

Is MGNREGA Really Included The Excluders – An Exploratory Analysis From Tamilnadu

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Abstract - "Financial inclusion" has gained importance since the early 2000s. Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. Financial inclusion is the key to empowerment of poor, underprivileged and low skilled rural households as they account for 70 percentage of Indian population To uplift such kind of people the government of India has introduced a demand oriented program namely MGNREGA which has been tied up with banks from 16 Feb 2009, with the motto of "Work for every hand and payment for every hand via banks". To augment wage employment opportunities by providing employment on demand and thereby extend a security net to the people and simultaneously create durable assets to alleviate some aspects of poverty and address the issue of development in the rural areas. This paper tries to clearly explain whether MGNREGA is really included the financially excluders.

Key Words: financial inclusion, household, banks, MGNREGA, poverty, unemployment.

1. INTRODUCTION

"Nearly forty years after nationalization of banks, 60% of the country's population do not have bank accounts and nearly 90% do not get loans," India has been currently the second-highest number of financially excluded households in the world. While, 40% of India's population have bank accounts, and about 10% have life insurance cover, a skimpy 0.6% has non-life insurance cover"-Rangarajan Committee (2008).

This is not simply data. Each and every one should be considered about the above said statement, because India is the largest democracy in the world with 30 percent illiterate people, 179.6 million below poverty line people, Finally, complete content and organizational editing before formatting. Please take note of the following items when proofreading spelling and grammar: 65 percent of the agriculture related people which turn to unemployment and underemployment that culminating in social stress. It can be removed through proper education and employment which also includes financial literacy that leads to financial inclusion. The term "financial inclusion" has gained importance since the early 2000s. Financial inclusion is the key to empowerment of poor, underprivileged and low skilled rural households as they account for 70 percentage of Indian population. Financial inclusion can truly lift the financial condition and improve the standards of lives of the poor and the disadvantaged. To uplift such kind of people the government of India has introduced a demand oriented program namely MGNREGA. The Act was notified on 7th September, 2005. The Act came into force on February 2, 2006 and was implemented in a phased manner. In Phase I it was introduced in 200 of the most backward districts of the country with effect from 2 February 2006. It was implemented in an additional 130 districts in Phase II 2007-2008. The Act was notified in the remaining 285 rural districts of India from April 1, 2008 in Phase III. The primary objective of the Act is augmenting wage employment. The scheme has been tied up with banks from 16 Feb 2009, with the motto of "Work for every hand and payment for every hand via banks". This paper tries to clearly explain whether MGNREGA is really included the financially excluders.

1.1..Meaning of financial inclusion:

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. According to the Banking Ombudsman of Karnataka State, 63 percent of the people in India do not have the benefit of banking facilities (Business Line 2006). The financially „excluded“ sections largely comprise of marginal farmers, landless laborers, self-employed and unorganized sector enterprises, urban slum dwellers, ethnic minorities, migrants, and women. Most of the excluded people are concentrated in the North East, Eastern, and Central regions (Thorat, 2007). Rao (2007) is of the opinion that though the financial inclusion covers a wide array of services by the banking sector, one crucial area relates to borrowings from banks by the lower strata of the unorganized segment of the economy. Further, debt owed to institutional and non-institutional sources could be used as barometer of degree of financial inclusion in the two sectors. To put in nutshell, according to K. C. Chakrabarty, Ex – Deputy Governor, RBI “Financial Exclusion is the lack of access by certain consumers to appropriate, low cost, fair and safe financial products and services from main stream providers.”

