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## Financial Inclusion through Mgnregs in Virudhunagar District

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**Abstract:** Financial inclusion is the key to empowerment of poor & underprivileged rural households as they constitute 70 percentage of the total Indian population. Financial Inclusion can help the down trodden to improve their financial condition and the standard of living. To provide greater financial inclusion, the Government of India in 2008 declared that wage payments, under the Mahatma Gandhi National Rural Employment Guarantee scheme be made through banks and post offices. It is in this context, the present study has been conducted to know how the scheme is helping in promoting financial inclusion in virudhunagar district. It will also highlight that workers employment participation. Besides these, the study also makes few recommendations for enhancing better financial inclusion.

**Keywords:** Financial inclusion; MGNREGS; Banking; post office

### Introduction

Financial inclusion is the delivery of financial services to all the people in a fair, transparent and equitable manner at an affordable cost. Financial inclusion has the potential to improve the standard of living of the poor and the disadvantaged people. It is essential to make available the basic banking services to the entire population without any discrimination. In order to increase the number the Reserve Bank of India and the Government of India take various innovative steps. Financial inclusion mainly focuses on the poor who do not have formal financial institutional support and getting them out of the clutches of local money lenders. In this point of view MGNREGA is more successful one.

Financial Inclusion is one of the desirable goals of the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA), which provides 100 days of wage employment in a financial year to any rural household whose adult members are willing to participate in unskilled manual work. The Act is an important step towards realization of the right to work and aims at enhancing people's livelihood on a sustained basis, by developing the economic and social infrastructure in rural areas. To fasten the pace of financial inclusion Government of India in 2008 declared that wage payments, under Mahatma Gandhi National Employment Guarantee Act, would be made through banks and post office. Since then nearly ten core banks and post office accounts have been opened and around 80 per cent of MGNREGA payments have been made through formal financial institutions, it is expected to have resulted in enhancing the financial inclusion of poor and marginalized sections of the society.

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## **Review of Related Literature**

- Ramesha (2015) has published an article entitled “**A STUDY ON FINANCIAL INCLUSION AND MGNREGP**”. The author said that low literacy levels, irregular incomes and lack of trust on banking institutions is the reason for financial exclusion. He suggested that there is a need for co ordination among the stakeholders like sectoral regulators, banks, government, civil societies and NGO’s, etc., MGNREGS has contributed to the financial inclusion drive in rural India. It is observed that a significant proportion of the households especially in rural areas are still outside the formal hold of the banking system.
- Gupta and Fearooz Ahmed (2014) have published an article entitled “**MGNREGA & FINANCIAL INCLUSION- A CASE STUDY**”. The author describe that some constraints faced by banks and post offices in accelerating the speed of financial inclusion. And has been tremendous growth in opening of bank accounts in the study area. We also suggests that more and more awareness camps should be organized in villages to make full awareness of basic banking services among rural people in villages.
- Nagaraju (2015) have published an article entitled “**FINANCIAL INCLUSION AND MGNREGA**”. The researchers said that the MGNREG scheme contributed to perhaps the largest financial inclusion drive in rural India in recent times. Workers with individual MGNREGA bank accounts are highest in Kerala (73%) followed by Andhra Pradesh (61%), Tamil nadu (49%), and Himachal Pradesh (39%). We believe that financial inclusion drives when linked to social security schemes such as MGNREGA can increase the financial inclusion.
- Ashish Kumar Mishra and Manisha Dudey (2015) have published an article entitled “**FINANCIAL INCLUSION AMONG MGNREGA WORKERS IN CHHATTISGARH**”. The authors concluded that majority of the MGNREGA workers are opening bank account after joining the MGNREGA scheme. While MGNREGA played an important role regarding the financial inclusion of rural people of Chhattisgarh and findings indicated that MGNREGA has changed the scenario of financial inclusion in rural area but as for concern insurance, it increased marginally.

## **Objectives of the Study**

- To understand the concept of financial inclusion;
- To analyze the role of MGNREGS in Financial Inclusion;
- To highlight the various factors affecting access to financial service and make suitable suggestions for enhancing better financial inclusion.

## **Sources of Data**

The study is purely based on the secondary data. The data required for the study are collected from books, journals, articles, newspapers, internet, record from Ministry of Rural Development and MGNREGA website ([www.mgnrega.nic.in](http://www.mgnrega.nic.in)).

