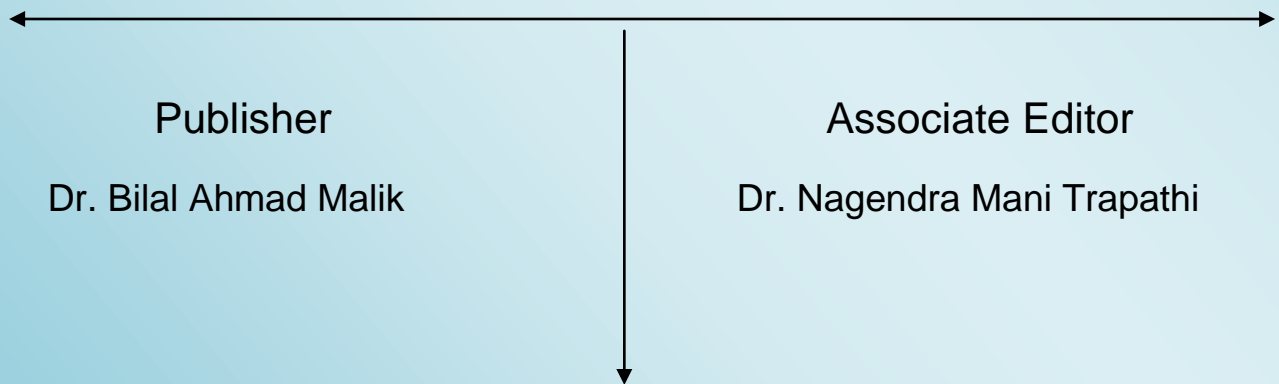


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FINANCIAL INCLUSION AND MGNREGA: A CASE STUDY FROM PURULIA, WEST BENGAL

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ABSTRACT:

Despite India high economic growth rates higher than most developed countries in recent years, a majority of the country's population still remains unbanked. Financial Inclusion is a relatively new socio-economic concept in India that aims to change this dynamics by providing financial services at affordable costs to the underprivileged, who might not otherwise be aware of or able to afford these services. This paper attempts to understand the role of the MGNREGA (Mahatma Gandhi national Rural employment Guarantee act.) in financial inclusion by analyzing both primary and secondary data from four blocks of Purulia and suggest the probable solution for more inclusion.

Keywords: Financial inclusion, MGNREGA

INTRODUCTION:

The economic growth of India has been a phenomenal in recent years. It has drawn attention of all the pundits from all over the world as the growth outpaced the major players in the world economy. However, the real picture at the ground level not necessarily is as shining as it claims and it still suffers from high incidence of poverty and unemployment in rural India. Agriculture and allied sectors, which houses at least 60 percent of the Indian population is a backbone of rural economy. It has been observed that majority of the poor in rural areas of the country mostly depend on the wages earned through unskilled casual manual labor. These unorganized sections of people are out of ambit of structured financial institutions. On one hand the MGNREGA was launched to provide job to the underprivileged with a guarantee while on the other hand the Reserve Bank of India to improve the economic condition of poor people, banking and financial services and make it simple have grounded the concept of financial inclusion in consultation with the ministry of finance, government of India.

Why Financial Inclusion is vital?

Creating a platform and habit to save money – The lower income category has been living under the constant threat of financial pressure mainly because of the absence of savings. The absence of savings makes them a vulnerable lot. Presence of banking services and products aims to provide a critical tool to inculcate the habit to save. Capital formation in the country is also expected to be accelerated once financial inclusion measures materialize, as people move away from traditional modes of investing their savings in land, buildings, bullion, etc.

Providing formal credit avenues – So far, the unbanked population has been vulnerably dependent of informal channels of credit like family, friends, and moneylenders. Availability of adequate and transparent credit from formal banking channels shall allow the entrepreneurial spirit of the masses to increase outputs and prosperity in the countryside. A classic example of what easy and affordable availability of credit can do for the poor is the micro-finance sector.

Block gaps and leaks in public subsidies and welfare programs – A significant sum of money that is meant for the poorest of poor does not actually reach them. While this money meanders through large system of government bureaucracy, much of it is widely believed to leak and is unable to reach the intended parties. Government is therefore, pushing for direct cash transfers to beneficiaries through their bank accounts rather than subsidizing products and making cash payments. This laudable effort is expected to reduce government's subsidy bill (as it shall save that part of the subsidy that is leaked) and provide relief only to the real beneficiaries. All these efforts require an efficient and affordable banking system that can reach out to all. Therefore, there has been a push for financial inclusion.

