

# Assets Creation and Employment Generation under Mahatma Gandhi National Rural Employment Guarantee Act: A Study of Kalaburagi District in Karnataka

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## ABSTRACT

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is not exclusively intended to provide employment in rural areas. Its objective of employment guarantee is linked with the creation of durable and sustainable assets. With this, MGNREGA has long run objective to enhance livelihood security of rural households. To achieve this, list of permissible works are clearly stipulated in the Act itself. So far, MGNREGA has successfully completed over a decade of journey in the countryside. In this long voyage, it is quite important to understand how far MGNREGA has become successful in creating sustainable assets through employment generation. The unevenness of economic development across the regions, MGNREGA implementation may not be same. So demand for employment varies across the regions. As result, employment generation and assets creation obviously differ from region to region. In addition, its performance depends upon financial resources, administrative mechanism, planning, monitoring and supervision, etc. In general, need for MGNREGA arises mostly in drought-prone, unirrigated and rain-fed rural areas. The present study attempts to explain the relation between employment generation and assets creation in drought-affected regions. For this study, Kalaburagi region of Karnataka is chosen where droughts occur frequently. Under MGNREGA, employment generation is relatively high in Kalaburagi when compared with state and national level. Work completion rate was increased from 44 percent to 79 percent for first three years and declined drastically thereafter. This work completion is relatively better in the works like rural connectivity, water conservation and rural sanitation. During 2006-17, just 13 percent of works were completed out of total undertaken works. The correlation between employment generation and work completion rate is too weak. From a decade of MGNREGA implementation, assets creation remained to be unsatisfactory.

**Keywords:** Assets creation, work completion rate, wage-material ration, material expenditure.

In the history of employment policy of India, Mahatma Gandhi National Rural Employment Guarantee Act-2005 marks a departure from top-to-bottom approach of wage employment programmes. Unlike earlier schemes, MGNREGA came into existence with Constitutional backup and well design to enhance livelihood security of rural people through right based employment during the post reform period. Over the past 11 years, MGNREGA has been successfully implementing in the countryside with multiple objectives of employment guarantee, creation of durable and sustainable assets, women empowerment and

income generation to provide livelihood security in rural areas. Since its inception in 2006, it has been providing employment at large scale in rural areas, especially in drought-prone and unirrigated regions. For MGNREGA, Centre has been allocating large amount of fund in recent budgets to strengthen its implementation to attain its objectives of employment and income generation and creation of sustainable assets as well. As mentioned in the Act-2005, employment should be provided to the workers in the list of works such as water harvesting and water conservation, drought proofing, irrigation related works, renovation of traditional water bodies, land

development, flood control, rural connectivity and any other works notified by the Central government in consultation with the state government (NREGA, 2005). Thereafter, new works are added to the existing permissible works like agriculture related such as NADEP composting, vermi-composting, liquid bio-manures; livestock related works such as poultry shelter, goat shelter, construction of pucca floor, urine tank and fodder trough for cattle shed, azolla as cattle-feed supplement; fisheries related works such as fisheries in seasonal water bodies on public land; works in coastal areas such as fish drying yards, belt vegetation; rural drinking water related works such as soak pits, recharge pits; rural sanitation related works such as individual household latrines, school toilet units, anganwadi toilets, solid and waste management; construction of anganwadi centres and construction of play fields (MGNREGA Operational Guidelines, 2010 & 2013). Undertaking of these works vary across the regions depending upon the nature of agro-climatic and geographic characteristics. For creation of durable assets and strengthen the livelihood resource base of the rural households, different state level line departments such as agriculture, animal husbandry, fisheries, forest, horticulture, irrigation, panchayati raj, sericulture, watershed, etc., have been declared as implementing agencies in Karnataka. The schemes like National Rural Livelihood Mission, Integrated Watershed Management Programme, Total Sanitation Programme, Backward Region Grant Fund, Rashtriya Krishi Vikas Yojan, Repair, Renovation and Restoration, National Afforestation Programme, Pradhan Mantri Gramin Sadak Yojan, National Horticulture Mission and others are associated with MGNREGA for carrying out different works in rural areas.

