

# **Socio, Economic And Infrastructural Impact Of MGNREGA: Lessons From Two Decades Of Public Policy**

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## **Abstract:**

*The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) also famously known as the National Rural Employment Guarantee Act (NREGA) is an Indian Labour's law which was exceedingly recognised as the social safety net in the post independent era. Since its inception 2005, the scheme has been providing employment to the rural households during vulnerable situations particularly in the lean seasons. The objectives of directive principle of state policy (DPSP) have been fulfilled through this scheme to establish economic and social democracy in the country. Over the years, the cumulative total exceeds 50 billion person-days since the program's inception. The present paper attempts analyse the MGNREGA's impact on the different sectors.*

**Keywords:** *Employment, Poverty, Equality, Sustainable Development, NREGA & MGNREGA, Livelihoods.*

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## **I. Introduction**

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), enacted in September, 2005, is landmark legislation by the Government of India aimed at providing livelihood security in rural areas. On 2<sup>nd</sup> February 2006 the programme was launched by the UPA Chairperson Smt. Sonia Gandhi in the presence of Dr. Manmohan Singh the prime Minister of India in the Bandlapalli Village, Ananthapur District of Andhra Pradesh State. MGNREGA guarantees 100 days of wage employment to rural households willing to engage in unskilled manual work.

The program targets the eradication of rural poverty by promoting sustainable development through asset creation, water conservation, and infrastructure building. By ensuring timely payment of wages and prohibiting the use of contractors, it protects workers' rights and strengthens social inclusion. MGNREGA is implemented across all districts in India and plays a vital role in promoting rural development, employment generation, and social equity, benefiting millions of marginalized families.

## **The Genesis and Historical Background of the MGNREGA**

Poverty and unemployment journey together like subsistence. Unemployment is one of the major causative factors for widespread poverty. The unemployed frequently lack access to basic resources including food and shelter, which also results in deprivation and denial of basic human rights. Extermination of these two from the human society is the major task to all the governing bodies since the numerous centuries timely, the governments of the different countries have been implementing several programmes for the eradication of poverty and reducing unemployment.

India is the one all the time that stood frontline to implement several welfare schemes to develop the socially excluded and economically deprived sections along with the nation's development. During the colonial period, the Britishers also wrought diverse employment programmes on ad-hoc and relief-oriented, primarily in response to famines and natural disasters. But, we can trace out the roots of the MGNREGA is from the food for work programme which was introduced by the state government of Maharashtra to provide succour to people who are distressed with the massive drought in 1972 & 1973 in three districts of Maharashtra.

Then the Policy Makers there to think of making the generally complementary programme of food for work into something more sustaining act for the people. Then after the government of Maharashtra has come up with the Maharashtra employment guarantee Act where in policy makers found wage employment as the best way to empower people against drought. Later in 1990s, the GoI has introduced the Jawahar rojgar programme followed the same explanation paradigm.

To increase the employability of rural areas and bridge the gap between the upper and lower class, the Government of India introduced the scheme in 1991. The step was initiated by then Prime Minister P.V.

Narasimha Rao to boost employment in the country with the significant goals of Employment Generation in the agriculture sector, Infrastructure development in rural areas and Enhanced food and income security. NREGA was enacted in 2005 as a landmark legislation that promised to provide 100 days of wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work. The scheme was initially implemented in 200 districts in 2006, and was later extended to all the districts of the country in 2008. On 2nd October 2009, the birth anniversary of Mahatma Gandhi, an amendment was made in the NREGA to change its name to MGNREGA.

MGNREGA is unique since its origin compared to other welfare schemes due to its distinctive features that set rights-based, demand-driven approach; offering guaranteed rural employment with universal access, decentralized planning, and a focus on sustainable development are kept the MGNREGA in the topmost.

### **MGNREGA's impact on different sectors: An overview**

MGNREGA has significantly impacted multiple sectors beyond providing rural employment. Its focus on unskilled labor has contributed to the agriculture sector through land development and irrigation projects, enhancing agricultural productivity. In the infrastructure sector, MGNREGA has helped improve rural connectivity with road construction and public facilities. Water conservation projects under the scheme have promoted sustainable practices, addressing issues of drought and water scarcity. Additionally, its role in social inclusion has empowered marginalized communities, making MGNREGA a vital tool for holistic rural development.

