

**A STUDY ON IMPACT OF MAHATMA GANDHI NATIONAL RURAL  
EMPLOYMENT GUARANTEE SCHEME ON POVERTY ASSET  
CREATION AND AGRICULTURE SUSTAINABILITY**



**A Project Report**

**Submitted to Krishna University Machilipatnam in  
Partial fulfilment of the requirements for the award of Degree of  
**MASTER OF ARTS (ECONOMICS)****

**Submitted by**

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**CERTIFICATE**

This is to certify that below mentioned students has worked and completed their project work **A STUDY ON IMPACT OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME ON POVERTY ASSET CREATION AND AGRICULTURE SUSTAINABILITY** for the degree of **MASTER OF ARTS (Economics)** under my supervision. It is their own work and facts reported by their personal findings and investigations.

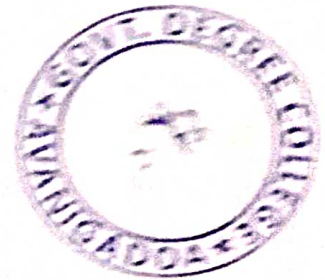
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## CONTENTS

S.NO	DESCRIPTION	PAGE NO
1	INTRODUCTION	1-12
2	REVIEW OF LITERATURE	13-24
3	A PROFILE OF THE RURAL ANDHRA PRADESH	24-32
4	PROGRESS OF MGNREGA AT THE NATIONAL AND STATE LEVEL	33-50
5	SOCIO-ECONOMIC CONDITION OF THE SAMPLE RESPONDENTS	51-66
6	WORKS TO BE TAKEN UP IN AGRICULTURE UNDER MGNREGS	66-71
7	IMPACT OF MGNREGS ON LABOUR WAGES	71-72
9	SUMMARY CONCLUSION AND POLICY IMPLICATION	72-76

## DECLARATION BY STUDENTS

We the undersigned here by, Declare that this project work entitled **A STUDY ON IMPACT OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME ON POVERTY ASSET CREATION AND AGRICULTURE SUSTAINABILITY** is a result of our own research work and has not been previously submitted to any other university for any other examination.

We hereby further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

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Name & signature: (D. Asha)

## INTRODUCTION

### India at the eye of Independence

India, with its birth as a sovereign independent nation in 1947, after the long freedom struggle against the British, was inherited with a social structure that had almost a stagnant economy moulded by the British for hundreds of years to suit their capitalist and industrial interests. India, even at post independence period faced severe economic problems like miserable poverty with a low annual per capita income of Rs.246.9 which was one of the lowest per capita incomes in the world. Agriculture was the backbone of the Indian Economy. Sixty Five per cent of the total work force depends on agriculture directly or indirectly. Less than 11 per cent of the work force was employed in all forms of industry. In addition to the overall backwardness, Indian economy was characterized by widespread regional imbalances. It was during the colonial rule that the inter-state and inter-district disparities were quite sharp and kept widening. These differences were in the levels of per capita income and consumption, literacy, medical and health facilities, population growth, infrastructure development, employment opportunities ....etc. Extreme poverty and deprivation, characterized by stagnant agricultural output, an uneven and weak industrial sector and low capital resources were inherited by Independent India.

People's utilization of both human and material resources was the major challenges for the economic development of Independent India. At the time of its independence, the country had low level of economic and technological development, low per capital income, slow pace of

development of economic and social institutions and outdated production techniques. The objective of the Independent India was to attain and accelerate the economic development of the country. Hence, the Planning Commission of India was established in 1950 to accelerate the economic development and to raise the standard of living of the people through systematic utilization of the resources of the country, increasing production and providing opportunities to all. The Planning Commission formulate the plans for the most effective and balanced utilization of country's resources by determining priorities. The main focus of the planning commission since its inception was rural development. So far, numerous programmes which were proposed by planning commission have been taken up by government of India to address the problems of rural unemployment and rural poverty.

The measures taken by the Planning Commission till 1972 to provide employment for rural labour are: 1) Land Reclamation Scheme, 2) Integrated Area Development Scheme and 3) The Employee's State Insurance Scheme. Maharashtra was the first Indian state which has announced an employment generating scheme based on a right to livelihood approach in 1972-73. In 1980 the food for work program was restructured and renamed as National Rural Employment Programme (NREP) for which 50 per cent of the funds were provided by the central government. The main aim of the program was to provide employment by which community assets of sustainable nature were expected to be produced. This programme was continued in 6<sup>th</sup> and 7<sup>th</sup> plans. Development of social forestry was introduced in NREP. Rural Landless Employment Guarantee Programme (RLEGP) was introduced in 1983 to

employment the ~~work~~. For this program 100% funds were provided by central government. This program mainly covered landless labourers, ~~poor~~ scheduled castes and scheduled tribes, who were found to be largely left outside the previous programs. Eventually, all these programs were integrated into one programme, that is, Integrated Rural Development Programme.

