

# An Economic Analysis of Expenditure and Employment in Jammu & Kashmir; with Special Reference to MGNREGA

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**Abstract** - MGNREGA is the India's largest wage employment programme and is the first, to be fully supported by information technology. It is implemented with almost full financial support by the central government. The Central Government pays for the entire wage component, as well as 3/4 of the material component's expenditure. The state governments are responsible for the remaining 1/4 of the material and unemployment allowance costs. The article aims to examine government spending and employment in Jammu and Kashmir, with a special focus on the MGNREGA. The findings revealed that the growth rate of government expenditure has increased from 2006-07 to 2011-12, then declined or even turned negative from 2011-12 to 2012 with the increased growth of employment.

**Index Terms** - Government Expenditure, Employment, MGNREGA, Jammu & Kashmir.

## INTRODUCTION

India is the second-largest country in the world in terms of population after China and seventh in terms of area. It accounts for 2.4% of the world area and 16% of the world population. As per the 2011 census, the population of India is 1.21 billion with rural and urban populations constituting 68.84% and 31.16% respectively. Indian economy in the post reforms period had recorded a relatively high growth as compared to the earlier period. During this period India has performed well but in some economic indicators, it lagged behind. An Irish Economist, Professor Irma Glicman Adelman, at California University, Berkely in her research work "Development over two centuries", praising India's growth story reveals that India would be one of the largest economies in the world in the 21st century. Recently, India has become the world's third-largest

economy after USA and China. The ranking of the Indian Economy in terms of the different key macroeconomic indicators is such that it has the 4th largest GDP in terms of purchasing power and 3rd fastest growing economy in the world, with 285 billion dollars as Foreign Exchange Reserves. This is however only one side of the story. The other side presents a very bleak picture.

Despite lagging in some socio-economic indicators, India's growth rate has been reasonably good. The turnaround in the growth performance of the Indian economy dates back to 1991 when the reforms were initiated in the country. The high GDP growth as a result of the LPG policy was supposed to create gainful employment opportunities for the masses. But this did not materialise the way policymakers had pinned their hopes. After a decade of reforms, the incidence of unemployment was as high as 7% based on the current daily status (CDS) criterion of employment. The trend of unemployment at the sectoral level is even worse. The organized sector, which provides maximum security to the labour, has witnessed only a marginal increase (0.53 per cent) in employment in the '90s and that too because of the growing private sector (8th five-year plan Report on Employment and Unemployment Although, the GDP growth rate has been consistently good it has failed to grow with a human face i.e., it has failed in incorporating the majority of the vulnerable sections of the population. The growth has not percolated to the rural poor who are largely engaged in agriculture and allied activities (Padder, 2018).

The sectoral growth points to a dismal picture by making the strategy a corporate-led growth story. The share of primary sector to GDP has consistently declined from 58% (1951-52) to 14% (2011-12) while the percentage of the workforce in Agriculture did not

decrease commensurately (65% to 52%) during the same period. Thus, 52% of the population engaged in agriculture are just sharing 14% of the GDP (National Accounts Statistics). The declining share of agriculture to GDP is of course a good sign, one of the indicators of development but what is not good is that the corporate-led growth strategy has miserably failed to shift the labour force engaged in the agriculture sector to other sectors at the same pace. On the other hand, this enormous labour force has its limitations as it cannot be shifted to secondary and tertiary sectors because of the lack of skills. So, a big chunk of the labour force is bottled up in the agriculture sector entailing the problem of unemployment and to address the twin problem of unemployment and poverty and its resultant impact on the people in general and marginal sections in particular, the Government has time and again devised different programmes to tackle the problem of unemployment in the country.