OBJECTIVES OF THE STUDY

- A. To compare the level of financial inclusion in the study area before and after MGNREGA.
- B. To find out the issues and challenges of financial inclusion.
- C. To make few suggestions for better financial inclusion in the study area.

METHODOLOGY

The study is based on analysis of both primary and secondary data. The survey was done in the year of 2013 in four blocks of Purulia, a district of West Bengal namely Raghunathpur-I, Raghunathpur-II, Pancha and Hura

respectively selecting 50 respondents from each block randomly those who have a valid job card and have worked at least 15 days continuously. Apart from primary data various books, websites, journals, articles have been consulted as secondary data.

RESULT AND DISCUSSION:

The payment of MGNREGS wages has to be paid mandatorily through bank account. It has proved good for financial inclusion.

Status of Bank Accounts

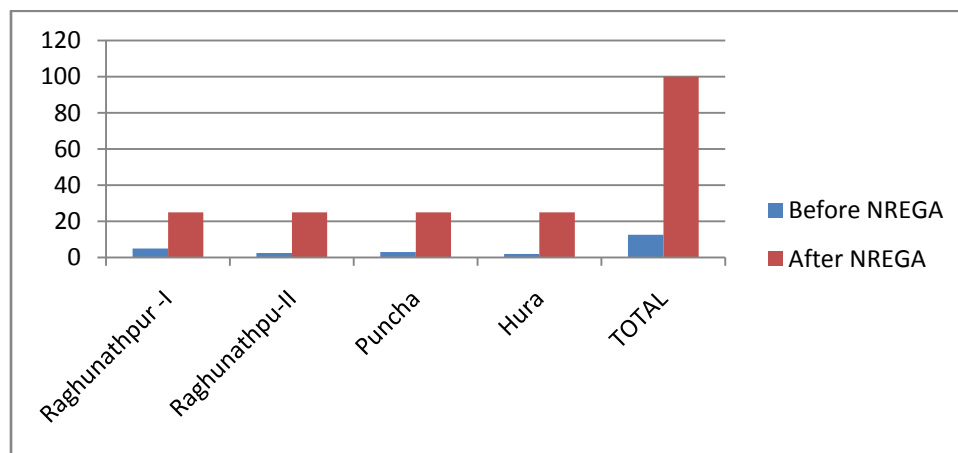
Table:-I

NAME OF THE BLOCK	STATUS OF BANK ACCOUNTS											
	ACCOUNT BEFORE NREGA				ACCOUNT AFTER NREGA							
	M	%	F	%	TOTAL	%	M	%	F	%	TOTAL	%
Raghunathpur -I	7	3.5	3	1.5	10	5.0	25	12.5	25	12.5	50	25.0
Raghunathpu-II	4	2.0	1	0.5	5	2.5	26	13.0	24	12.0	50	25.0
Puncha	5	2.5	1	0.5	6	3.0	27	13.5	23	11.5	50	25.0
Hura	2	1.0	2	1	4	2.0	26	13.0	24	12.0	50	25.0
TOTAL	18	9.0	7	3.5	25	12.5	104	52.0	96	48.0	200	100.0

(Source: - Primary data)

The Table-I shows that before introduction of MGNREGA only 25(12.5%) persons had access to banking service while after after introduction of MGNREGA all 200 nos (100%) of respondents are banking customer.

Chart-I derived from Table-I



Status of loan

Loan is an important feature for day to day life. Sometimes one requires money to fulfill different needs of life. Taking loan from unauthorized source may lead to financial distress as well as social exclusion.

