

A Study on Role of Financial Institutions in Reducing Intensity of Poverty in Maharashtra

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Abstract – The Maharashtra Employment guarantee scheme was intended to provide productive employment to the rural population and there by solve the problem of rural poverty. The scheme has since been reviewed and revised several times. The NREGS thus, assumes special significance in terms of reaching out to the poor, hitherto bypassed by the processes of economic growth, facing multiple deprivation – socio-political, economic and spatial. A central argument in the paper is that awareness generation and empowerment of the poor are the two most critical pre-conditions for effectively operationalising rights-based programmes such as the MEGS and NREGS.

Keywords – Financial Institutions, Poverty, Reducing Intensity, MEGS, Maharashtra NREGS.

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INTRODUCTION

The primary focus of Indian Five Year Eleventh Plan administration is "faster and more inclusive development," with "rapid growth" approach coupled with "sustainable increase in incomes and welfare systems for the poorest sectors, such as the NRG" (Planning Commission 2006: 58). Every industry, class, or sector of the economy can't gain equally from growth no matter how rapid (Mehta and Shah, 2003). According to the 2004-2005 Planning Commission, 301,7 million people are living in poverty, or 27,5% of the population. India clearly takes more time than anticipated to reduce poverty. Poverty and perseverance are associated with a lack of property, especially land, lack of training, membership of a caste or a scheduled tribe and employment as a farmer. The poorest are temporary farm workers, and the bulk of the chronically poor are landless or nearlandless, depend more on their dependency and their analphabetism and are relying on wages. Therefore for chronically impoverished people, access to work and pay rates is essential. As such it has been a turning point in India's attempts to combat poverty via the National Rural Employment Guarantee Scheme (NREGS).

The article compares MEGS' design with NREGS after providing a description of the MEGS, its design, sales, spending, and day-to-day work from the commencement of the programme in the early 1970s until 2004-05. Returns to many issues previously discussed in the MEGS literature. A case study then details actions by an NGO in a hamlet in Nashik in

Maharashtra to stimulate job demand as well as to achieve success.

Origin and design of The Maharashtra Employment Guarantee Scheme (MEGS)

The Scheme was born of the dedication of concerned persons to alleviate "distresses" and political mobilisation of the underprivileged. Patel (2006), who was established in 1971 by the concerned parties, among them Page, and Dander, as well as activistic organisations and opposition parties, connects MEGS to Dushkal Nivaran and Nirmoolan Samiti (the Drought Reliefs and Eradication Committee), in Maharashtra. The Committee functioned as a gathering place for people of the same thought to address problems that affected the state. It came about because of a shared goal to combat drought and backed organisations that united the rural poor and promoted the start of a job development programme. Initially, after the legislative author who championed it, the Page Plan was known as the V.S. Page. Initially tested in the Sangli Tasgaon District Block in 1965, in November 1970 it expanded to 11 districts, and in May 1972 it finally became the entire state. It was replaced by the collapse of rural work projects for the following two years due to severe drought, until 1974 it was revived. (Citing Vatsa Bagchee, 2005)

The Employment Guarantee Act of Maharashtra came into effect on 26 Jan. 1979 and was passed in 1977. "Anyone who needs work, who is willing to

perform physical work but cannot find it on their own, should be given proficient and constructive employment in rural and c-class municipal districts," said the main goal. "This programme, according to the plan, covers all adult people living in municipalities and 'C' classes" (Government of Maharashtra, 2007). If the family does not earn, a person older than 15 but under 18 years may be hired. The promise is to offer jobs everywhere, but the job seeker gets a job in a 5 km range of his home as far as feasible.

Maharashtra has 40,412 villages and 162 municipalities of class 'C' according to the 2001 Census. The MEGS is being operated in 33 of the 35 districts of Maharashtra and 350 of the 353 are in 298 blockages. There are 96.7 million inhabitants in the state and 55.7 million in rural regions. 8.31 million farm workers, 4.26 million farmer margins and 31.7 small farmer farmers reside in the state (those with less than a hectare of land) (those with one to two hectares of land). 1.94 million rural households in Maharashtra are impoverished, whereas 4.2 million are employed in MEGS (Government of Maharashtra website, 2007).