However, to address the issue of unemployment in the country, it is important to have reliable figures (Padder et al., n.d.). The National Sample Survey Organisation (NSSO) surveys conducted by the Department of Statistics and Programme Implementation; Government of India are supposed to be reliable estimates on different socio-economic aspects including employment–unemployment data. These estimates of employment and unemployment by NSSO are based on three concepts namely ‘Usual Status’ (US), Current Weekly Status (CWS) and current Daily Status (CDS). These concepts were recommended by the “Dantwala committee”, set up by the planning commission of India in 1968. All the three concepts differ concerning the reference periods for ascertaining the activity status of a person (Steering Committee on Labour and employment 2011-12).

The majority of jobs 92% are available in the unorganised sector. This implies that the majority of the workforce remains devoid of social safety nets and labour laws, leaving the workforce engaged in it susceptible to exploitation. Out of the total workforce engaged in the unorganised sector, 50% to 70% is engaged in agriculture, construction, shops and establishments, beedi and cigarette manufacturing and home workers. Although the unorganised sector absorbs such a mammoth working force, little effort has been made for the betterment of these people

(Steering Committee on Labour and Employment 2011-12).

The employment generation and reduction of poverty have been important goals of development policy in Indian planning. Also, to achieve one of the Millennium Development Goals of bringing down poverty to half by 2015, the fight against poverty in general and rural poverty, in particular, is being fought at many fronts simultaneously. The different pre-employment and anti-poverty programmes have been launched both at the state and national levels. After independence, the first and foremost effort towards rural development was made in the form of the ‘Pilot Project’ in 64 districts which were launched in September 1948. Another campaign was started by the name of ‘Grow more food’ in the year 1949 to achieve self-sufficiency in the food grains by 1952. The same year witnessed the ‘Bhoodan movement’ which aimed at the distribution of land among the landless people donated by the landlords. The formal thrust to rural development was made in the first five-year plan in the form of ‘National Extension service’ in the 55 Community Development Projects across the country. The different wage employment programs launched during different plans include the Community Development Programme initiated in 1952 that aimed at overall development of rural areas with peoples’ participation. A Crash Scheme for Rural Employment to employ the rural youth was launched during 1972-73. Among others with their year of origin include; National Rural Employment Programme (NREP) 1980, Rural landless Employment Guarantee Programme (RLEGP) 1983 and Jawahar Rozgar Yojana (JRY) 1989. The support of these rural employment programmes did not end here but continued even after the reform period which failed to trickle down the fruits of growth to the poorest of the poor. These support programmes were Supply of Improved Toolkits to Rural Artisans 1992, District Rural Development Agency (DRDA) 1993, Employment Assurance Programme (EAP) 1993, Jawahar Gram Samridhi Yojana (JGSY) 1999, Sampoorna Grameen Rozgar Yojana (SGRY) 2001 and National Food for Work Programme (NFFWP) 2004 (Dutt and Sundaram). The two Schemes namely Sampoorna Grameen Rozgar Yojana (SGRY) and Food for Work Programme (FFWP) which were in progress before MGNREGA was merged with it. The act is a two-pronged strategy that aims at strengthening the

rural resource and livelihood base on the one hand and engaging the rural people by providing employment. The MGNREGA Act takes a marked departure from earlier schemes in terms of its nature. MGNREGA is an act that can be modified through proper legislation in the parliament. Its prime objective is to provide rather an employment only which was the proper objective of earlier schemes. Its implementation is based on the 'bottom to top approach' through Panchayati raj institutions (PRI's) rather than the 'top to bottom approach of the earlier schemes.

MGNREGA is the largest wage employment program in the world and the first fully Information Technology supported employment program. It is implemented with the almost full financial support of the central government. The wage component is fully borne by the Central Government, besides 3/4th of material expenditure of the material component. The remaining 1/4th expenditure on material plus unemployment allowance is borne by the State Governments. In proportionate terms, the scheme is implemented on a cost-sharing basis of 90:10 between the Centre and State Governments. 60 per cent of the total funds are supposed to be utilized for meeting the cost of unskilled wages and the remaining 40 per cent for the material component of the works including the cost of wages of semi-skilled and skilled labours under this Scheme. By the implementation of this Act, Panchayats would be having financial and administrative powers because of their main dominance in monitoring the projects at the grass-root level. Monitoring is also to be done at district levels by program officers and program coordinators and by Employment Guarantee Councils at the central and state levels (Gazette of India). Under the Act, durable assets are supposed to be created which will strengthen the resource base of the rural poor. The MGNREGA is poorly implemented and is not functioning as a guaranteed safety net for the poor households that suffer from job scarcity (Malla, 2020).