### **Income Generation and Poverty eradication**

Since its inception in 2005, MGNREGA has generated over 3 billion person-days of employment annually. According to the Ministry of Rural Development, during the 2021-22 fiscal year, MGNREGA provided employment to 11.36 crore households, with approximately 389 crore person-days of work generated. The average wage earned under the scheme has steadily increased, with the national average wage rate rising from ₹65 per day in 2006 to approximately ₹209 per day in 2021-22 and ₹250 per day in 2023-24 fiscal years. This wage increase has directly contributed to the reduction of poverty levels in participating households, providing them with an additional source of income. A study by the National Council of Applied Economic Research (NCAER) found that MGNREGA reduced poverty by 32% among participating households. Another report by the International Labour Organization (ILO) indicated that the scheme contributed to a 13% reduction in poverty among rural households.

### **MGNREGA and Curtailing of Migration**

MGNREGA has had a significant impact on reducing rural-to-urban migration by providing local employment opportunities. During the COVID-19 pandemic, the scheme played a crucial role as millions of migrant workers returned to their villages due to job losses in cities. The demand for MGNREGA jobs surged, with over 3.89 billion person-days of employment generated in 2020-21, a record high. By ensuring wage employment in rural areas, MGNREGA reduced the pressure to migrate for work, allowing households to sustain themselves locally. Several Studies indicates that migration from rural areas decreased by 22% in regions with high MGNREGA implementation, as it provided economic stability. The program continues to act as a crucial tool in curbing distress migration and stabilizing rural economies.

### **MGNREGA and Its impact on the Agriculture:**

India heavily depends on agriculture, which employs about half of the workforce and contributes significantly to the economy. Despite modernization, a large portion of the rural population relies on agriculture for their livelihoods and sustenance. The MGNREGA has had a profound impact on the agriculture sector by enhancing rural infrastructure and promoting sustainable practices. By focusing on land development, irrigation, and water conservation projects, it has improved the productivity of small and marginal farmers, who benefit from better access to resources like water and improved soil quality. The scheme supports the creation of farm ponds, check dams, and watershed management structures, which help mitigate the effects of drought and soil erosion. These interventions not only increase agricultural output but also reduce input costs for farmers, fostering resilience in rural economies. Data from the Ministry of Rural Development shows that MGNREGA has provided 3.58 billion person-days of employment in 2022-23, diverting substantial labor from agricultural activities.

### **MGNREGA and Horticulture:**

MGNREGA has positively impacted horticulture development by creating essential rural infrastructure that supports horticultural activities. Through the construction of irrigation facilities, check dams, and soil conservation structures, the scheme enhances water availability and soil quality, both crucial for horticulture.

The convergence of MGNREGA with schemes like the National Horticulture Mission (NHM) has further promoted the expansion of fruit orchards, vegetable farming, and other horticultural ventures. According to the Ministry of Rural Development, a substantial number of MGNREGA projects are focused on water conservation and land development, which directly benefit horticulture.

#### **Environmental Protection:**

MGNREGA plays a significant role in environmental protection and development through its focus on sustainable rural infrastructure projects. Many of the public works under MGNREGA are centered on natural resource management, such as water conservation, afforestation, soil conservation, and drought-proofing. These activities help restore and conserve ecological balance in rural areas while simultaneously creating employment opportunities. By promoting watershed development, the scheme improves groundwater levels and enhances agricultural productivity, contributing to long-term rural development. Additionally, tree planting and afforestation projects under MGNREGA aid in mitigating climate change by increasing green cover.

#### **MGNREGA and wage impacts:**

MGNREGA significantly impacts the labor market and wages in rural India by providing a legal guarantee of wage employment per year to every rural household. This safety net ensures that laborers, particularly the most marginalized, have access to a steady income, which stabilizes their financial situation. By setting a wage floor, MGNREGA influences local wage rates, often raising them to align with or exceed the program's minimum wage. This increased wage floor benefits both MGNREGA workers and those employed in other sectors by creating upward pressure on general wage levels.

#### **Impact on Education:**

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) indirectly supports child education by providing stable employment to rural households, particularly benefiting women. With improved financial security, families are more likely to invest in their children's education, reducing dropout rates. Additionally, MGNREGA promotes gender equality, as women who participate in the program gain economic independence, which positively influences decisions regarding their children's schooling. By alleviating poverty and enhancing rural livelihoods, MGNREGA plays a crucial role in creating a more stable environment that fosters children's access to education and long-term development.