However, adequate financial support is essential for attaining the objectives of providing employment guarantee and creation of durable and sustainable assets in rural areas. Since its inception, the MGNREGA is being implemented as a centrally sponsored scheme as cost sharing between the State and Centre. The Central government bears the entire amount required for payment of wages for unskilled manual workers. The Centre and State constitutes 75: 25 ratio of the cost of material and wages for skilled and semi-skilled workers. On the whole, the ratio of wage costs with material costs should not be less

than the minimum norm of 60:40 as stipulated in the Act. In addition, states should bear administrative expenses and unemployment allowances costs in the implementation of the MGNREGA. Hence, state governments responsible for creating sustainable assets under the MGNREGA.

At national level, employment generation under MGNREGA has been continuously increasing in extension period, during 2006-07 to 2009-10. Obviously, it is the result of extension of the programme to all the rural districts in the country. Thereafter, there is a miscellaneous trend with ups and downs in employment generation under the scheme. One should accept the fact that MGNREGA couldn't succeed to achieve its target of employment guarantee over the 11 years of implementation. It doesn't mean it is a failure venture. Still, the objective of employment guarantee of 100 days for every household is left as unfulfilled dream. But, the performance of MGNREGA is satisfactory from multiple facets. It provides reasonable employment in the regions where it is actually necessary. Although work completion rate is very low, it has been created durable assets which can provide livelihood security to rural poor. However, MGNREGA performance is not uniform across the regions. There are wide variations across the states and within the states as well. The MGNREGA performance is relatively better in some states like Rajasthan, Tamil Nadu, Andhra Pradesh, Chhattisgarh and Madhya Pradesh in terms of employment generation, assets creation, women participation and funds utilisation. The states like Goa, Punjab, Bihar, J&K, Haryana, Odisha and West Bengal stand at the bottom with poor performance.

Karnataka is one of the moderately performing states in MGNREGA implementation in the country. In the first phase, the MGNREGA was launched in five districts, namely, Bidar, Chitradurga, Devenagere, Kalaburagi and Raichur in 2006-07. In the next year, it was extended to six more districts of the state, they are, Belgavi, Bellary, Chikmanguluru, Hassan, Kodagu and Shimoga in the second phase. From 2008-09, remaining the all districts were brought under the coverage of the programme. The employment generation is relatively better in Karnataka when comparing to national level after the extension period, during 2010-11 to 2016-17. This performance is widely varied across the districts

in Karnataka. Under MGNREGA, employment generation is relatively better in the districts like Kalaburagi, Devanagere, Chitradurga, Ramanagara and Bhagalkot. Whereas it is very less in Shimoga, Mandya, Udupi and Bangalore districts. The present study focuses on Kalaburagi district which most backward one in the Karnataka state.

## REVIEW OF LITERATURE

Guaranteeing of employment is obligatory in most backward regions than others. The demand for employment arises at large scale in these regions since alternative opportunities for them are inadequate. Creation of income generating sustainable assets is one of solution to combat with rural poverty and unemployment. Therefore, assets creation became a major objective for all the public employment programmes. Similarly, MGNREGA is designed to provide employment guarantee through creation of sustainable assets in rural areas. The MGNREGA works not only have positive impact on rural employment, output and incomes but also it can go beyond the multiplier effects (Hirway, I. *et al.* 2008). At grass-root level, there are several success stories confirm that MGNREGA works helped to create sustainable assets which may yield results in the long run.