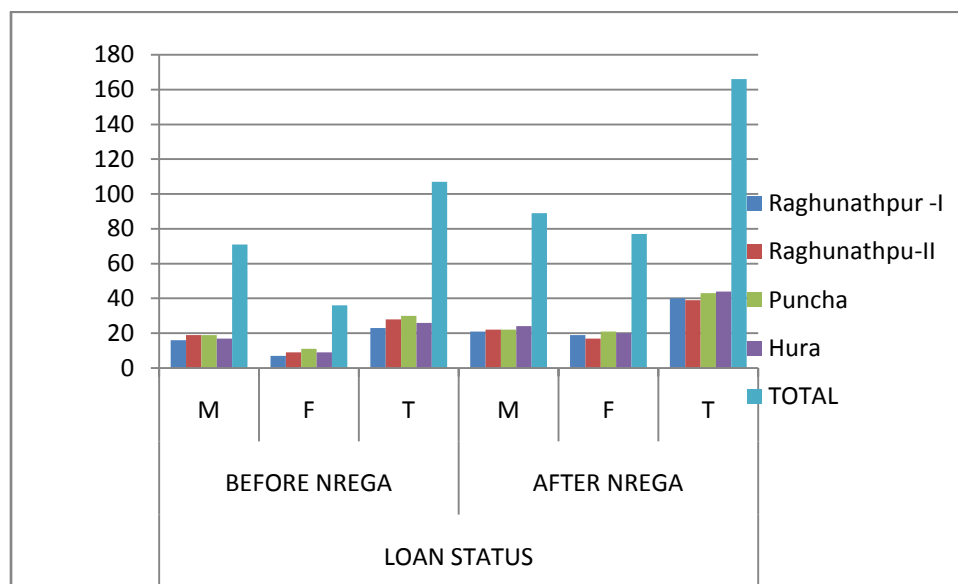
Table-II

NAME OF THE BLOCK	LOAN STATUS					
	BEFORE NREGA			AFTER NREGA		
	M	F	T	M	F	T
Raghunathpur -I	16	7	23	21	19	40
Raghunathpu-II	19	9	28	22	17	39
Puncha	19	11	30	22	21	43
Hura	17	9	26	24	20	44
TOTAL	71	36	107	89	77	166

(Source: - Primary Data)

Table-II shows that after having a bank account the loan status has changed a lot. It has been noticed that before introduction of MGNREGA 107 nos of job card holders had loan while after introduction of MGNREGA 166 nos of job card holders have loan. It is a notable change.

Chart-II derived from Table-II



Source of Loans:

Source of loan is very important as it describes the efficiency of the authorized financial institutions.

Table-III A

Source of loan before NREGA																		
Name of the Block	Money Lender			Self Help Group			Relative/Friend			Employer			Bank			Other		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
Raghunathpur -I	9	3	12	0	1	1	3	1	4	4	2	6	0	0	0	0	0	0
Raghunathpu-II	12	5	17	0	2	2	2	0	2	5	2	7	0	0	0	1	0	1
Puncha	15	6	21	0	2	2	1	1	2	2	2	4	0	0	0	0	0	0
Hura	11	4	15	0	3	3	2	1	3	4	1	5	0	0	0	0	0	0
TOTAL	47	18	65	0	8	8	8	3	11	15	7	22	0	0	0	1	0	1

(Source:-Primary Data)