1.2.Pradhan Mantri Jan Dhan Yojana & Financial inclusion

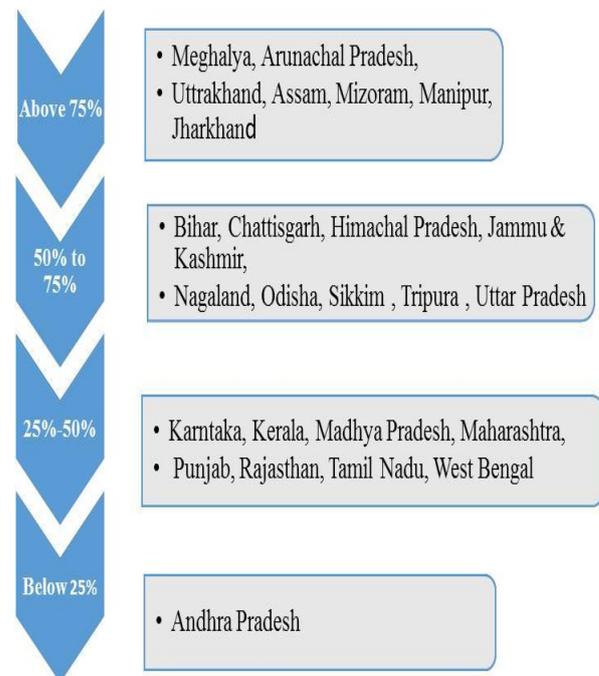
- ✓ Prime Minister of India Narendra Modi announced the scheme named financial inclusion on his first Independence Day speech on 15 August 2014.
- ✓ The scheme was formally launched on 28 August 2014.
- ✓ The purpose of this scheme is to provide 'universal access to banking facilities' starting with Basic Banking Accounts with overdraft facility of Rs.5000 after six months and RuPay Debit card with innate accident insurance cover of Rs. 1 lakh.
- ✓ This scheme also incorporated with RuPay Kisan Card, micro insurance and pension.
- ✓ 1.5 Crore (15 million) bank accounts were opened under this scheme.
- ✓ Opening no-frill account is also motivated under this scheme.

2.INDIAN BANKING SECTOR

In India 14000 people are using only one bank and about 6 lakh villages, rural branches of SCBs including RRBs numbered only 33495. Only 20% of the population is having any kind of life insurance and 9.6% of the population has no life insurance coverage. 18% of people have debit cards and less than 2% have credit cards. Overall 73% of farmer households have no access to formal sources of credit. This is very unsafe and shocking issue because in India there are currently 27 public sector banks in India out of which 19 are nationalized banks and 6 are SBI and its associate banks, and rest two are IDBI Bank and Bharatiya Mahila Bank, which are categorized as other public sector banks. There are total of 93 commercial banks in India. 31private banks and 38 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. Even we have this number of banking facilities still 83% of the total population in India does not access to any banking services. What is the use of all these services?

2.1.Financial Exclusion Rates between the States

The following picture depicts the financial exclusion Ratio among the states. In Tamil Nadu, the exclusion ratio between 25%-50% which comprises Marginal, Women Migrants, Urban slum dwellers, socially excluded groups, Unorganized sector enterprises and self employed groups. The reason behind this ratio is the financial illiteracy rate.



Source: Chattopadhyay S K,

2.2. Financial Inclusion and MGNREGS

In an effect to ensure financial inclusion, the Ministry of Rural Development (MoRD) issued a circular on January 21, 2008 that mandated transfer of wage payments only to bank or post office accounts of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) beneficiaries keeping in mind the objectives of transparency in the wage payment and the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments who are involved very large number under MGNREGA) Schedule II, paragraph 31 of the Act was suitably amended on February 19, 2009 to state that „the payment of wages shall be made through the individual or joint savings account of the workers in banks or post offices opened in accordance with the directions of the Central Government.“ This instruction helps to ruled out the cash payment on daily basis in their hands. From the implementation of that order nearly 11 crore bank/ post office accounts have been opened and around 88 per cent of MGNREGA payments have been made through this route. The following table shows the bank and post office accounts opened by the respondents after the MOU undertaken by the banking department in connection with MGNREGA.

2.3. Data related to bank accounts:

PARTICULARS	INDIA	TAMIL NADU	PULLAMPADY
Total bank accounts	8,13,21,102	88,94,113	26,461
Total individual bank accounts	6,94,35,182	88,08,605	26,173
Total joint bank accounts	1,18,85,920	85,508	288
Amount disbursed to bank accounts	2,32,66,42,19,816	45,92,73,71,243	11,06,54,268
Total post office accounts	3,10,07,480	184	0
Total individual post office accounts	2,78,98,351	160	0
Total joint post office accounts	31,09,129	24	0
Amount disbursed to post office accounts	48,14,29,94,363	0	0

Source: www.nrega.ac.in

3. OBJECTIVES OF THE STUDY

The present study had been undertaken with the following objectives:

- 1) To study the concept of financial inclusion attained in the study area.
- 2) To analyze the respondents attitude of financial inclusion.

4. STATEMENT OF THE PROBLEM

Based on the collection of previous literature the researcher found that most of the researches have emphasized on economic aspect, performance analysis and migration level. A very few people have concentrated on social audit and political aspects of MGNREGS. No researcher gave importance to financial inclusion related to MGNREGA in Tamilnadu especially in the study area. Therefore the present study will prominence on following questions:

1. What is financial inclusion?
2. What is the correlation between MGNREGA and financial inclusion?
3. What is the opinion of the respondents related to inclusion?