Even though, there are variations across the regions, these works are used as an opportunity to reinvigorate the traditional ecological balance and natural wealth (CSE, 2008). Interestingly, MGNREGA work activities were found to have reduced the vulnerability of agricultural production, water resources and livelihoods against uncertain rainfall, water scarcity and poor soil fertility (Mohan Kumar, B.K. *et al.* 2011). Against to criticism of poor quality assets, Gupta A. *et al.* (2012) observed in Jharkhand, the construction of wells under MGNREGA are extremely useful as they resulted in increasing productivity and output in agriculture. Based on this, it is clear that MGNREGA created sustainable assets having many positive impacts on rural livelihoods, but they require continuous maintenance and monitoring to make them more effective. On the other hand, work completion rate has been drastically come down under MGNREGA (MGNREGA Sameekhsa, 2012) and no significant improvement found at macro level. In this backdrop, the present study made an attempt to find the causal

relationship between employment generation and assets creation under MGNREGA.

## Objectives, Data Sources and Methodology

Indeed, employment guarantee is needed in backward regions when compared to progressive ones. Obviously, demand for employment is more in those regions which are drought-prone, un-irrigated, agriculturally and economically backward. Hence, the MGNREGA performance is expected to be well in backward regions in terms of generating more employment accompanied with the creation of sustainable assets. Therefore, the present study is intended to analyse the performance of MGNREGA in drought-prone regions. The main objectives of the study are, to study employment generation under MGNREGA in drought-prone areas and explain the nature of assets that are generated since its implementation. To study the proposed objectives, Kalaburagi district which is the most backward district of Karnataka is chosen.

Kalaburagi (also known as 'Gulbarga') is the second largest district (after Belgavi) which is located in north-eastern part of Karnataka. It occupies bottom position in economic status as well as human development (Deogankar, C, 2008). It is notified as most backward district by Ministry of Panchayati Raj in 2006 to receive funds from Backward Regions Grant Fund. It had been historically left under-developed since it was part of Nizam's rule. Although the Krishna river and its tributary (Bheema) flow into the district, agriculture mostly depends on monsoons. In this district, droughts very frequently occur which further adds to the vulnerability of the poor. Still, the district lagged behind the state in term of economic and human development indicators. This is the reason behind choosing the district for implementation of MGNREGA in the first phase. Along with agriculture, the MGNREGA is the major livelihood source of about 67 percent of population in the district who lives in rural areas.

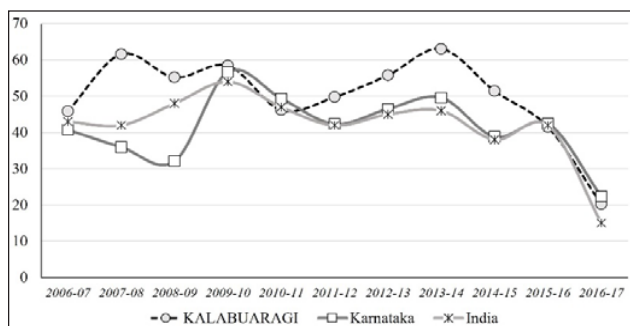
This study is completely based on secondary data sources which are taken from different sources such as Delivery Monitoring Unit (DMU) reports (available at [www.nrega.nic.in](http://www.nrega.nic.in)) and Census of India (2011). The simple statistical techniques like correlation and regression are employed to observe the relationships between employment generation

and assets creation. The time frame for the study is 2006-07 to 2016-17.

## 1. MGNREGA Performance in Kalaburagi district

Kalaburagi is one of the districts which are covered in the first phase of the MGNREGA in 2006. So far, it successfully completed 11 years of its implementation in providing employment guarantee to the rural poor. It covers around 264 gram panchayats across 7 blocks in the district. Till now, 2.01 lakhs of job cards were issued to about 68 percent of rural households in the district. The employment pattern in Kalaburagi district shows miscellaneous trend. In Kalaburagi, the households coverage increased in expansion phase, between 2006-07 and 2009-10 and continuously declined thereafter (see Table 1). During 2006-07 to 2009-10, the number of households given employment has increased 79349 (25 percent) to 213790 (68 percent). The next year in 2010-11, household given employment sharply declined to 65131 which is equal to just 21 percent of total rural households. Subsequently, households' coverage continuously came down to 15453 (5 percent).

