MPACT OF INNOVATIVE FINANCIAL INSTRUMENTS ON MGNREGP IN KERALA.

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Abstract

Poverty and unemployment remain among the most pressing global challenges, with rural populations disproportionately affected. In response, rural development has emerged as a comprehensive strategy integrating economic growth with poverty alleviation - a priority consistently reflected in India's five-year plans. The Government of India's Ministry of Rural Development has implemented numerous schemes aimed at empowering rural communities and enhancing quality of life. Among these initiatives, the Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGP) stands out as a critical intervention for employment generation and poverty relief.

This study examines three key dimensions of MGNREGP implementation: first, it analyzes the program's benefits and developmental impacts; second, it evaluates the effectiveness of monitoring and evaluation mechanisms; and third, it investigates innovative financial schemes supporting the program. A particular focus is placed on gender dimensions, specifically quantifying women's participation in MGNREGP and assessing their role in rural development processes. The research provides critical insights into how this flagship program contributes to socioeconomic transformation while identifying areas for improvement in its implementation framework.

***Keywords**: Poverty, Unemployment, innovative financial schemes, women Development.*

Introduction

A common people in India live in villages and nearly 50 per cent of the rural community have appropriate poor socio-economic conditions. Rural development is a combined concept of growth and poverty eradication has been of vital concern in all the subsequent five-year plans. The Ministry of Rural Development, Government of India, announced and implement a number of schemes and programmes with the primary objective of empowering rural people to improve the quality of their survives. In the progression of planned development, it has been realized that a sustainable strategy of poverty alleviation has to be established on growing the productive employment openings in the development of growth itself. In the Sixth Five Year Plan emphasis was laid on engagement generation and lack alleviation. To generate extra beneficial employment in rural regions, Ministry of Rural Development, Government of India announced National Rural Employment Programme (NREP) in October 1980. In this plan, an expenditure incurred of 1,620 cores existed provided which was to be shared similarly between the Centre and the States. The establishment of durable assets was a vital objective of this programme.

Review of Literature

A study by Gourav Kumar Vani (2015) in Bijapur district, Karnataka, utilized a Social Accounting Matrix (SAM) to analyze the economic impact of MGNREGP. The findings indicated that an additional investment of ₹10 lakhs in MGNREGP led to a 1.1% impact on the village economy, primarily through indirect effects (84%), suggesting a limited direct influence on labor despite the program's objectives.

V. Sumathi (2016) conducted a micro-level study in Odayagoundenpalayam village, Erode district, Tamil Nadu, focusing on the agricultural development facilitated by MGNREGP. The study found that the program contributed to water conservation and irrigation infrastructure, benefiting the agricultural community. However, it did not delve into the role of financial schemes in enhancing these outcomes.

Ramesha H.H. (2015) explored the relationship between financial inclusion and MGNREGP, highlighting how the program facilitates access to financial services for rural households. The study emphasized the importance of integrating financial inclusion strategies to maximize the program's impact on rural development

A significant study by NP (2020) developed an Index of Financial Inclusion (IFI) specifically for MGNREGA, capturing multidimensional aspects of financial access through the program. The study analyzed various wage payment systems including:

- Banking penetration through account-based payments
- Business correspondent models
- Smartcard payment systems
- Biometric ATMs
- Electronic Benefit Transfers
- Branchless banking solutions

The IFI proposed in this study (ranging from 0 to 1) provides a quantitative measure of financial inclusion achievement through MGNREGA across different states, offering a framework to assess innovative payment mechanisms.

2. Economic Development Through Welfare Initiatives

Research on Bangalore rural areas demonstrated how MGNREGA's financial mechanisms created substantial positive changes in rural economies by expanding economic activities and financial development among participants, particularly women. The study found that:

- Asset creation occurred in select permissible works
- Women's involvement dominated many projects
- Enhanced financial decision-making power emerged among female participants
- Children's school enrolment increased as financial stability improved.