#### DATA AND METHODOLOGY

The present study is based on secondary data during the period from 2006-07 to 2012-13. Data has been collected from the Annual Reports of State Employment Guarantee Council, Department of Rural Development and Panchayat Raj Jammu & Kashmir during the period from 2006-07 to 2012-13. In order

to see the working performance of MGNREGA in Jammu & Kashmir the annual growth rate and proportionate analysis were used during the period.

#### RESULTS AND DISCUSSIONS

Implemented by the ministry of rural development, the National Rural Employment Guarantee Scheme (NREGS) is a flagship program of the Government of India which came to be implemented by the way of a Central Act called as National Rural Employment Guarantee Act (NREGA) later on renamed as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on 2nd October 2009. MGNREGA is the first-ever law that guarantees wage employment at an unprecedented scale. The primary objective of the act is to enhance livelihood security in rural areas by providing at least 100 days of job employment in a financial year to every household whose adult members volunteer to do unskilled manual work. Its auxiliary objective is to strengthen natural resource management through works that address causes of chronic poverty like drought, deforestation and soil erosion and so encourage sustainable development. The process outcomes include strengthening grass-root processes of democracy and infusing transparency and accountability in governance. The flagship program directly touches the lives of the poor and promotes exclusive growth. The Act was notified on September 7th, 2005 and was extended to the State of Jammu and Kashmir on 12th May 2007 to be implemented in a phased manner from February 2, 2006 onwards. In phase-1 it was introduced in 200 districts of the country including 3 districts of Jammu and Kashmir namely Kupwara, Poonch and erstwhile Doda.

MGNREGA has played an important role in J&K by employing the rural poor. A majority of people in rural areas of the state depend on wages they earn through unskilled, casual, manual labour. They are often on the threshold to the levels of subsistence and are vulnerable to the possibility of sinking from transient to chronic poverty. Inadequate labour demand or unpredictable crises that may be general, like a natural disaster or personal like ill-health adversely impact their employment opportunities (Padder, 2021).

In the context of poverty & unemployment, workfare programs have been important interventions in developed as well as developing countries for many

years. These programs typically provide unskilled manual workers with short-term employment on public works such as irrigation infrastructure, reforestation soil conservation and road construction like ill-health, all reforestation, soil conservation and road construction reforestation, soil conservation and road construction. MGNREGA has played an important role in various types of employment in Jammu and Kashmir. In Jammu and Kashmir MGNREGA has provided social protection for most vulnerable people living in rural areas by providing them employment opportunities. MGNREGA has ensured livelihood security for the poor through the creation of durable assets, improved water security, soil conservation and high land productivity in Jammu and Kashmir. Drought proofing including afforestation and tree plantation has also been provided by MGNREGA. Roadside plantation and belt vegetation are also provided by the MGNREGA. Table 5.1 analysed the growth rate pattern of expenditure in Jammu & Kashmir subdivided into various forms of expenditure components such as expenditure on wages, semi-skilled, material, administration. It also analysed the total growth rate pattern of expenditure during the period from 2006-07 to 2012-13.