An ~~other~~ Jawahar Rojgar Yojana was introduced by merging all the existing programs. Later in 1993, Employment Assurance Scheme (EAS) was introduced on the basis of FGS in Maharashtra. Since independence, Government of India has been implementing several training and employment programs along with educational facilities for the upliftment of the poor, especially in rural areas. Those programs were either unsuccessful or partially successful in achieving the targets due to multiple reasons. The impact of all these programs on rural poverty eradication was not found to be satisfactory. In spite of the large investments in number of programs for nearly more than 55 years, 28.3 per cent out of 69.9 per cent of population in the country residing in the villages still live below the poverty line (World Bank, 2011). They are living under vulnerable conditions. They do not have income access for the consumption basket, which defines the poverty line. Agriculture wage earners, small and marginal farmers and casual workers engaged in non-agriculture activities constitute the bulk of the rural poor. Due to their poor physical and social capital base in rural areas, a large proportion of the people are forced to seek employment with extremely low levels of productivity and wages.

Apart from planned economic development, India signed the

Millennium Declaration in September 2000. This calls for the eradication of extreme poverty and hunger. To achieve this objective, Government of India viewed that the eradication of extreme poverty and hunger has to be made as a legitimate policy commitment and thought that a gigantic program is required for reducing the wide spread poverty and unemployment. On the way to reach the destination Government of India started a massive rural employment program named Mahatma Gandhi National Rural Employment Guarantee Scheme in 2005. Mahatma Gandhi National Rural Employment Guarantee Scheme aims at creating sustainable rural livelihood through regeneration of the natural resource-base, i.e. augmenting productivity and supporting creation of durable assets and strengthening rural governance through decentralization and processes of transparency and accountability.

### MGNREGA at a glance

The Government of India passed the National Rural Employment Guarantee Act in 2005. The Act was implemented through the MGNREG Scheme, and several features of it were designed to counter the weaknesses of the earlier programs. It introduced a right-based framework with legislative backing. It also incorporated time bound action to fulfill guarantee of work within 15 days of demand for work and a disincentive for non-performance. The basic objective of the Act is to enhance livelihood security in rural areas. This work guarantee can also serve other objectives such as generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity ...etc. Under this Act, any adult willing to do

work at the minimum wage is entitled to employment on local public works within 15 days, subject to a limit of 100 days per household per year at the statutory minimum wage.

### Salient Features of the Act

One of the most important features of the MGNREGS Act is that the wages are to be paid every week, not later than a fortnight. In case of any delay in the payment of wages, labourers are entitled to compensation as per the Payment of Wages Act. Gender bias of any sort is permitted. Provision is made for compensation and treatment in case of injury while at work. There are also provisions for on-site safe drinking water, care of small children, periods of rest and a first-aid box. Contractors and machines have been banned between Government and labourers. The National Rural Employment Guarantee Act 2005 directs every State Government to prepare a Rural Employment Guarantee Scheme (REGS) within six months, in order to provide the work under the provisions of the Act. Thus, the Act provides the legal foundation of the work guarantee under national legislation, unlike previous schemes which were state-specific.

### Objectives 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 on demand. This work guarantee can also serve other objectives like: generating productive assets, protecting the environment, rural empowerment of women, reducing rural-urban migration and fostering

social equity, development initiative, public investments, for creation of durable assets, decentralized implementation, demand driven approach.

This programme is different from all other such schemes that have been implemented in the country so far. A few non-organised members of this scheme give a hope that this could be implemented bypassing the loopholes for leakage of government money. This is a demand based programme where there is no limitation of the funds for the implementation. Any individual from the rural households can register under this act irrespective of the economic status of the family. Participatory Planning and Decentralized Implementation are the special features of the Act. It is mandatory to implement at least 20 per cent of the works by the Gram Panchayat (the units of local self government at the village).

MGNREGS was implemented in 3 phases. In phase I, 200 rural districts were covered in 2006-2007. The highest number of districts covered under the program was from the eastern region and western region which was followed by the northern and southern regions. In percentile weightage way, it is 44 per cent, 27 per cent, 17 per cent and 13 per cent respectively (National Council of Applied Economic Research, 2009, pp 8). In phase II and III, 130 and 278 districts were covered. From Rs 11,300 crores in 2006-07, funding has seen a surge to Rs 12,000 crores in 2007-08 and Rs 30,000 crores in 2008-09, Rs 34,000 crores in 2009-10, Rs 40,000 in 2010-11, Rs 40,000 in 2011-12, Rs 33,000 crores in 2012-13, Rs 33,000 crores in 2013-14 and Rs 33,000 crores in 2014-15, 34,699 crores for the financial year 2015-16.

### Research problem