From 1972-73 TO 2004-05, THE MEGS: Spending and job creation

Employment via MEGS grew to nearly 200 million days three decades later, from five million days in the early 1970s. The quantity of work that has been produced nevertheless has varied significantly throughout time. For example, although MEGS generated a number of days from the year 1974–80 to 205.4 billion in 1979–80, the number of days produced by MEGS rapidly increased from 48.1 million in 1974–75 to 13.33 million in 1987–90. In the absence of a significant decrease in the poverty, the sharp drop in state expenditure in the late 1980s provides cause for concern. Under this effort, however, the generation of employment increased from 110 million in 2000-2001 to 220 million days for the first time in 2004-2005 at the turn of the century (Figure 1).

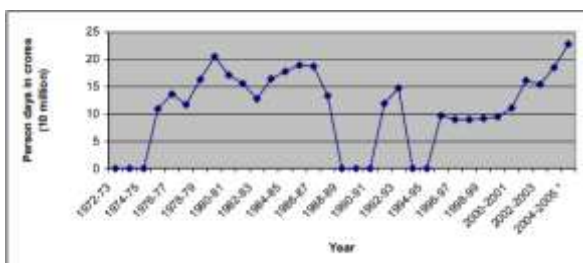


Figure 1: From 1972–73 through 2004–05, the MEGS produced employment (person-days in 10 Million)

A recapitulation major issues

This part of the article aims to explore some problems that are particularly important in the rising

context of the decrease in poverty due to work in the face of deteriorating agricultural crises, expanding inequality, many deprivations and social and political discontent. They may be ordered in the following sequence, but they are closely connected:

In view of the MEGS literature in the next sections all of these issues were addressed.

• MEGS aid in the alleviation of chronic poverty or the abolition of poverty.

Many research on the effect of MEGS on poverty mitigation have been carried out (Ghaia, 1997; Hirway, 1988; Ravallion, 1997; Dev, 1995, 1996). But Patel (2006) states that its effect on poverty reduction as assessed under the head-count ratio is, at most, limited, although it made a major contribution to the decrease in drought and the reduction in poverty level. The gap between extremely poor and poor has reduced for a long time in areas where MEGS activity has taken place. Although the Act shrank with time due to the 1988 and 1990 revisions, Patel (2006) claimed that "even when the MEGS had a direct effect on the MEGS, the MEGS had a direct influence on the MEGS."

On the other side, Krishnaraj et al. (2004) argue whether MEGS should continue with or be expanded to combat poverty. Because it is not sufficient to provide just a few of days or weeks or to measure the effect on personal days of employment when it is used to combat poverty. The longer-term reduction in poverty would however require ongoing public investment in various agricultural aspects, the development of skills to diversify into more paid non-agricultural employment and strengthen social-security mechanisms, such as public distribution of foodstuffs and other key systems.

• Implications of MEGS on gender issues - coverage of women workers, work conditions, equal wages:

Krishnaraj et al (2004) warn that their access to cash is not always improved as the labour compensation assessing techniques are either unclear or transparent while the job and income possibilities under MEGS provide significant economic benefit to women. The calculation for each pay share is quite subjective and depends on the man and the other worker, particularly for women, since a group of men and women carries out the task. The job record accessible to and afterwards submitted to the collector's office by the implementing agencies is male/female, daily person produced every week. Person-day does not indicate, as an employment measuring unit, the number of men and women working on the site, or the number of working days. For example, '90 women-days' does not tell whether or whether 15

women work six days or six women work 15 days. In addition, only via visits to working sites were they able to collect data throughout the study. It was virtually impossible to find pattern records after the 15-days waiting period for pay.

Specific MEGS features for women, such as jobs near the village, and distinctive service MEGS such as shelters, drinking water and nurseries, are also highlighted. However, many of them cannot be found. Similarly, women have never received maternity benefits, since they require evidence of 75 days' work to qualify. 'A female has no way to prove that she has worked for the necessary number of days with unstable employment, changed workplaces and incomplete records. If you had issued an ID card and a copy of your employment registration, she would have proof of working days

- **Spatial concentration of MEGS-works and scheme benefit poorer areas**

The primary benefits of MEGS are allegedly confined to a few geographical regions. MEGS in particular did not assist the rear regions and tribe belts (IGIDR Roundtable). The 10-11 districts, mostly in West Maharashtra, contributed for 66 percent of employee days in 1989-90 according to Dev & Ranade (2001:298). In light of the Scheme's emphasis on drought alleviation at the time of its drafting in western areas which are most susceptible to drought. The agricultural industry employs a higher percentage of the overall workforce than in other sectors (Dev and Ranade, 2001).