5. RESEARCH METHODOLOGY

Universe of study: The study was carried out in state of Tamilnadu. However, the study area was confined to Pullambadi Block in Tiruchirappalli district. Using purposive sampling method the study area was selected. The Pullambadi Block consists of 33 Panchayat which includes 22450 registered households that contain 37881 registered jobholders. Exploratory research design was followed for this research.

Sampling procedure: For the selection of beneficiary respondents two stages were followed. In the first stage purposive sampling method was adopted for the selection of the study area. In the second stage, for selecting the sample respondents, convenient sampling method was adopted.

Sample size: the study is a pilot study 100 respondents were selected as a samples. All the samples were jobholders who have completed 100 days work in the last financial year because their earnings and impact of such earnings should be analyzed in the research, that's why this restriction was applied.

Source of Data: Data was collected both from primary and secondary sources. Primary data was collected from all the stakeholders of MGNREGS. Well-structured Questionnaire was used for collecting data from the beneficiaries. The secondary data was collected from official records, published reports of similar projects, Ph.D. thesis, journals and online sources.

Tools of Analysis: The collected data were analyzed with help of frequency table, percentage analysis. The framed hypothesis are verified with McNemar test.

6.OVERVIEW OF RELATED LITERATURE ON FINANCIAL INCLUSION

Plenty of research papers, working papers and reports have drawn the attention towards the MGNREGA program. Many institutions and individual researchers have studied the Act and its implementation related to specific states or districts. Researchers have focused on areas like impact of the scheme on rural livelihood, programme evaluation, women empowerment, use of ICT and impact of scheme on rural population, wage system, individual asset creation, community asset creation and social audit and financial inclusion. The following reviews which is related only to financial inclusion that helps to convey the depth knowledge about the research topic. Arjumand Bano(2016) who has given the following matters in his article that The National Sample Survey Organization (NSSO) data on rural indebtedness shows that the most important source of loan in terms of percentage of outstanding loan amount was banks (36 percent), followed by moneylenders (26 percent) (NSS 59th Round, 2003). There is evidence that a vast majority of India's rural poor still does not have access to formal finance. It has been indicated in the Rural Finance Access Survey (RFAS) 2003, a World Bank (WB) and National Council of Applied Economic Research (NCAER) collaboration, that rural banks serve primarily the needs of richer rural borrowers: around 66 per cent of large farmers have a deposit account; 44 percent have access to credit. Meanwhile, the rural poor face severe difficulties accessing savings and credit from the formal sector. Around 87 per cent of the poorest households surveyed (marginal farmers) did not have access to credit, and 71 percent did not have access to savings from a formal source. Access to formal credit is particularly a problem for the poor when trying to meet unforeseen expenditure and difficulty in accessing formal finance has resulted in a heavy reliance among poorer rural households on informal finance - mostly moneylenders and shop-keepers.

Adhikari, A., and Bhatia, K (2010) in their article they indicated that 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.

Minati Sahoo(2013) The study attempts to have an inter-district analysis of the performance of MGNREGA in Odisha. Among 23 states, Odisha is having an index of financial inclusion value of 0.2 and is at 15th rank. Thus the extent of financial inclusion is found to be significantly low in Odisha. 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. The inter-district analysis of Odisha both high and low performing districts are doing well with wage disbursement as more than 70 percentage of wage payment are done through these account.

The findings from the Gulbarga study confirm conventional understanding that the imposition of what policy makers think is important for the poor may not necessarily lead to desirable usage unless the poor perceive the benefit or necessity of the program. By coupling the financial inclusion drive with NREGA, it is possible to expect higher usage (Ramji, 2007).

Sanjeeb Kumar Jena (2014) who underwent the study named financial inclusion attained in the state of Odisha after the adaptation of MGNREGA after 2006. He mentioned that in the rural parts of the country, especially KBK districts of Odisha, where the tribal community is living, the tribal households having bank accounts is showing a miserable picture. Compared to an all-India average of 28 percent, Orissa is one of the poorest and least developed states in the entire country with 47 percent of all households below the poverty line. Orissa also hosts one of the largest adivasi (tribal) populations in the country, constituting 24 percent of the population. This legacy of poverty and pronounced underdevelopment has long been attributed to a government that has been historically corrupt, bureaucratic and inattentive to the needs of the low-caste, semi-literate poor. A disproportionate share of Orissa's poverty is faced by women and children. Only 31.35 percent of the labour force is composed of women, the vast majority of which are employed in the unorganized primary sector, which includes agriculture, animal husbandry, fishery, forestry, mining and allied activities.

