



FINANCIAL INCLUSION AND MGNREG SCHEME: CORRELATION ANALYSIS

Abstract

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. 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 crore 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. In this paper the researcher applied correlation analysis for ascertaining if any relationship between numbers of bank account opened through MGNREG scheme, Amount of wage disbursed through MGNREG scheme bank account and financial inclusion and this study cover the area of virudhunagar district.

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 crore 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.

Review of related literature

Ramesha (2015)¹ 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)² 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 suggest 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)³ 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)⁴ 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 study the level of financial inclusion through MGNREGS
- ❖ To analyze the number of bank account opened through MGNREGS and Financial inclusion.
- ❖ To analyze the Amount of wage disbursed through MGNREGS bank account and 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, news papers, internet, record from Ministry of Rural Development and MGNREGA website (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 338601 numbers of beneficiaries/ workers working under MGNREGA scheme in the year 2016-17. The number of people who have been connected to banks & post offices in relation to MGNREGA payments has been 230224 in the year 2015-16.

Hypothesis

To fulfill the objective of the study the following hypothesis are framed.

- ❖ There is no correlation between number of bank account opened through MGNREG scheme and financial inclusion.
- ❖ There is no correlation between amount of wage disbursed through MGNREG scheme bank account and financial inclusion.

Analysis and interpretation of data

Financial inclusion is the most important variable conducting correlation analysis. Financial inclusion is measured with help of Financial Inclusion Index (FII). For constructing the Financial Inclusion Index (FII), several indicators have been used to assess the extent of financial inclusion through the implementation

of MGNREGS. The most commonly used indicator is availability of banking services, banking penetration and banking disbursement. The various dimensions of FII are follows:

Availability of banking services (dimension D₁):

The services of an inclusive financial system should be easily available to its users. Availability of services can be indicated by the number of bank outlets and/or by the number of ATM per 1000 people, or the number of bank employees per customer. In the absence of comparable data on the number of ATMs and number of bank staff for a large number of states, we use the number of bank where MGNREGS wage transactions take place to measure the availability dimension. There are about 376 banks working across the countries where banking services are available to the MGNREGS workers.

Banking penetration (dimension D₂):

An inclusive financial system should have as many users as possible, that is, an inclusive financial system should penetrate widely amongst its users. The size of the "banked" population, i.e. number of people having a bank account is a measure of the banking penetration of the system. Thus, if every person in an economy has a bank account, then the value of this measure would be 1. Here we are considering the number of MGNREGS workers who have bank accounts as an indicator of this dimension.

Banking disbursement (dimension D₃):

The wage payments through banks make millions of people habit of banking and inclusion to the financial system. We are considering here the amount of MGNREGS wage disbursed through the bank account. With the number of accounts of 2.51 crore for MGNREGA workers this becomes largest financial inclusion scheme of the rural poor by which wages are disbursed through this account.

The dimension index for the *i*th dimension, *d_i*, is computed by the following formula.

$$D_i = \frac{A_i - m_i}{M_i - m_i} \quad (1)$$

Where

A_i = Actual value of dimension *i*

m_i = Minimum value of dimension *i*

M_i = Maximum value of dimension *i*

After computing each dimension value the Financial Inclusion Index (FII) is computed with help of following formula.

$$FII = 1 - \sqrt{\frac{(1 - D_1)^2 + (1 - D_2)^2 + (1 - D_3)^2}{3}} \quad (2)$$

Depending on the value of FII we can measure the level of financial inclusion

- ❖ 0.5 < FII < 1 - High Financial Inclusion
- ❖ 0.3 < FII < 0.5 - Medium Financial Inclusion
- ❖ 0 < FII < 0.3 - Low Financial Inclusion.

Table - I financial inclusion indexes through mgnreg scheme in virudhunagar district.