The household coverage is maximum in 2009-10, almost all the households given some amount of employment under MGNREGA as its covers 68 percent of rural households. In the same year, 124.89 lakhs of person-days were created in the district which is maximum in entire 11 years of implementation.



**Fig. 1:** MGNREGA employment in Kalaburagi – comparison with state and national level

Later on, person-days generated drastically has come down to 3.13 lakhs in 2016-17. The average household employment under MGNREGA has shown mixed trend having with ups and downs. The average employment given per household

is very high in 2007-08 (62 days) and 2013-14 (63 days). The average household employment varied between 42 days to 63 days, except in the period of 2016-17. As shown in Fig. 1, employment given per household is relatively better than national and state level.

**Table 1:** MGNREGA Employment Generation in Kalaburagi District

Year	Households Covered *	Person-days (in lakhs)	Average Employment per HH	Households completed 100 days #
2006-07	79349 (25)	36.41	46	5865 (7.39)
2007-08	50107 (16)	30.86	62	4526 (9.03)
2008-09	70377 (22)	38.84	55	2884 (4.10)
2009-10	213790 (68)	124.89	58	21293 (9.96)
2010-11	65131 (21)	30.08	46	2979 (4.57)
2011-12	80743 (26)	40.17	50	3105 (3.85)
2012-13	71209 (23)	39.72	56	7149 (10.04)
2013-14	70684 (23)	44.56	63	6386 (9.03)
2014-15	35139 (11)	18.06	51	1512 (4.30)
2015-16	30428 (10)	12.63	42	2284 (7.51)
2016-17	15453 (5)	3.13	20	29 (0.19)

*Source:* District Monitoring Reports (2006-17) ([www.nrega.nic.in](http://www.nrega.nic.in))

*Note:* \* Parentheses indicate proportion of rural households covered; # Parentheses indicate percentage households given 100 days of employment.

It has never given 100 days employment to all the participating households which is similar to macro level. It provided highly 10 percent of participating households were given 100 days during 2012-13. In the beginning, 7.39 percent of participated households were given 100 days of employment in 2006-07. The proportion fluctuated over the years and reached to 10.04 percent in 2012-13. Again it deteriorated to 0.19 percent by the end of 2016-17. It is very clear that employment generation under



MGNREGA has significantly decreased in recent years.

## 2. MGNREGA assets creation in Kalaburagi district

Assets generation is left as a major limitation of the MGNREGA over 11 years of its implementation. Official statistics reveal the same at aggregate level and grass-root level as well. Work completion rate under MGNREGA was never matched with employment generation.

**Table 2:** Assets Creation under MGNREGA in Kalaburagi District (2006-17)

Type of Work	Taken up	Completed	% of works completed
Rural Connectivity	22804 (9.3)	3872	17.0
Flood Control and Protection	7682 (3.1)	988	12.9
Water Conservation and Water Harvesting	43029 (17.6)	7439	17.3
Drought Proofing	26251 (10.7)	3060	11.7
Micro Irrigation Works	6854 (2.8)	846	12.3
Provision of Irrigation facility to Land Owned by SCs/STs	29322 (12)	2170	7.4
Renovation of Traditional Water bodies	22868 (9.3)	2897	12.7
Land Development	29541 (12)	3703	12.5
Any other works approved by MRD	21238 (8.7)	2135	10.1
Rural Drinking Water	591 (0.3)	44	7.4
Rural Sanitation	34451 (14)	4759	13.8
Miscellaneous	573 (0.2)	57	9.9
<b>Total</b>	<b>245204 (100)</b>	<b>31970</b>	<b>13.04</b>

**Source:** [www.nrega.nic.in](http://www.nrega.nic.in) **Note:** Parentheses indicate percentages.

In Kalaburagi district, the proportion of works completed against the total undertaken works has been drastically declined between 2008-09 and

2010-11; and didn't improve thereafter. During the period of 2006-07 to 2016-17, total number of works undertaken is 2, 45, 204 in the district. Out of them, just 31970 works were completed which approximately 13 percent and remaining 77 percent works were left in-completed. Leaving such works for a long time, it may not be possible to resume those works, which could be wastage of resources ultimately. It clearly indicates that employment has generated in the rural areas but not in sync with asset generation. Although MGNREGA provides employment, it is not strengthening rural livelihood resource base by creating durable and sustainable assets.