Vatsa (2005) has identified six districts as high-employment MEGS districts, citing Dev and Ranade (2001), Ezekiel and Stuyt (1990) and the Maharashtra Government (2003-04). There is a significant need for MEGS work on a regular basis in the six districts of Solapur, Ahmednagar, Osmanabad, Beed, Aurangabad and Nashik. He shows most of these areas on a map beneath the wet shadow of the government.



Figure 2: Drought-prone blocks or rainshadow areas in Maharashtra are shown on this map

Source: Vatsa (2005) based on Maharashtra Remote Sensing Applications Center (MRSAC), Nagpur

Vatsa said that in the Western Maharashtra the Konkan (Raigad, Ratnagiri and Sindhudurg) and Kolhapur divisions have high average rainfall, which means that the need for MEGS employment in these areas is never large (2005). As part of Mumbai's metropolitan region,

According to Krishnaraj et al., no particular criteria for the distribution of MEGS funding across regions are utilised (2004). The distribution of the current year seems to be affected by the earlier year allocation and the existing agro-climate circumstances. In this regard, low coverage in very poverty-dominated areas such as Nandurbar and Amravati is remarkable. That there are vast areas of forest land under the administration and supervision of the State Forestry Department may explain the absence in this region of MEGS coverage (Vatsa, 2005). This problem was addressed with the most recent amendments to the terms of the Act.

- **MEGS result in improved labor negotiating leverage and pay increases**

The salary rate is one of the tough problems affecting the efficacy of MEGS on poverty reduction. Due to a piece rate system, earnings were lower than the minimum wage rate in Phase4. The modest daily salary/earnings of the system were, on the one hand, a dual-edge sword which enables the plan to maintain its self-government on the other. On the other hand, it had negative consequences for reducing poverty. As a result, salaries were raised to correspond to the minimum farm salary.

- **Errors of exclusion and inclusion**

The MEGS has shown its successful function in a number of tests as a self-targeting programme. Research in the early phases of MEGS shows that 90% of the households examined were impoverished and approximately 45% had no land. The proportion of landless individuals was found to be approximately 34-35 percent after investigations. In MEGS, women played an important part. In the past many studies have shown that women constitute a significant portion of MEGS's employment, although in the Dandekar and Sathe (1980) research it is estimated that the figure ranges from 39 percent to 51 percent and in the ISST studies from 49 to 80 percent.

MEGS is susceptible to errors of inclusion and exclusion, as are other focused efforts both in India and elsewhere. Higher pay for MEGS, MEGS-works growth into horticulture and private land asset development would increase the likelihood of inclusion errors. It should be noted that about 20% - 30% of MEGS personnel were targeted workers

(inclusion mistakes). This may be acceptable given that MEGS aims to provide work opportunities instead of poverty based on job needs. The MEGS would only provide individuals with no other alternatives because of low wages (Vatsa, 2005).

However, When it comes to exclusion mistakes, the argument about self-targeting is weak. It is difficult to compute an exclusion mistake since we do not know who "needs and cannot locate a work alone." Particular emphasis may be paid in this regard to the exclusion of some regions where there is significant prevalence of under- or underwork or migration or poverty. Krishnaraj et al. (2004) found that mistakes of exclusion occurred on the basis of regular seasonal movement of rural to urban jobs.

All in all, despite the malfunctioning general assessment of the programme, the achievement of a subgroup of chronically impoverished households with more than moderate improved incomes was shown to be very helpful (Gaiha, 1996).

- **Works on private or public property, beneficiaries of public land assets, and assets that result in long-term productivity and income increases**

The MEGS aims to build long-term community assets for long-term development. The developed assets have been built on government resources, land and water. As a result, a number of projects were undertaken, including the installation of irrigation structures, field channels and the conservation of soil-water as well as construction of roads and other government infrastructure.

The employment of contractors for the execution of the project is another issue to take into account during the public vs. private debates. The notion of employing private businesses as contractors is legitimately objected to. These protests were fuelled by concerns about inequality, corruption, the marginalisation of some sections of the workforce, increased connections with the rich and the powerful and, most all, weakened mobilising the working class.

While these concerns are legitimate, a blanket opposition to the participation of contractors appears to hold down the operations of the programme. This was particularly the case in the absence of demand for more employment by either the landed class or the social movements, in particular in MEGS.

Recent changes to the regulations have taken place both as regards the work on private land and the involvement of contractors. The list of activities has since today included horticulture or planting on the own grounds of small and marginal farmers. These efforts may also contribute to promoting employment opportunity in forestry economies in central-eastern areas, as well as in the Konkan region, where MEGS

is not extensively spread, in addition to supporting farmers in the fortress of MEGS in the western Maharashtra.