7. DATA ANALYSIS AND INTERPRETATION: Gender:

Gender: It is clear from the table 1.1 that women constitute 62 per cent of sample respondents, And males are the rest. During the interactions with sample respondents, it is learnt that the male Members in rural families are going for other works, as they get more remuneration than that Under MGNREGS.

Age: The table clearly focused that nearly 27% of the respondents belong age group of 41-50 years which focus that this age group of the people very much interested to take part under the scheme.

Educational qualification: Nearly 44% of the respondents have come under the category of below high school education and miserably 30 % of the respondents are illiterate which indicates that the study area should be given importance in educational wise.

Religion: Among the sample respondents, half of the households (51%) belonging to Hindu religion. The rest 39 % are Muslims and 10 % are Christians. It indicates the study area mainly occupied by Hindu religion.

Community: The data shows that out of 100 households, majority (48%) of the households belong to BC population. The rest of the households distributed among MBC, SC and ST. They are respectively 28%, 21% and 8%. It reflects that the Studied Panchayat is numerically dominated by BC communities and very nominal percentage occupied by ST community.

No of job holders in the family: Table 1.6 indicates that in the case of 65 per cent of the sample respondents, only one member of the household got employment under MGNREGS. In the case of 30 per cent of the respondents, two members of the household got employment under MGNREGS and only 5 per cent of the respondents, three members of the household got employment under the programme. Thus, more than one member of the household got employment under MGNREGS is majority of the sample respondents.

Table: 1 Socio-economic profile of the respondents

1.1 GENDER		
Indicators	No of Respondents	Percentage
Male	38	38
Female	62	62
Total	381	100.0
1.2 AGE		
Below 30yrs	9	9
31 to 40yrs	23	23
41 to 50yrs	27	27
51 to 60yrs	22	22
61 to 80yrs	19	19
Total	100	100.0
1.3 EDUCATIONAL QUALIFICATION		
Illiterate	30	30
Below high school	44	44
Below Hr.sec	22	22
Others	4	04
Total	100	100.0
1.4 RELIGION		
Christian	39	39
Hindu	51	51
Muslim	10	10
Total	100	100.0
1.5 COMMUNITY		
SC	21	21
ST	03	03
BC	48	48
MBC	28	28
Total		100.0
1.6 NO OF JOB HOLDERS IN THE FAMIL		
Illiterate	30	30
Below high school	44	44
Below Hr.sec	22	22
Others	4	04
Total	100	100.0

Source: Primary Data

Table 2 indicates that about 77 per cent of respondents reported that nothing they saved with MGNREGS income. Among them 8 per cent mentioned that, they saved Rs.300. Only 4 per cent of the respondents reported that their saving amount crossed Rs.400 and above. The reason for poor saving is MGNREGS income is not sufficient to meet their daily needs .so no possibility for further savings out of their income.

Table 2: Amount Saved by the respondents:

Amount of Savings	No of Respondents	Percentage
Below Rs.200	06	06
Rs.201 to 300	08	08
Rs.301 to 400	04	04
Above Rs.401 to 500	05	05
No savings	77	77
Total	100	100

Source: Primary Data

Table 3: Sources of Savings

Sources	5	4	3	2	1	Total
Post office			01	01	04	06
Bank					02	02
Chit			02	02	02	06
Purchasing ornaments					04	04
Insurance policies					03	03
Lending money to others for interest			01		01	02
Total			04	03	16	23

Source: Primary Data

Table 3 Clearly explains that the amount saved by the respondents from the MGNREGA's income and the contribution level of such income towards savings. For this calculation 5point scale was used by the researcher. 5 indicate highly contributed 4-somewhat contributed 3, - neutral 2- Low contribution, 1- Very low contribution. The data reveals the fact, those only 23 respondents having the savings from MGNREGA. Among them 16 percent mentioned that the MGNREGA income taken part in the savings very low-level, which the contributions are very low in score .only 4 percent respondents report that the income contributed in-between low and high. Among all the sources

post office only highly preferred by the respondents whereas 6percent. The reason is that very nominal amount can be saved in post office which has less formality when compared to banks.