## **Profile of the Study Area**

The study has been carried out in virudhunagar district in which MGNREGA was notified in the Year 2008. As per 2011 census the district is having 11 blocks with 450 Panchayats and with a total population of 1286543 in which 315796 is SC population and 1197 is ST population and remaining are others. There are 644952 numbers of beneficiaries/workers working under MGNREGA scheme in the year

2015-16. The number of people who have been connected to banks & post offices in relation to MGNREGA payments has been 470731 in the year 2015-16 which is 73%.

**Table 1. Mgnregs account information**

S.no	Block Name	Bank			Co operative and others	Total	Post office	Total
		Commercial bank	RRB's	Total				
1	Aruppukottai	17964	607	18571	0	18571	0	18571
2	Kariapatti	14525	8136	22661	0	22661	0	22661
3	Narikudi	17146	4792	21938	0	21938	0	21938
4	Rajapalayam	17087	1612	18699	0	18699	0	18699
5	Sattur	17404	1956	19360	0	19360	0	19360
6	Sivakasi	17620	3129	20749	0	20749	0	20749
7	Srivilliputhur	18107	1779	19886	0	19886	0	19886
8	Tiruchuli	21880	1185	23065	0	23065	0	23065
9	Vembakottai	19954	421	20375	0	20375	0	20375
10	Virudhunagar	16621	5274	21845	0	21845	0	21845
11	Watrap	11137	11157	22294	0	22294	0	22294

Source: [www.mgnregs.nic.in](http://www.mgnregs.nic.in)

From the above table clearly exhibits that Tiruchuli blocks having more number of account holders followed from Kariapatti, Watrap, Narikudi blocks. Aruppukottai, Rajapalayam, Sattur blocks having low number of account holders.

**Table 2. Ranking of block on the basis of employment participation and financial participation**

S.no	Block name	No of registered workers	No of MGNREGA workers with Bank account	Employment Participation	Financial Participation
1	Aruppukottai	24083	18606	83.12 (4)	77.26(3)
2	Kariapatti	30001	22664	84.30 (2)	75.54(4)
3	Narikudi	29427	21932	83.58 (3)	74.53(5)
4	Rajapalayam	32066	18687	67.35 (7)	58.28(10)
5	Sattur	29749	19359	64.33 (8)	65.07(7)
6	Sivakasi	29737	20737	71.82 (6)	69.73(6)
7	Srivilliputhur	31982	19886	64.07 (9)	62.18(9)
8	Tiruchuli	28352	23065	87.39 (1)	81.35(1)
9	Vembakottai	39813	20374	57.78 (11)	51.17(11)
10	Virudhunagar	35088	21893	60.76 (10)	62.48(8)
11	Watrap	28351	22287	81.04 (5)	78.61(2)

Source: Author's calculation based on official website of MGNREGA([www.mgnrega.nic.in](http://www.mgnrega.nic.in))

From the above table Tiruchuli, Kariapatti, and Narikudi have a decent score in Employment participation. Srivilliputhur, Rajapalayam and Vembakottai blocks are having low level of Employment participation. Comes to the financial participation the Tiruchuli, Watrap and Aruppukottai blocks are having decent score in financial participation. without greater employment participation better financial participation is not possible. But in reality the Watrap blocks are getting 5 rank in Employment participation at the same time this block get 2 rank in financial participation. It is concluded that all workers enrolled for MGNREGS do not have bank or post office account.

**Table 3. Growth rate of amount of wages disbursed through bank and post office account in mgnregs**

Block name	Year							
	2013-14		2014-15		2015-16		2016-17	
	AWD	AGR	AWD	AGR	AWD	AGR	AWD	AGR
Aruppukotaai	<b>512.59</b>	-	<b>534.24</b>	4.22	<b>822.47</b>	53.95	<b>628.78</b>	-23.55
Virudhunagar	<b>503.27</b>	-	<b>421.53</b>	-0.16	<b>723.06</b>	71.53	<b>509.24</b>	-29.57
Kariapatti	<b>790.94</b>	-	<b>542.58</b>	- 31.40	<b>808.36</b>	48.98	<b>517.62</b>	-35.97
Tiruchuli	<b>844.55</b>	-	<b>692.94</b>	- 17.95	<b>1089.68</b>	57.25	<b>537.55</b>	-50.67
Narikudi	<b>701.59</b>	-	<b>351.7</b>	- 49.87	<b>683.84</b>	94.44	<b>499.02</b>	-27.03
Rajapalayam	<b>741.15</b>	-	<b>613.65</b>	- 17.20	<b>720.65</b>	17.44	<b>538.44</b>	-25.28
Srivilliputhur	<b>732.54</b>	-	<b>599.7</b>	- 18.13	<b>606.09</b>	1.06	<b>574.65</b>	-51.87
Watrap	<b>799.2</b>	-	<b>583.76</b>	- 26.96	<b>671.09</b>	14.96	<b>484.51</b>	-27.80
Sivakasi	<b>601.36</b>	-	<b>392.53</b>	- 34.73	<b>724.6</b>	84.60	<b>483.29</b>	-33.30
Vembakottai	<b>385.57</b>	-	<b>337.75</b>	- 12.40	<b>623.75</b>	84.68	<b>564.88</b>	-9.44
Sattur	<b>857.15</b>	-	<b>692.42</b>	- 19.22	<b>780.32</b>	12.69	<b>800.66</b>	-2.61