#### **Empowerment of Marginalized Groups**

The MGNREGA has played a crucial role in empowering marginalized groups by offering guaranteed wage employment and ensuring social and economic inclusion. Through its rights-based framework, the scheme provides equal work opportunities to women, Scheduled Castes (SC), Scheduled Tribes (ST), and other vulnerable communities, thereby reducing income disparities and promoting gender equality. Women have especially benefited, comprising nearly 50% of the workforce, which has enhanced their financial independence and decision-making power. The scheme also strengthens the rights of SC/ST communities by providing dignified employment, improving access to basic infrastructure, and creating local assets that serve these communities. MGNREGA has thus become a key instrument in uplifting marginalized groups and fostering rural equity.

#### **Gender Inclusivity:**

MGNREGA promotes gender equality by ensuring equal work opportunities and wages for men and women, aligning with the Indian Constitution's commitment to equality. Article 14 guarantees equality before the law, while Article 15 prohibits discrimination on the grounds of gender. MGNREGA operationalizes these principles by mandating equal wages for both genders and ensuring at least one-third of its workforce consists of women. This initiative has significantly increased women's participation in rural employment, accounting for 55% of person-days in 2022-23. The scheme also promotes gender equality, as it mandates equal wages for men and women, in line with Article 39(d), which calls for equal pay for equal work for both genders.

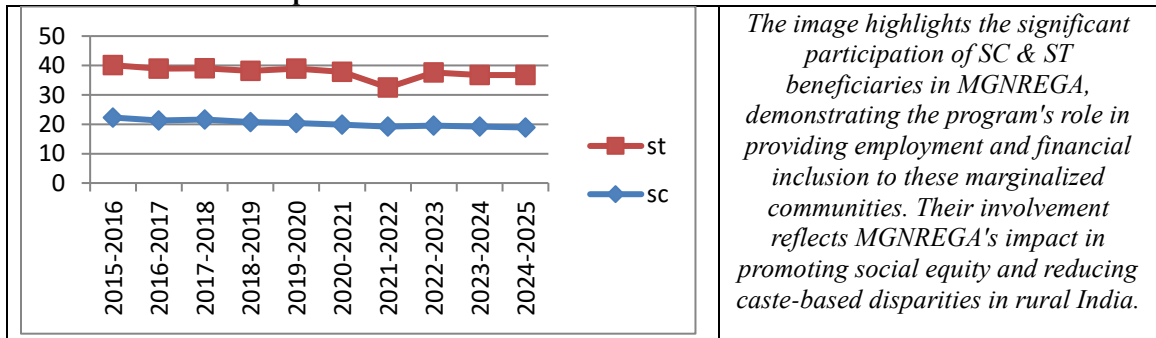
#### **Financial Inclusion:**

MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) plays a significant role in promoting financial inclusion by providing guaranteed employment to rural households, particularly the marginalized and economically vulnerable sections. The scheme ensures direct wage payments to beneficiaries' bank or postal accounts, fostering formal financial access. By empowering rural communities economically, MGNREGA contributes to reducing poverty, improving financial literacy, and promoting social inclusion, ultimately strengthening India's financial inclusion landscape. It supports the constitutional mandate to promote social and economic justice, reduce inequalities, and provide employment opportunities.

**Social Inclusion:**

Caste in India has long shaped social and economic hierarchies, deeply influencing access to resources, opportunities, and social mobility. Historically, marginalized castes, particularly Dalits and Adivasis, have faced systemic exclusion from economic and social systems, often trapped in cycles of poverty and inequality. The rigid caste structure has restricted their participation in the formal economy, leading to social exclusion. MGNREGA helps bridge caste-based inequalities, promoting social and economic equity for historically excluded communities in rural India. Through its participatory approach, MGNREGA helps marginalized communities take part in local governance, influencing decisions about public works and infrastructure. This inclusive approach fosters greater social integration and reduces the caste-based economic divide.