Year	No. of Banks	No of workers with bank a/c	Amount of wage disbursed through bank a/c (in Lakhs)	Financial Inclusion Index (FII).	Level of Financial inclusion
2013-14	28	201902	7439.24	0.3148	Medium
2014-15	28	220691	5762.8	0.2856	Low
2015-	28	230171	8212.24	0.2709	Low

16					
2016-17	28	230224	8424.57	0.2926	Low

Source: Primary Data

From the above Table I clearly shows that the level of financial inclusion in virudhunagar district with help of FII value. In the year 2013-14 the virudhunagar district they have medium level of financial inclusion. And the rest of the year like (2014-15, 2015-16,2016-17) Virudhunagar district have low level of financial inclusion.

Correlation analysis

Hypothesis I

“There is no correlation between number of bank account opened through MGNREG scheme and financial inclusion”.

Table II- Correlation Analysis

		Number of bank account holders	Financial Inclusion Index (FII)
Number of bank account holders	Pearson Correlation	1	.688
	Sig (2.tailed)		.312
	N	4	4
Financial Inclusion Index (FII)	Pearson Correlation	.688	1
	Sig (2.tailed)	.312	
	N	4	4

Source: Author’s Computation

From the above Table II exhibit that correlation analysis result. The Calculated value .688 is indicating the positive correlation. And significance value .312 is more than the table value 0.05 hence the framed hypothesis is rejected. So there is a correlation between number of bank account opened through MGNREG scheme and financial inclusion.

Hypothesis II

“There is no correlation between amount of wage disbursed through MGNREG scheme bank account and financial inclusion”.

Table III- Correlation Analysis

		Amount of wage disbursed through MGNREGS bank a/c	Financial Inclusion Index (FII)
Amount of wage disbursed through bank a/c.	Pearson Correlation	1	.883
	Sig (2.tailed)		.117
	N	4	4
Financial Inclusion Index (FII)	Pearson Correlation	.883	1
	Sig (2.tailed)	.117	
	N	4	4

Source: Author's Computation

Table III indicates the correlation value .883 is positive correlation. And the significance value .117 is more than the table 0.05 hence the framed hypothesis is rejected. So there is a correlation between amount of wage disbursed through MGNREG scheme bank account and financial inclusion.

Key Findings

- ❖ In the year 2013-14 the total of number of bank account opened through MGNREG scheme are 201902 it was increased to 230224 in the year 2016-17. The net increase value is 28322.
- ❖ During the year 2013-14 the total amount of wage disbursed through MGNREG scheme is 7439.24 lakhs it was increased to 8424.57 lakhs in 2016-17. The net increase value is 985.33 lakhs.
- ❖ During the year 2013-14 the virudhunagar district having medium level of financial inclusion but in the subsequent year virudhunagar district come to medium level to low level financial inclusion.
- ❖ There is a correlation between number of bank account opened through MGNREG scheme and financial inclusion.
- ❖ There is a correlation between amount of wage disbursed through MGNREG scheme bank account and financial inclusion.

Recommendations

- ❖ 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.
- ❖ Based on the findings of the study there is a relationship between numbers of bank opened through MGNREG scheme and financial inclusion. If the number of bank account opened through MGNREG scheme is increased it will increase the level of financial. So the Government of India and Ministry of Rural Ministry should encourage MGNREG scheme worker for opening bank account.
- ❖ Based on the findings of the study there is a relationship between amounts of wage disbursed through MGNREG scheme bank account and financial inclusion. The Government of India and Rural Ministry can increase the number of working days. If the number of working days increases the workers can get more amount of wage. This lead to increase the level of financial inclusion.

Conclusion

Financial inclusion is the process of including financially excluded people. In this regard MGNREG scheme wage payment is largest financial inclusion drive in India. In Virudhunagar district through this scheme 230224 bank account were opened. From the overall study it is concluded that there is a positive correlation between number of bank account opened through MGNREG scheme, Amount of wage disbursed through MGNREG scheme bank account and financial inclusion. So the Government of India and rural ministry should concentrate these two variables for enhancing level of financial inclusion.

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