On the other side, the inclusion of the horticultural and planting sectors has inspired heated discussions, with some claiming that benefits for the landed elite are strengthened. This essentially brings us into the problem of poverty reduction via farming growth and its percolation or direct empowerment of the working masses by building a collective identity, mobilising the negotiating power and finally paving the way for a new paradigm in the development of agriculture and the reduction of poverty. The conciliation process now is relying more on the first method, that is to say, speeding the increase of labour demand on and off farm, and the consequent percolation impact.

- **MEGS-works that are haphazard and erratic or that are planned and consistent**

The aforementioned issue shows the difficulties in achieving a dual aim of growth and distribution in the socialist-democrat political economy. The MEGS talk is linked to this complex reality, whereas advocates of empowerment generally reject measures that benefit the landed class directly. They are opposed in particular to linking the MEGS to traditional methods of growth they think increase inequality and strengthen the capitalist elite.

On the other hand, the promoters of the empowering approach stress the significance of employee rights as the primary objective. The reinforcement of workers' rights and the advance of the capitalist class's interests frequently go hand in hand. This is apparent because while a major portion of physical work done by MEGS is accountable for watershed development, there is no agreement on how to link both of these activities.

Patel(2006) expands on this subject and stresses the necessity to understand the background of initiatives in India to reduce poverty. She points out that these initiatives cannot change the distribution pattern, unless the exploited need it, in a society in which power and resources are biased against poor people (Patel, 2006:5131). As a consequence, the MEGS analysis is proposed to go beyond the reduction of poverty. Rather, the empowerment, cooperation, and processes of domination it starts must be assessed. ' Therefore, the external and internal factors that helped to deteriorate popular movements, which initially played a key role in creating programmes that supported poor mobilisation, are important to be examined.

- **MEGS Underutilization funds or diversion to other uses**

Special taxes on commerce, occupation, and work, an extra vehicle tax for MEGS, a special assessment of irrigated farmland, a surcharge on MEGS land income, and a tax on non-Maharashtra Education urban lands and structures. Furthermore, a payment equal to net income from taxes and levies must also be provided by the State Government every year (Government of Maharashtra, 2007).

Youth mobilization for demand creation and social movement revitalization: the example of Vachan

- **The approach**

Further 3, in its discussion, raised the question of organisational vacuum which hindered the creation of demand and therefore the coverage and success of the plan in the post-80s. It also revealed that the execution of the plan was considerably delayed despite an immense quantity of unspent money. Due to the lack of significant social movements in the area, tribal groups have been abandoned that account for a large proportion of the poor.

A case study from VACHAN, a non-profit organisation aimed at building capacities of local young people in order to create demand for jobs under MEGS6 is provided in that part of our research. The case study is being carried out in the tribal communities of the state of Nashik, Igatpuri, and Triambakeshwar. The case study, it is expected, will help explore various ways to bridge the institutional gap needed for long-term sustainability and social change convergence inside the system. This is of particular significance since long-term investment in local institutions has been debated recently.

The year 2003 was a year of drought when the average annual precipitation is between 2000 and 3000mm. The chronic poverty in the region is caused by tribal domination and the absence of alternative employment options and money generation opportunities. MEGS has had a major effect on lives since the main concentration of the programme was in regions prone to drought with low and variable rainfall in the western Maharashtra.

- **Major outcomes**

As a result of the intervention, actions were taken. A card was provided to every individual who asked for a job. A work plan was developed to guarantee, in terms of length, kind of job and facilities necessary on the job, that consideration was taken of the requirements of all people who needed employment. The application form showed that the government would not be qualified to provide employment to all people who applied in a specific time period.

The coordinated involvement had a particularly powerful impact on the local administration, which noticed that a group of competent and literate individuals had been contacting them for the first time in a job. As a result, all individuals who sought work during a time of crisis had to pay the financial income to meet the fundamental needs.

The participation of a Panchayat Samiti member, who had previously worked with Shramjivee Sangathan was an important aspect of the Community mobilisation effort. It was very supportive that an elected official submitted a particular request for work and was directly engaged with the entire process of the drafting of the request, monitoring of the task and, inter alia, prompt compensation.

His involvement in a VACHAN capacity-building workshop may have triggered a proactive attitude to the process. Access to the appropriate type of information may also contribute to the successful participation of the Community.

