

News monitored for: ISB

Business Line

Rural job scheme impeding growth of micro-enterprises : ISB paper

Our Bureau

New Delhi, Feb. 17

The UPA Government's flagship rural employment guarantee scheme is "killing" micro-enterprises, such as dairy farming, running kirana stores, phone booths etc., says an Indian School of Business, Hyderabad, (ISB) paper.

Admitting that the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme was indeed having a positive impact on poverty alleviation, food and job security and financial inclusion, the paper, prepared by Dr Shamika Ravi of ISB, said these were only short-term outcomes.

"In the long term, the scheme needs major restructuring, as it is raising people's dependence on Government and is creating an upward wage pressure on private wages in rural areas, thereby affecting micro enterprises," said Dr Ravi.

'WORKFARE' SCHEME

Referring to the 100-day a year job guarantee scheme as "workfare" as opposed to "welfare," Dr Ravi said a survey in Medak district of Andhra Pradesh, where locals were given Rs 10,000 worth of assets, such as buffaloes, to encourage micro enterprises such as dairying, showed that a few days later, a majority had

sold their assets in favour of working in MGNREGA.

"When we went back after a few months, we found that 67 per cent of households had sold their assets as the opportunity cost of maintaining a buffalo was higher than working in MGNREGA," she added.

Cautioning against creating long-term dependence on 'workfare' schemes, the paper suggests that MGNREGA be made seasonal to ease the upward pressure on private wages in rural labour markets.

SKILL DEVELOPMENT

Also, the scheme needs to focus on skill development

and micro enterprises to make people economically self-reliant in the long term.

However, overall the survey found that MGNREGA had reduced rural-urban migration by 78 per cent. The average increase in monthly per capita expenditure on food had gone up to Rs 96.6, especially among the poorest, and on non-food consumables and clothing, it had increased by 69 per cent. Also, 96 per cent of the households said they found the programme "useful," while 67 per cent said it provided them job security when no work was available.

aditi.n@thehindu.co.in