

CHAPTER - III

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-:- FINANCING OF EMPLOYMENT GUARANTEE SCHEME -:-

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- 3.1 Introduction
- 3.2 Method of financing of
Employment Guarantee
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- 3.3 Pattern of expenditure under
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3.1 INTRODUCTION :

In the earlier chapters we have seen the origin, and early progress of the EGS in the state. In this chapter we purpose to discuss the financing of EGS, and we also make an attempt, to estimate the financial benefits from the EGS at the state level. For examining the financing of EGS, the secondary data; compiled from the different sources have been used, while the estimation of the financial benefits is based on the actual expenditure, and the mandays employment generated for various years.

3.2 METHOD OF FINANCING OF EGS :

The EGS is considered as one of the most effectively implemented scheme, which aims at poverty alliviation, and employment generation. Any ambitions scheme of such nature involves lot of financial burden that the government have to bear. It is to be noted that for the first three years, that is 1972-73 to 1974-75, the financing of EGS was made only through the normal budget resources. The provisions made during the three years for the EGS, were substantially lower, as compared with later provisions.

The Government of Maharashtra passed a special Act, in 1975 which came in operation from 1st April 1975, in order to make adequate provisions for the EGS. This Act, empowered the government, to charge some additional taxes, on professions

trade, callings, and employment. The logic behind such taxes was to raise funds, from the people, having more income; for those who had no employment, and who were to be given employment under the EGS. The taxes under the Act, are :-

- i) Taxes on professions, trades, calling, and employment,
- ii) Additional tax on moter vehicle for EGS,
- iii) Additional tax on sales tax for the EGS,
- iv) Special assessment of irrigated agricultural lands,
- v) Surcharge on land revenue for EGS, and
- vi) Tax on non-residential urban lands and buildings under Education Cess Act, for EGS, etc.

The proceeds of all the above taxes together with the penalaties, interest, and fees recovered are first credited to a fund, called 'Employment Guarantee Fund'. The establishment, of this fund, was given a legal status by another Act passed in 1977; from which annual provisions, for the EGS are made. While crediting the proceeds of the various taxes mentioned above, deductions are effected for the expences of collection and recovering of those taxes as determined by the government, and thus only the net proceeds are credited to the fund; in addition to these taxes. The government has to make its own contribution of a matching share, in order that sufficient money becomes available for the EGS.

The figures relating to the accretion in the fund, for years 1975-76 to 1982-83 are given in the Table 3.1.

TABLE 3.1 : Sources of EGS fund, Yearwise.

(Rs. crores)

Sr. No.	Name of the Tax/Levy	Y E A R							
		1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
1	Tax from profession, trades, callings and employment	10.33	17.89	18.47	19.61	23.47	32.11	36.27	39.93
2	Surcharge on sales tax	-	8.45	16.26	10.11	11.22	16.30	18.71	21.87
3	EGS - Surcharge on motor vehicles	1.10	0.80	0.90	1.13	0.88	1.44	1.46	1.57
4	Land Revenue	0.06	0.07	0.09	0.25	0.20	2.29	2.29	2.29
5	EGS Cess on Irrigated holding	-	0.17	-	0.10	-	-	-	-
6	EGS cess on urban im-movable non-residential property	-	-	0.08	-	0.63	4.90	4.94	5.04
Total taxes and Levies		10.49	27.38	35.80	31.20	36.40	57.04	63.67	70.70
Govt. contribution		10.49	27.38	34.46	31.20	36.40	57.04	63.67	70.70
Total balance to be transferred EGS work		20.98	54.76	70.26	62.40	72.80	114.08	127.34	141.40

SOURCE : Annual Report Government of Maharashtra, 1982-83, p.40.

It can be seen from Table 3.1 that the total accretion to EGS fund increased substantially during the period 1975-76 to 1982-83. The largest contribution to the fund had been from, taxes on profession, trades, callings and employment. Of the net proceeds of all the taxes, and levies, the contribution of tax on profession, trade etc. has been more than 50 percent throughout the period. It has also to be noted that all the taxes, except land revenue, and cess on irrigated holdings which account for a negligible proportion are the taxes levied on urban population. Thus, EGS is used as a mechanism for siphoning off the funds from urban relatively rich population to the rural poor. It is pertinent to note that apart from the tax collection, the government under took the responsibility of contributing an equal amount from the other resources of its own.

The fact that total EGS provisions have substantially increased throughout the period can be further illustrated, through the following Table 3.2, which shows the index numbers of the total provisions for EGS.

TABLE 3.2 : Index number of EGS provisions.

Sr.No.	Year	Index No.
1	1975-76	100
2	1976-77	261
3	1977-78	335
4	1978-79	299
5	1979-80	349
6	1980-81	544
7	1981-82	607
8	1982-83	703

SOURCE : Same use as Table No.3.1.

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Table 3.2 indicates that the provisions made for EGS by the state government, increased almost seven times in a span of eight years, from 1975-76 to 1982-83. Except for one year 1978-79, the provisions always increased substantially, during the period. Thus, at this point it may be concluded that the financial provisions made for EGS, have been adequately raised for the effective implementation of the scheme.

The rise in the actual expenditure, as against the budgetary provisions, is reflected in the following Table 3.3.

TABLE 3.3 : Budgetary provisions and actual expenditure on EGS.