Chart-III A derived from Table-III A

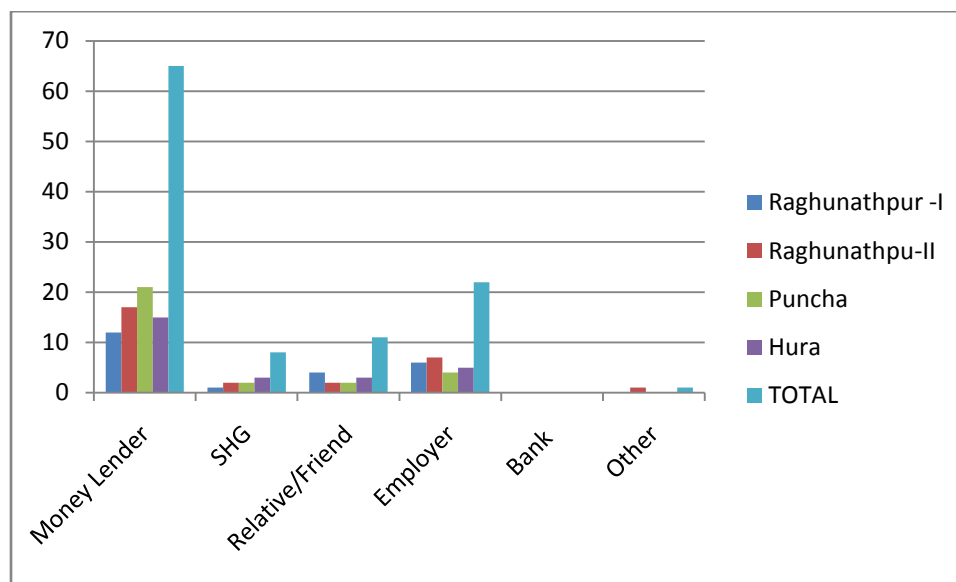
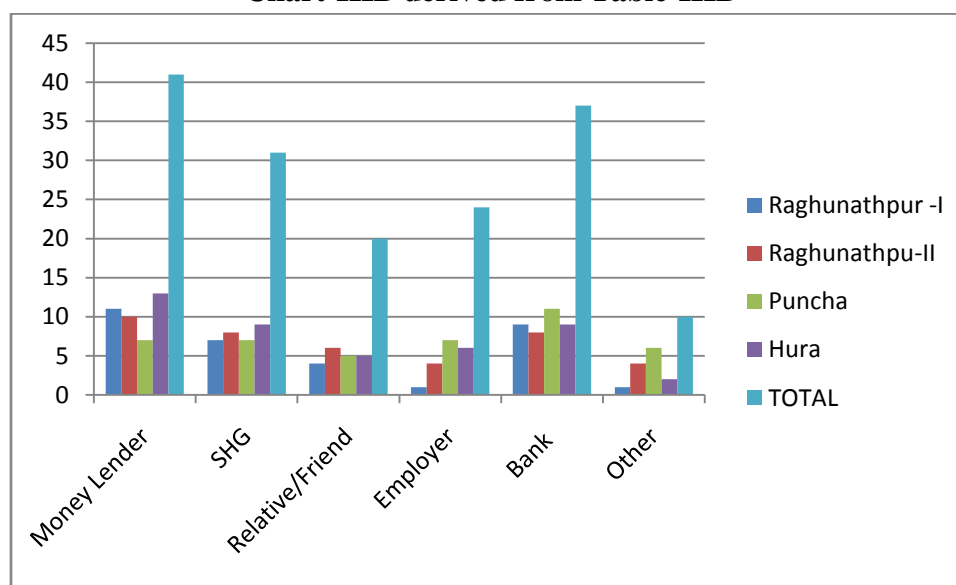


Table-III B

Source of loan after NREGA																		
Name of the Block	Money Lender			Self Help Group			Relative/Friend			Employer			Bank			Other		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
Raghunathpur -I	7	4	11	0	7	7	2	2	4	3	5	1	8	1	9	1	0	1
Raghunathpu-II	7	3	10	0	8	8	3	3	6	2	1	4	6	2	8	4	0	4
Puncha	5	2	7	0	7	7	3	2	5	3	4	7	7	4	11	4	2	6
Hura	9	4	13	0	9	9	4	1	5	4	2	6	6	3	9	1	1	2
TOTAL	28	13	41	0	31	31	12	8	20	12	12	24	27	10	37	10	3	13

(Source: - Primary Data)

Chart-III B derived from Table-III B



The Table IIIA and the Table-III B describe the source of loans before and after introduction of MGNREGA. From the tables it is clear that MGNREGA has brought huge change when it come financial inclusion. Table-III A shows dependency of money lender as 65 nos of job card holders took loan from local money lenders where no one from the bank! On the other hand, after introduction of MGNREGA the banks have given loan to 37 nos of job card holders.

Issues and Challenges

Though during survey it was found that the impact of MGNREGA on financial inclusion is quite positive however, it does not necessarily mean that there are no problems.

Lack of awareness: - The job card holders found are least aware about different schemes of the Bank. Banks or other financial institution also never campaign about their schemes, policies etc.

Difficult to access: - Financial institutions are usually located at very far off centre's from villages which is also act as constrains for opening of the bank accounts in branches and there is also a problem of connectivity of roads.

Excessive formalities: - Financial institutions follow a number of formalities for opening of the accounts or for applying small scale loans for the MGNREGA workers. It is also a major reason for avoiding banks or financial institutions. More over bank account opening forms are generally in English and these illiterate workers of MGNREGA can't understand their contents and are reluctant to open the accounts. This was stated by around 70% of the workers.

Time consuming: - There is no doubt that the Banks lacks adequate staffs Most of the processes get delayed. It takes 2-3 hours to complete a bank job. Apart from that, the banks prioritize their 'Prime' customers. This is another reason to avoid banks or financial institutions.

SUGGESTIONS AND RECOMMENDATIONS

- Banks or other authorized financial institutions should organized more awareness camp with the help of local administrations.
- More Bank branches are needed to serve not only the MGNREGA beneficiaries but also the common people.
- Banks or other financial institutions should reduce the paper formalities to open an account or to apply for a loan.
- Number of dedicated specialized staff should be recruited.

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