank payments (in 2008) created a certain amount of confusion and chaos, the prospects of effective use of banks as a payment agency for MGNREGA seems reasonably good. Further MGNREGA wage payment through bank and post office also helps to speed up financial inclusion and it could create wonderful impact in the rural areas, provided it is properly implemented with maximum participation of the local people.

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