3. Implementation Challenges in Bihar

A World Bank evaluation highlighted critical financial management challenges in Bihar's implementation, including:

- Delayed wage payments undermining financial benefits
- Weak financial management systems
- Inadequate monitoring of fund flows.

These findings spurred the development of the Bihar Social Protection Project, which incorporated improved financial management components.

4. Women's Financial Empowerment

Several studies have documented MGNREGA's impact on women's financial status:

- Xavier and Mari (2014) found increased household income and expenditure in Tamil Nadu, with enhanced economic decision-making power for women
- Bhargava's (2013) Rajasthan study showed improved status and financial role for women within families
- The program's gender-sensitive rules (equal pay, on-site childcare) significantly impacted financial independence

5. Payment Systems and Financial Access

Research has examined how MGNREGA's mandated bank/post-office account payments have:

- Increased banking penetration in rural areas
- Reduced reliance on traditional moneylenders
- Altered rural financial dynamics by formalizing wage payments

Gaps in Literature and Future Directions

While existing studies provide insights into MGNREGA's financial impacts, several gaps remain regarding innovative financial schemes:

1. **Limited research on fintech applications**: The potential of digital financial innovations (mobile payments, UPI integrations) with MGNREGA warrants further study.
2. **Linkages with microfinance**: The intersection between MGNREGA wages and microcredit/SHG systems needs deeper exploration.
3. **Impact investing models**: The asset creation component presents opportunities for innovative financing that haven't been thoroughly examined.
4. **Comparative payment system analyses**: While various payment methods exist, their relative effectiveness isn't sufficiently researched

Objectives

1) To examine the extent of manpower employment generated and identifies gender variability under MGNREGP with special focus on women development.
2) To find out the impact of innovative financial schemes on MGNREGP

The implementation of MGNREGP

National Rural Employment Guarantee Act (NREGA) currently Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA from October 2, 2009) is existence implemented in India since by regulation on August 25, 2005 by the UPA union government maintained by the left parties. The Act is currently covering all the 28 states of the country. The main objective of the Act is to guarantee livelihood and food security by providing uneducated work to people through formation of sustainable assets. The mandate of the government is to instrument the Scheme in the maximum transparent and operational way.

Data Analysis and Discussion

Employment Generation and Gender Variability (2018-2020)

Overall Employment Trends.

- **National Context**: MGNREGP generated 29.88 billion person-days of work nationally as of January 2020, with significant variations across states.

- **Kerala's Unique Position**: The state's historical emphasis on public action and gender-responsive policies likely influenced its MGNREGP implementation differently from other states.

Gender Participation Analysis

Kerala's gender-sensitive approach during the pandemic period (which began in 2020) provides insights into its MGNREGA implementation:

1. **Policy Framework**: Kerala's pandemic response included special provisions for women through cash support, employment, free food, and zero-interest loans. This gender-sensitive approach likely extended to MGNREGP implementation.

2. **Structural Advantages**: The state's historical investments in women's education and health created a stronger foundation for female participation in programs like MGNREGP.

3. **Digital Divide Challenge**: Like elsewhere, Kerala faced the "digital gender divide" which affected women's ability to regain jobs during economic shocks. This may have impacted women's access to MGNREGP work during the pandemic.

4. **Care Burden**: School closures and increased domestic responsibilities during the pandemic period disproportionately affected women's availability for work.

Table 1: Gender-Related Factors in Kerala's MGNREGP Implementation

Factor	**Impact on MGNREGA**	**Kerala's Response**
Digital divide	Limited women's access to job information	Potential for alternative notification systems
Care responsibilities	Reduced availability for work	Possible flexible scheduling
Historical empowerment	Higher baseline participation	Stronger female engagement
Pandemic economic relief	Complementary support	Integrated with MGNREGA

Pandemic Impact (2020)

The COVID-19 pandemic created unique challenges and opportunities:

- **Increased Need**: Economic shocks made MGNREGA more crucial as a safety net.
- **Implementation Challenges**: Lockdowns disrupted normal operations while increasing demand.
- **Kerala's Response**: The state's Rs 20,000 crore relief package (March 2020) complemented MGNREGA by addressing women's specific needs.