**SC/ST Beneficiaries Participation in MGNREGA**



Source: [https://nrega.nic.in/MGNREGA\\_new/Nrega\\_home.aspx](https://nrega.nic.in/MGNREGA_new/Nrega_home.aspx)

**Plummet caste disparities:**

MGNREGA plays a crucial role in reducing caste discrimination by providing equal access to employment opportunities for marginalized communities, including Dalits and Adivasis. Through guaranteed wage labor, the scheme breaks traditional caste-based hierarchies, where lower castes were often dependent on upper castes for livelihood. By involving Gram Panchayats in decision-making and mandating equal wages for equal work, MGNREGA ensures dignity, inclusion, and empowerment for marginalized groups. Its emphasis on social audits and transparency also helps to curb discrimination at the workplace. Ultimately, MGNREGA fosters greater social equality and promotes a more inclusive rural economy.

**Strengthen Grassroots Democracy:**

Gandhi emphasized self-reliant villages as the foundation of rural development, advocating for decentralized governance, local industries, and sustainable agriculture to promote economic equality, social harmony, and true swaraj in rural India. The mahatma's dreams have been successfully full filled by the NREGA through strengthens grassroots democracy by empowering local governance institutions like Gram Panchayats to plan and implement employment projects. By involving communities directly in the execution and monitoring of works, NREGA reinforces the foundations of grassroots democracy in rural India. As per latest data 2,69,047 panchayats have been successfully running the MGNREGA since its inception.

**MGNREGA and Sustainable Development Goals:**

MGNREGA plays a crucial role in environmental protection and sustainable development by focusing on projects that conserve natural resources and improve rural ecosystems. Key activities include water conservation, afforestation, soil erosion control, and land development, all of which contribute to environmental sustainability. According to the Ministry of Rural Development, in 2022-23, over 60% of MGNREGA's works were related to natural resource management, significantly enhancing rural environmental resilience.

By integrating environmental protection with employment generation, MGNREGA aligns with the United Nations' Sustainable Development Goals (SDGs), particularly SDG 13 (Climate Action) and SDG 15 (Life on Land), promoting sustainable livelihoods while ensuring long-term environmental benefits.

**MGNREGA: Pre and Post COVID-19 Impact**

During the COVID-19 pandemic, MGNREGA played a critical role in providing livelihood security to millions of rural households, as it emerged as a key safety net. With the lockdowns and widespread job losses, especially in urban areas, a large number of migrant workers returned to their villages, increasing the demand for rural employment under MGNREGA. The scheme saw a significant surge in work demand during the pandemic, with the government increasing the budget allocation to accommodate this. In the financial year 2020-21, over 3.89 billion person-days of employment were generated, a record high in the program's history.

Post-COVID, MGNREGA continues to play a vital role in recovery by sustaining rural employment, contributing to infrastructure development, and supporting economic resilience. The scheme's adaptability and expanded focus during the pandemic have strengthened its impact on rural livelihoods and development.

### **Policy Recommendations for Enhancing the Effective Implementation of MGNREGA**

1. **Enhance Digital Integration:** Expand the use of digital platforms for record-keeping, wage payments, and job registrations to streamline processes and reduce delays.
2. **Improve Training and Capacity Building:** Provide regular training for field staff, Gram Panchayat members, and local leaders to enhance their skills in project management and execution.
3. **Ensure Timely Wage Payments:** Implement measures to prevent delays in wage payments by automating and regularizing payment schedules.
4. **Focus on Inclusive Projects:** Prioritize projects that benefit marginalized communities, including women, SCs, and STs, to enhance social equity and inclusivity.
5. **Promote Sustainable Projects:** Encourage projects that contribute to environmental sustainability, such as water conservation, afforestation, and soil health.

## **II. Conclusion:**

MGNREGA has had a profound influence on public policy in India, particularly in promoting rural development and social inclusion. It had a transformative impact on Indian society, particularly in rural areas, by providing a reliable safety net for vulnerable populations. The scheme has reduced poverty, enhanced livelihoods, and empowered marginalized groups such as women, SCs, and STs by ensuring access to dignified employment. Beyond its economic benefits, MGNREGA has fostered social inclusion, strengthened grassroots democracy, and contributed to infrastructure development in rural communities. Its role in promoting financial inclusion and mitigating rural-urban migration has further strengthened its significance. Overall, MGNREGA continues to be a cornerstone of India's efforts toward building an equitable, inclusive, and self-reliant rural economy.

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