As shown in the Table 2, majority of the works undertaken in Kalaburagi districts are related to water conservation and harvesting (17.6 percent), rural sanitation (14 percent), land development (12 percent), provision of irrigation facility in the lands belong to SC/STs (12 percent), drought proofing (11 percent), renovation of traditional water bodies (9.3 percent), rural connectivity (9.3 percent) and others. But, there is no uniformity in completion rate of different categories of works; it ranges from 7 percent to 17 percent among different categories of works. The work completion rate is relatively higher in water conservation and harvesting (17.3 percent), rural connectivity (17 percent), rural sanitation (13.8 percent) and flood control and protection (12.9 percent). Since Kalaburagi is drought affected district, water conservation and harvesting, drought proofing, irrigation and land development works are given priority in MGNREGA implementation. Since 2012, rural sanitation works added to the list of MGNREGA works which come under Swachh Bharat Abhiyan (previously known as 'Bharat Nirman'). It is an important step towards improvement of rural sanitation by constructing individual household latrines. The works completion in renovation of traditional water bodies, land development, micro-irrigation works and drought proofing is about 12 percent. Whereas it is very low in case of provision of irrigation facility to SC/ST lands, rural drinking water and miscellaneous works. However, MGNREGA has failed to strengthen the resource base in rural areas during a decade of its implementation.

The MGNREGA expenditure consists of wages, material costs and administrative expenses. As

table 3 illustrates, there is a substantial increase in MGNREGA expenditure for first four years (2006-07 to 2009-10).

**Table 3:** MGNREGA Expenditure in Kalaburagi District (Lakhs)

Year	Wages	Material	Admin.	Total	Wage-Material Ratio
2006-07	2440.23 (59.4)	1619.72 (39.4)	48.2 (1.2)	4108.15 (100)	60:40
2007-08	2283.42 (59.2)	1446.78 (37.5)	127.35 (3.3)	3857.55 (100)	61:39
2008-09	3029.88 (60.6)	1841.83 (36.8)	128.67 (2.6)	5000.38 (100)	62:38
2009-10	9478.19 (56.8)	7086.98 (42.5)	115.61 (0.7)	16680.78 (100)	57:43
2010-11	6080.96 (56.9)	4501.16 (42.1)	106.41 (1)	10688.53 (100)	57:43
2011-12	6935.87 (61.9)	4039.57 (36.1)	222.98 (2)	11198.42 (100)	63:37
2012-13	9483.59 (64.9)	4876.19 (33.4)	250.31 (1.7)	14610.09 (100)	66:34
2013-14	11075.24 (69.6)	4611.96 (29)	228.02 (1.4)	15915.22 (100)	71:29
2014-15	4843.37 (57.4)	3440.06 (40.8)	149.83 (1.8)	8433.26 (100)	58:42
2015-16	3065.87 (58.2)	1886.91 (35.8)	312.82 (6)	5265.6 (100)	62:38

**Note:** Parentheses indicate percentages.

**Source:** Delivery Monitoring Unit Reports of MGNREGA.

In this period, expenditure increased from ₹ 4108.15 lakhs to ₹ 16680.78 lakhs. But, there is no clear pattern thereafter. This expenditure includes three costs, namely, wages, material and administrative

expenses. Since it is an employment programme, lion share of the expenditure went for wage costs. The material expenditure varied from 35 to 40 percent and administrative expenses are about 1 to 2 percent. In 2015-16, the amount spent on administrative purposes is 6 percent, which is very highest till now. However, wage-material expenditure always maintained to be close to proposed ratio of 60:40. Even though, considerable amount spent on material costs, pathetically it didn't reflect in assets creation and work completion rate is continuously worsening over the years.