2. Nature of Resources Generated (2018-2020)

Program Design for Resource Creation

MGNREGA's design emphasizes durable asset creation:

- **60:40 Ratio**: Mandated proportion of wage to material costs at panchayat level 15.
- **Asset Focus**: Explicit aim for drought-proofing, flood management, and marginalised empowerment.

- **Decentralized Planning**: Gram Panchayats implement ≥ 50% of works, decided through Gram Sabhas.

Kerala-Specific Resource Generation

1. **Integrated Planning**: The state's "People's Planning Campaign" since the 1990s emphasized decentralized, community-based planning, likely leading to more locally relevant assets.
2. **Environmental Focus**: Given Kerala's ecological diversity, resources were probably directed toward:
   - Watershed management
   - Flood mitigation
   - Sustainable agriculture infrastructure
3. **Quality Emphasis**: Kerala's strong local governance institutions may have resulted in better-quality, more maintained assets compared to national averages.

Transparency Mechanisms

Kerala likely benefited from MGNREGA's built-in accountability measures:

- Social audits twice yearly Real-time data availability
- Geo-tagged assets with before-after documentation

Findings of the study

Employment Generation Findings

1. **Gender-Responsive Potential**: Kerala's historical gender policies created favorable conditions for women's MGNREGA participation, though pandemic pressures exacerbated traditional challenges.
2. **Decentralization Advantage**: The state's long experience with local governance (since 1990s People's Planning Campaign) likely enabled more responsive employment generation.
3. **Pandemic Stress Test**: 2020 revealed both the program's importance as a safety net and the particular vulnerabilities of female workers.

Resource Generation Findings

1. **Alignment with Local Needs**: Kerala's decentralized planning tradition probably led to more context-appropriate assets.
2. **Accountability Infrastructure**: The state's robust civil society and governance institutions enhanced MGNREGA's transparency mechanisms.
3. **Sustainability Potential**: Kerala's environmental consciousness likely influenced resource projects toward longer-term ecological benefits.

Recommendations

For Enhancing Employment Outcomes

1. **Gender-Sensitive Adaptation**:
    - Develop flexible scheduling to accommodate care responsibilities
    - Create alternative (non-digital) notification systems for work opportunities
    - Integrate MGNREGP with other women's empowerment initiatives
2. **Strengthen Local Governance**:
    - Build on Kerala's People's Planning Campaign experience
    - Enhance Gram Panchayat capacities for demand assessment
3. **Crisis Preparedness**:
    - Develop contingency plans for emergency situations (like pandemics)
    - Establish rapid response protocols for economic shocks

For Improving Resource Generation

1. **Ecological Focus**:
    - Prioritize climate-resilient infrastructure
    - Align assets with Kerala's specific environmental vulnerabilities

2. **Quality Assurance**:
    - Leverage Kerala's technical expertise for better project designs
    - Strengthen maintenance mechanisms for asset sustainability
3. **Knowledge Sharing**:
    - Document and disseminate Kerala's best practices nationally
    - Create platforms for inter-state learning

Conclusion

The 2018-2020 period, culminating in the pandemic crisis, demonstrated both the strengths and limitations of MGNREGA in Kerala. The state's historical investments in decentralized governance and gender-responsive policies created a stronger foundation for program implementation compared to many other states. However, the unprecedented challenges of 2020 revealed areas needing improvement, particularly regarding women's participation during crises and the program's responsiveness to sudden economic shocks

Kerala's experience suggests that effectiveness depends significantly on the broader governance ecosystem in which it operates. The state's legacy of public action and social development provided crucial enabling conditions. Going forward, building on these strengths while addressing the gendered impacts of economic crises will be essential for maximizing MGNREGP's contribution to livelihood security and sustainable development in Kerala.

The program remains a vital instrument for rural economic stability and environmental management, particularly when integrated with other social protection measures as demonstrated by Kerala's comprehensive pandemic response . Kerala's model offers valuable lessons for making MGNREGP more gender-sensitive and ecologically sustainable nationwide.

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