Source: Author calculation based on official website of MGNREGA ([www.mgnrega.nic.in](http://www.mgnrega.nic.in))

**Note:**

- **AWD** means amount of wages disbursed through bank and post office account in MGNREGS (in lakhs);
- **AGR** means Annual Growth Rate.

From the above table shown that annual growth rate of amount of wages disbursed through bank and post office account in MGNREGS in various block in virudhunagar district. During the year 2014-15 the annual growth rate of amount of wages disbursed through bank and post office account in MGNREGS was declined but in the year 2015-16 the growth rate was increased and in the year 2016-17 all blocks growth was declined.

**Financial Exclusion**

Financial exclusion is the inability of individuals, households or groups to access financial services in an appropriate form. Financial exclusion can be defined as the unavailability of banking services to people with low or non-income.

**Financially Excluded People in India**

Marginal farmers

Landless laboures

Urban slum dwellers

Migrants

Ethnic minority and socially excluded groups

Senior citizens

Rural women

**Factors Affecting Access to Financial Services**

**Legal identity:** Lack of legal identity proofs like voter ID, Driving license, birth certificate, employment identity card, etc.

**Limited literacy:** Particularly financial literacy and lack of basic education prevent people to have access from financial services.

**Level of income:** Level of income decides to have financial access. Low income people generally have the attitude of thinking that banks are only for rich.

**Terms and conditions:** While getting loans or at the time of opening accounts banks places many conditions, so the uneducated and poor people find it very difficult to access financial services.

**Complicated procedures:** Due to lack of financial literacy and basic education, it is very difficult for those people who lack both to read terms and conditions and to fill in the account forms.

**Psychological and cultural barriers:** Many people voluntarily exclude themselves due to psychological barriers and they think that they are excluded from accessing financial services.

**Place of living:** As the name suggests that commercial banks operate only in commercially profitable areas and they set up branches and main office only in that areas. People who live in under developed areas find it very difficult to go to areas in which banks are generally operating.

**Lack of awareness:** Finally, people who lack basic education do not know the importance of the financial products like insurance, finance, bank accounts, cheque facility, etc.

### **Recommendations**

- Without greater employment participation better financial inclusion is not possible. So the government of India and ministry of rural development motivate the MGNREGS workers for increase the employment of participation;
- More and more awareness camps should be organized in villages to make full awareness of basic banking services among rural people in villages;
- There should be easy access to get works under MGNREGA so that people may easily work under the scheme and also may be connected to the banks for financial inclusion;
- Wage payments under MGNREGA scheme should be increased so that more and more people are ready to do work under the scheme which may result in greater financial inclusion;
- It is recommended that more and more MGNREGA workers should be motivated to make regular operations in their accounts as it will lead to inculcating of savings habits among them;
- It is enviable that the accounts of MNREGA workers should be linked with Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana etc., on the bases of their acceptance. It will cover risk and uncertainty of their life.

### **Conclusions**

In conclusion, it can be said that the amendment in MGNREG Act stipulating that the wage payments under the scheme be made to the accounts of the beneficiaries introduced a paradigm shift and has resulted in providing greater financial inclusion to the rural poor. To sum up all we can say that the programme MNREGA played an important role regarding the financial inclusion of rural people. Access to credit at an affordable cost, for instance, provides the poor with the means to improve their lot through investment in income generating assets. The opening of a bank account which is of no-frills in nature and followed by provision of financial services like the general purpose credit cards, overdraft in small

amounts, micro insurance etc. are essential features of financial inclusion. Thus MGNREGA scheme has resulted in the spread of greater financial inclusion.

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