One should expect a strong and positive correlation between employment generation and assets creation. Why because, employment generation is directly linked with assets creation in its design itself. It is impossible to create assets without employment generation. Contradictorily, the correlation between employment generation and assets creation seems to be too weak in Kalaburagi district (see Table 4). The correlation between work completion rate and material expenditure is found to be negative (-0.35). To observe cause and effect relationship, log-log linear regression is estimated by taking total works completed (WC) as dependant variable and material expenditure (ME) as an independent variable. The estimated regression coefficient is positive, but insignificant at 95 % confidence level. Even though material expenditure is close to 40 percent, it is not reflecting in assets creation in the practice. The gap between works undertaken and work completion is widening over a period of time. Possibly, significant deficiencies (CAG, 2007) at different levels of implementation could be responsible for poor asset creation in Kalaburagi district. Probably,

**Table 4:** Statistical Relationship between Employment, Assets Creation & Material Expenditure

	Correlation Matrix			Regression Results	
	Average Household Employment	Work Completion Rate	Material Expenditure	$\log(WC) = \alpha + \beta \log(ME) + \varepsilon$	
Average Household Employment	1			Observations	11
Work Completion Rate	0.28	1		Intercept	4.458
Material Expenditure	0.56	-0.35	1	Coefficient	0.354
				t-stat	0.754 * (0.47)
				Multiple R	0.059
				R-square	0.243

**Note:** WC indicates Completed Works and ME indicates Material Expenditure.

**Source:** Author's Calculations

lack of effective administration and technical support at block and Gram Panchayat level for proper implementation of MGNREGA. Lack of adequate and dedicated manpower adversely affects the preparation of plans, scrutiny, execution, monitoring and maintenance of the MGNREGA works. In absence of dedicated technical resources, the administrative and technical activities of the MGNREGA are routed through the normal departmental channels which already burdened with existing responsibilities. It was reflected in poor progress in completing the undertaken works. In addition, lack of timely co-ordination and co-operation from convergence departments resulted in poor progress of works in the ground.

## CONCLUSION

While launching the MGNREGA in 2006, it is expected to combat with chronic problems of poverty and unemployment in the countryside. Since it is a demand driven programme, it may not be successful in all the regions in the same manner. In practice, its implementation happens seems to be supply driven. However, MGNREGA should provide employment guarantee in drought and un-irrigated regions when compare to irrigation areas. The study found the same in drought-prone district of Kalaburagi in Karnataka state. Moreover, employment generation is relatively better than Karnataka state and India as well. It clearly indicates that MGNREGA can become truly successful only whenever it reaches to the needy sections in the countryside. The majority of the MGNREGA works are related to water conservation and harvesting, rural sanitation, land development and irrigation activities. Unfortunately, work completion rate has drastically declined over a period of time. Paradoxically, employment generation is not accompanied with assets creation under MGNREGA. Although material expenditure is reasonably good, it is not reflecting in completing the works under MGNREGA due to lack of proper administrative and technical support at different levels of implementation.

## Policy Implications & Scope for Further Research

In general, employment guarantee should be given in drought-prone regions. This study observes that employment generation under MGNREGA

is relatively better in Kalaburagi district which is most backward district of Karnataka state. It is appreciable for giving priority for backward and drought affected regions under MGNREGA. Unfortunately, this employment generation is not accompanying with asset generation. Despite reasonable expenditure made on material, most of the works undertaken were left incomplete over the years. The government should take necessary steps to implement employment guarantee effectively by improving administrative efficiency, technical support and financial resources. Then only, MGNREGA can strengthen livelihood resource base to provide sustainable income in rural areas. As far as MGNREGA assets creation is concerned, further research can be carried out to enquire management and sustainability of completed works and the status of incomplete works in different regions.

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