Year	Budget provision (Rs. crores)	Expenditure on EGS works (Rs. crores)
1972-73	2.23	1.88
1973-74	3.71	1.89
1974-75	15.00	13.72
1975-76	30.00	34.61
1976-77	50.00	51.10
1977-78	55.00	51.54
1978-79	70.63	74.17
1979-80	100.00	109.23
1980-81	110.90	122.12
1981-82	116.00	126.17
1982-83	125.00	130.00
1983-84 (till Sept. 1984)	75.00	91.14
Total	753.47	807.57

SOURCE : Annual Plan, Govt. of Maharashtra Planning Department, 1984-85, p.40.

The above Table 3.3 brings to the light the following observations.

- i) The budgetary provisions, as well as actual expenditure, both have increased substantially throughout the period.
- ii) The actual expenditure had exceeded the budgetary provisions, particularly after 1978-79. Prior to that, the actual expenditure did not exceed the budgetary provisions. This indicates that the scheme was properly geared-up only after 1975-76.
- iii) It has also to be noted that the expenditure on EGS increased from Rs.1.89 crores, to Rs.13.72 crores; during 1973-74 to 1974-75. This is by any standard, a tremendous rise in the expenditure which indicates that after the initial hesitation for first two years the scheme was implemented with better persuasion.

3.3 PATTERN OF EXPENDITURE UNDER EMPLOYMENT

GUARANTEE SCHEME :

The total expenditure incurred under EGS on different types of works can be examined with a view to ascertaining the pattern of expenditure. The Table 3.4 indicates the categori-wise, percentage distribution expenditure on the scheme.

TABLE 3.4 : Pattern of expenditure on EGS.

(Rs. crores)

Sr. No.	Category of work	% of cash expenditure till March 1981	Estimated expenditure	
			1982-83	1980-85
1	Labour, intensive component of major, medium irrigation projects	8.2	5.3	40.00
2	Minor irrigation works	34.7	20.8	125.00
3	Soil conservation	19.1	14.4	143.00
4	Land Development	7.6	8.0	60.00
5	Afforestation	5.1	4.0	30.00
6	Road works	23.3	16.8	130.00
7	Other works	2.0	2.7	20.00
Total		100.00%	72.0	548.00

SOURCE : Annual plan 1982-83, Planning Department Government of Maharashtra.

Table 3.4, shows that all the expenses under the EGS, have been incurred on the productive works. The largest share of the expenditure, had been incurred on minor irrigation works, and the trend continued even after 1980-81. The second largest component of expenditure is that of soil conservation. These two items, that is, minor irrigation, and soil conservation taken together accounted for almost 60 percent of the total expenditure. Thus, the other works, particularly construction

of roads, constituted about 24 percent of the total expenditure while all other accounted for 15 percent of the total expenditure.

The following table also shows, the percentage distribution of the expenditure on various categories of works from 1980-81 to 1981-83.

TABLE 3.5 : Percentage distribution of expenditure on EGS works.

Sr. No.	Category of works	Y e a r		
		1980-81	1981-82	1982-83
1	All types of irrigation projects	37.90	36.70	37.40
2	Soil conservation and Land development	31.20	25.70	22.30
3	Road works	20.60	23.70	29.80
4	Afforestation and social forestry	04.60	06.10	05.70
5	Other works	05.70	07.80	04.80
Total		100.00	100.00	100.00

SOURCE : Lokrajya, November 1983 - Special study on EGS, p.28.

It can be seen from the above table that percentage distribution of expenditure, has remained almost constant through the three years.

Table 3.6 shows the employment generation, and the total wages, paid to the workers on EGS from 1976-77 to 1982-83.

TABLE 3.6 : Employment generation and wages.

Year	Cost incurred on EGS (Rs. crores)	Mandays employment generated (Rs. crores)	Average daily wage Rs.	Total wages in period (Rs. crores)	5, as percentage of 2
1	2	3	4	5	6
1976-77	51.10	13.52	2.88	38.94	76.02
1977-78	51.54	11.53	3.25	37.47	72.70
1978-79	74.17	16.35	3.61	59.02	79.57
1979-80	109.23	20.54	4.47	91.81	84.05
1980-81	122.22	17.15	5.40	92.61	75.77
1981-82	126.17	15.16	6.50	98.54	78.10
1982-83	130.00	12.80	7.11	91.00	70.00

SOURCE : Annual Report Government of Maharashtra.

The data presented in the above table can be used to give us the following important conclusions.

- i) The cost incurred on EGS has continuously increased during the period.
- ii) The employment generation in terms of mandays, has been between 13 crores to 20 crores with minor variations.

- iii) The average daily wage has increased from Rs.2.88 to Rs.7.11 from 1976-77 to 1982-83.
- iv) The last coloumn of the table indicates, the total wages as percentage of total cost incurred on EGS and it shows that the same has varied between 70 to 84 percent.

Thus, more than 70 percent of the total cost incurred on the EGS has been disbursed among the workers in the form of wages. The rest of amount has been spent on administrative and other expenses.

3.4 CONCLUSIONS :

It is, thus seen in this chapter, that the total provisions made for EGS, have continuously increased. The largest share of expenditure has been incurred on minor irrigation, roads, constructions, and soil conservation, and more than 70 percent of total expenditure has been utilised for payment of wages to the workers under the EGS.