	On wages	On semi-killed	On material	Admin. Exp.	Total
Year	Growth Rate	Growth rate	Growth rate	Growth rate	Growth rate
2007-08	73.0	85.73	143.66	136.16	85.86
2008-09	34.5	7.63	43.18	172.83	33.16
2009-10	138.1	105.85	108.33	50.43	123.73
2010-11	88.5	98.68	109.68	120.16	94.57
2011-12	100.1	74.162	155.96	64.54	105.33
2012-13	-9.2	-28.08	76.93	42.63	9.52

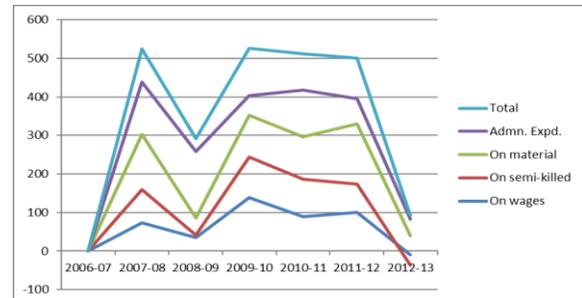
It has been analysed that the growth rate of expenditure on wages has increased rapidly during the period from 2007-08 to 2011-12. The growth rate of expenditure on wages in 2007-08 was 73.0 per cent which has rapidly increased to 100.1 per cent in 2011-12. During the period from 2006-07 to 2012-13, the growth rate was highest in 2009-10 (138.1) per cent concerning the expenditure on wages. In 2012-13, the

growth rate of expenditure on wages declined negatively -9.2 from the previous year.

The growth rate of expenditure on semi-skilled labours has fluctuated over the period from 2006-07 to 2012-13. The growth rate of expenditure on semi-skilled labours is 85.73 per cent in 2007-08 which declined to 7.63 per cent in 2008-09 and jumped to 105.85 per cent in 2009-10, showing the highest rate over the period. The growth rate of expenditure on semi-skilled also declined negatively in 2012-13 as the growth rate of expenditure on wages during the same period.

In terms of the growth rate of expenditure on materials, it shows an impressive improvement during the period from 2007-08 to 2011-12. The growth rate on materials has increased rapidly from 143.66 per cent in 2007-08 to 155.96 in 2011-12 during the same period. It shows a slight decreasing rate from 155.96 per cent to 76.93 per cent during the same period. On administration expenditure, the growth rate is quite impressive only in three years, such as 2007-08, 2008-09 & 2010-11 and it remains low on the remaining years during the period from 2006-07 to 2012-13 (see chart 5.1).

Chart 5.1, Year Wise Growth Rate of Expenditure All Over the State



During the period from 2006-07 to 2012-13, the growth rate of total expenditure components is highest only in 2009-10 (123.73) per cent and in 2011-12 (105.33) per cent. And in the remaining period from 2006-07 to 2012-13 the growth rate of total expenditure components is low. The growth rate of total expenditure components has rapidly declined in 2012-13 is 9.52 per cent (see chart 5.1).

Table 5.2 Percentage Share of Expenditure All Over the State

	Wages	Semi-skilled	Material	Adm. Exp.	Total Exp.
Year	Percent age Share	Percenta ge Share	Percenta ge Share	Percenta ge Share	Percent age Share
2006-07	64.72	20.61	13.12	1.54	7.47

2007-08	60.24	20.6	17.21	1.96	9.51
2008-09	16.88	16.88	18.5	4.02	23.82
2009-10	64.75	15.32	17.23	2.7	17.62
2010-11	62.73	15.64	18.57	3.06	19.57
2011-12	61.13	13.27	23.15	2.45	18.46
2012-13	50.7	8.71	37.4	3.19	36.62

Table 5.2 analysed the percentage share of expenditure components during the period from 2006-07 to 2012-13. The percentage share of expenditure on wages shows a slight decrease from 64.72 per cent in 2006-07 to 61.13 per cent in 2011-12. From 2011-12 to 2012-13 the percentage share on wages has declined rapidly from 61.13 per cent to 50.7 per cent.