Table 4: Wage received

Amount received	No of Respondents	Percentage
Less than Rs.80	49	49
Rs.81 to 100	40	40
Rs.101 to 110	07	07
Above Rs.110	04	04
Total	100	100.0

Source: Primary Data

As per the MGNREGS each beneficiary should be paid minimum wages prescribed under law. 49 percent of the respondents received only less than Rs 80 as a wage amount ,Even though the government has raised the wage, but. 40 percent reported that they received up to Rs 100 only 4% mentioned that they received above Rs 110 but no one received current government prescribed wage Rs 204. Moreover they reported that the wages they are getting under the MGNREGS are not sufficient to meet their minimum needs.

Table 5: Opinion about mode of payment

Opinions	SA	A	N	DA	SDA	Total
Wages are paid through bank only	49	17	05	14	15	100
I have my ATM card	52	18	08	12	10	100
Comfortable with the existing mode of disbursement of wage system	27	39	06	13	15	100

Source: Primary Data

Opinion of the respondents about payment of wage has concluded that 27 percent of the respondents are Comfortable with the existing mode of disbursement of wage system that is payment of wage through banks More than half of the respondents accepted that they have their ATM in hand.

Table 6: Sources of loan

Sources of loan	No of Respondents	Ranks	No of Respondents Who gave ranks
Self-help group	18	1	83
Banks	05	2	78
Co-operative societies	17	3	81
Private financial institutions	04	4	77
Black money lenders	14	5	80
Pledging jewels	16	6	55
No loan	26	-	-
Total	100		

Source: Primary Data

Respondents reported that they utilized SHG and co-operative societies as their main source for obtaining loan. They also pledge their jewels for fulfilling immediate needs. Respondents considered black money lenders as lenders of primary needs. Even the black money lenders charge high interest they utilized them frequently. The reason behind this matter is less formalities when compared with the banks and readily available at any time. Among 100 respondent only 9 percent accepted that they have lot of sources for getting loan. 28 percent of the respondent's report that after joining in MGNREGA repaying ability did not increased. Overall only 7 percent wholeheartedly accept that obtaining Loan through MGNREGA helps to increase the quality of life.

Table 7: Opinion about indebtedness:

S. NO	Options	5	4	3	2	1
1	After joining in MGNREGA lot of sources are available for getting loan	09	13	26	18	08
2	After joining in MGNREGA lenders ready to provide loan	3	7	33	13	18
3	After joining in MGNREGA repaying ability has increased	6	07	13	20	28
4	After joining in MGNREGA Mode of repayment is very convenient	05	4	06	28	31
5	After joining in MGNREGA Loan helps to increase the quality of life	07	05	06	20	36

Source: Primary Data

MCNemar Test: This test is often used when the data happen to be nominal and relates to the measurements taken before and after treatment of one and the same sample. For applying this test we have to classify the data into two categories.

1. Those who give positive response before the scheme and negative response after the scheme. Denote this category as A.
2. Those who give negative response before the scheme and positive response after the - scheme. Denote this category as B.

MCNemar Test will be applied through $X^2 = (IA - BI - 1)^2 / (A+B)$

Ho: there is no improvement in the respondent's savings amount after taken part under MGNREGA.

After taken part under MGNREGA	Before taken part under MGNREGA		
	Increased	Not Increased	Total
Increased	30	23(B)	53
Not Increased	10(A)	37	47
Total	40	60	100

$$X^2 = (10-23)^2 / (10+23) = 14^2 / 33 = 196 / 33 = 5.9 \text{ (calculated value) the table value}$$

of X^2 for 1 d.f @ 5% level of significance is 3.84. The calculated value is greater than the table value. Hence we reject the H_0 and conclude that a significant change has taken place in the respondent's savings amount.

8.CONCLUSION:

MGNREGS is a good attempt by the government to tackle the unemployment problem in rural side. With the help of this scheme the people raise their standard of living and the surety for regular job and regular earnings, due to this, women are also benefited which will be the good sign for future revolution. From the above study it may concluded that the respondents of Tiruchirappalli district are very familiar about the wage payment through banks. But they don't have proper knowledge about banking procedures and formalities. Implementation of any scheme alone is not duty of any government. They have to monitor on a continuous basis whether the scheme has given full details and benefit to the people who are taking active part under the scheme, otherwise we won't realize the expected benefits. In order to overcome this problem government should make the banking formalities very easy and approachable manner which requires financial literacy. Without financial literacy, financial inclusion of the excluders can't be attained.

"Excluders will be included, only when government includes the beneficiaries mind set in their minds"

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