- **Issues for sustainability**

While it is evident that the introduction of MEGS in a somewhat distant area with restricted political districts has important building blocks, it also requires the participation of local bodies, community mobilisation and capacity development to comprehend the institutional form of support in the long run.

The next stage is, according to the VACHA officials, to call for additional MEGS work planning to be done by Village Panchayat. The problem of the regeneration of productive resources under both public and private ownership is urgently required, such as land or degraded land. Careful planning may be needed, ideally at a watershed level. As a result, committed financing would take five to seven years. The problem is to transfer the productivity potentials of current resources from sporadic and dispersed investment (especially in infrastructure such as streets and buildings). A evaluation may be necessary to identify key investment areas which can pave the way for long-term improvements to on- and off-farm employment by small-scale and outside farmers' recent horticultural activities.

Although our discussions with VACHAN authorities did not have direct knowledge of the current level of community mobilisation and labour demand in that field, We emphasised the need for long-term assistance, which might ultimately develop into the movement of the rural communities. A short examination in one of the communities shown a substantial slowdown in the search and completion of MEGS in the last three to four years. The construction of a watering structure started, but in one instance lasted just two days. Therefore, approximately 500 people were employed. The

work was reported to have stopped because of a lack of money. Since then, building has been requested by the local community three times, but the work has failed to start for a variety of reasons. At the time of the first engagement of the NGO, the sarpanch was also a member of the state legislature of the village (M.L.A.), which may have helped to gather authorization to carry out the activity in the village. The Sarpanch (M.L.A.) had then hired equipment for earthworks. This was successfully opposed by the local people with the help of NGOs. It is probable that the hamlet's ability to locate new jobs was hampered by the power dynamics created by strong opposition from the local population. While a more detailed analysis of the changing power dynamics and how they influenced the implementation of the MEGS is needed, the results of the field essentials emphasise the importance of the support of facilitation processes by civil society organisations. They also emphasise the potential of supporting these organisations to maintain a successful long-term presence. Efforts to develop capacity may not be adequate for the local community to seek and protect its legal rights. Despite the rights based approach, the latest MEGS study in Maharashtra has shown similar obstacles to the creation of effective demand and the creation of employment (Datar, 2007). These findings underline the vital necessity to maintain the connection that is one of MEGS characteristics in the state between the project execution and social movements.

Lessons from the MEGS for the NREGS

The MEGS aims to provide unqualified physical labour, in order to provide minimum subsistence, for those who were unable to get jobs. The aim was not to assist people move out of poverty, but to relieve misery.

NREGS is only around 2 years old and thus its effectiveness may be evaluated too soon. It may be helpful to learn from MEGS for NREGS, as several recent studies have shown, which currently have numerous early problems (Ambasta et al., 2008; Aiyar and Samji, 2006; Shah, 2008). Although these studies provide a variety of recommendations to enhance the execution of NREGS, MEGS experience and lessons are hardly considered. Some of the major MEGS takeovers have been chosen. One involves design faults, which are not specified by MEGS, but which provide any adult ready to work untrained; NREG, however, imposes a 100-day restriction, which applies to the home level also. The other concerns design flaws. To alter the face of poverty in rural India, the freedom to work should be given at individual level and the restriction on 100 days should be changed (Shah, 2007).

Continued support and support from supporting organisations, according to VACHAN discussions, is a major facilitator for MEGS. This also applies to the NREGS. To improve the execution of this NREGS a strong relationship is required between CBOs,

Panchayati Raj Institutions and government bureaucracy. When implemented, the concept of NREGS may lead to a revolution in rural government owing to its uncommon tools of transparency, social inspection and e-government – a genuinely engaging and reinforced grassroots democracy (Shah, 2007). Moreover, although working on demand on an equitable rate of pay may offer a chance for individuals to get out of poverty, the number of days of employment and salary rates supplied are significant variables, whether or not this enables the nation to reduce poverty on a wide scale.

CONCLUSION:

In contrast to other poverty management programmes, the MEGS is run with a few modifications and minimal additional costs utilising the existing state administrative framework (Krishnaraj et al., 2004). The Department of Planning acts as a hub and the regular plan efforts are being conducted by other agencies as well as by MEGS. The MEGS is the collector's duty and the tehsildar' (bagchee). Projects costing up to Rs 5 million may be approved by the collector, and projects worth up to Rs 7.5 million by the divisional commissioner. Any work which costs above Rs 7.5 million must be approved by the State Government. The project involves many government organisations, including irrigation, civil works, agriculture, forestry and local administrations, including Zilla Parishads.

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