The percentage share of expenditure on semi-skilled labours also shows a little decreasing trend over the years consistently from 20.61 per cent to 13.27 per cent during the period from 2006-07 to 2011-12. From 2011-12 to 2012-13 the percentage share of expenditure on semiskilled labours has fallen rapidly 13.27 per cent to 8.71 per cent. In terms of the percentage share of expenditure on the material is quite impressive during the period from 2006-07 to 2012-13. The share of material has increased from 13.12 per cent to 37.4 per cent overall the periods from 2006-07 to 2012-13.

The percentage share of expenditure on administrative expenses during the period from 2006-07 to 2012-13 is quite low as compared to other expenditure components. During this period the percentage share of administrative expenses has been slightly increased overall the period from 1.54 per cent to 3.19 per cent. The percentage share of total expenditure has been rapidly increased during the period from 2006-07 to 2012-13. In 2006-07 the percentage share was only 7.47 per cent which has been rapidly increased to 36.62 per cent during the same period (see chart 5.2). Chart 5.2, Percentage Share of Expenditure All Over the State

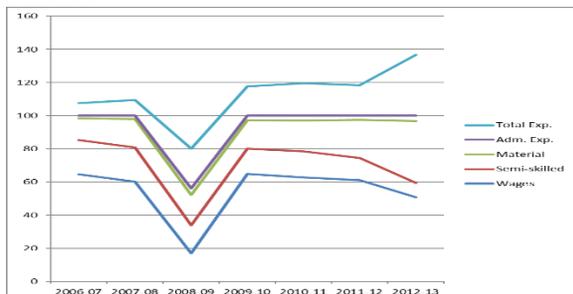


Table 5.3, Disparities of Expenditure

	Wages	Semi-skilled	Material	Adm. Exp.	Total Exp.
Mean	54.45	15.86	20.74	2.70	19.01
SD	17.24	4.17	7.92	0.82	9.65
CV	31.67	26.28	38.17	30.46	50.78

Table 5.3 analysed the disparities of expenditure components during the period from 2006-07 to 2012-13. With the slight increase in the percentage share of expenditure on wages, constant increase in material, the disparities have widened over the years. The coefficient of variation in wages is 31.67 per cent, which means disparities has slightly widened throughout this period. The coefficient of variation is low in expenditure on semi-skilled labours as compared to other expenditure components. Disparities have rapidly widened in the total percentage share of expenditure over the period, the coefficient of variation is higher in total expenses over all the other expenditure components (see table 5.3).

Table 5.4 analysed the growth rate of employment in various sections of Jammu & Kashmir during the period from 2006-07 to 2012-13 such as Schedule Castes, Schedule Tribes and Women. The total growth rate of employment has also been analysed in table 5.4. The growth rate of employment in Schedule Caste category has declined most of the years analysed in table 5.4. The growth rate of employment in Schedule Caste was 218.86 per cent in 2007-08 which declined to 37.18 per cent in 2010-11. During the period from 2010-11 to 2011-12, the growth rate of employment in Schedule Caste was rapidly increased from 37.18 per cent to 152.58 per cent. From 2011-12 to 2012-13 it shows a huge declining share of employment declined from 152.58 per cent to 5.98 per cent.

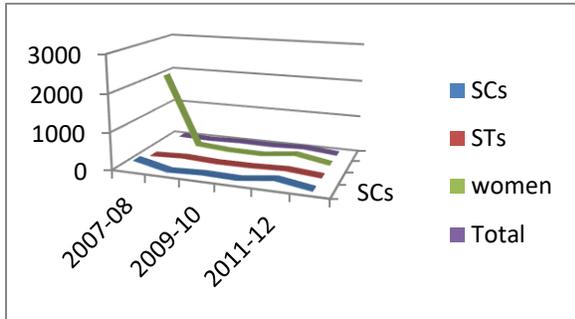
Table 5.4, Growth Rate of Employment in Various Sections

Categories	SCs	STs	Women	Total
YEAR	Growth Rate	Growth Rate	Growth Rate	Growth Rate
2007-08	218.86	52.542	2085.1	68.4
2008-09	19.176	92.393	159.37	43.11
2009-10	58.496	46.912	90.3	66.343
2010-11	37.182	49.682	78.034	54.01
2011-12	152.58	82.929	188.28	89.399
2012-13	5.9803	6.8216	26.27	8.1747

The growth rate of employment in Schedule Tribe from the period of 2007-08 to 2011-12 has shown slight increasing rate increases from 52.54 per cent to 82.92 per cent. During the period from 2011-12 to

2012-13, the growth rate of employment in Schedule Tribe also declines rapidly from 82.92 per cent to 6.82 per cent. The growth rate of employment in the women category is quite impressive than other employment categories. The growth rate of employment in the women category has increased from 159.37 per cent in 2008-09 to 188.28 per cent 2011-12. It also shows a declining rate during the period from 2001-12 to 2012-13 (see chart 5.4).

Chart 5.4, Growth Rate of Employment in Various Sections



The total employment growth rate across the categories during the period from 2007-08 to 2011-12 has shown a slight increase from 68.4 per cent to 89.39 per cent. It also shows declines from the period of 2011-12 to 2012-13.

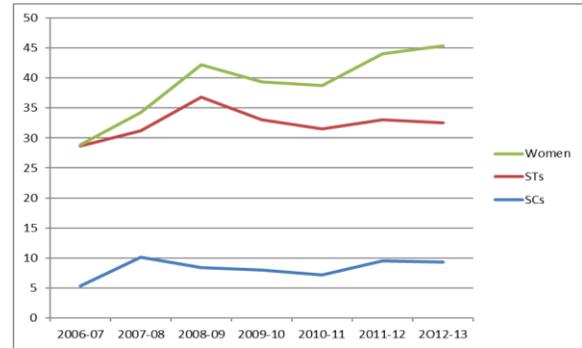
Table 5.5, Percentage Share of Employment in Various Sections

YEAR	SCs	STs	Women	Total
2006-07	5.32	23.33	0.23	32.88
2007-08	10.08	21.13	3.01	55.37
2008-09	8.39	28.41	5.46	79.24
2009-10	8.00	25.09	6.25	131.81
2010-11	7.12	24.38	7.23	203.00
2011-12	9.50	23.55	11.00	384.48
2012-13	9.31	23.26	12.84	415.91

Table 5.5 analyses the percentage share of employment in various sections of Jammu & Kashmir during the period from 2006-07 to 2012-13. The percentage share of employment in SC category in 2006-07 was 5.32per cent increased to 10.08per cent in 2007-08. The percentage share of SCs and from the period of 2008-09 to 2010-11 has declined from 8.39 per cent to 7.12 per cent. In 2011-12 and 2012-13, the percentage share of employment in SCs category remains almost the same around 9.40 per cent. In terms of STs Category, the percentage share of employment fluctuates from 23 per cent to 29 per cent throughout 2006-07 to 2012-13 (see table 5.5).

The percentage share of women in employment categories is quite low as compared to other categories during the period from 2006-07 to 2012-13. During the period from 2006-07 to 2012-13, the percentage share of women has increased consistently increased from 0.23 per cent to 12.84 per cent (see chart 5.5).

Chart 5.5, Percentage Share of Employment in Various Sections



### CONCLUSION

It is concluded from the analysis that the growth rate of expenditure components has increased during the period from 2006-07 to 2011-12 and declined from the period of 2011-12 or even turned negative. In percentage terms, the share of total expenditure over all the state has increased. With the increasing growth rate of total expenditure, the growth rate of employment has also shown an increasing trend during the period from 2006-07 to 2011-12. The growth rate of total expenditure and employment declines rapidly or even turns out to be negative, it is due to some operational bottlenecks prevailing in the state such as political instability, non-existing panchayat, shifting of focus from labour-intensive to material-intensive projects, social audit, low fixed wages by MGNREGA.

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