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# A Review of the Economic Impact of MGNREGA on Rural Livelihoods in India

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## Abstract

An important social welfare program in India that attempts to address unemployment and poverty is MGNREGA. Originally known as NREGA, it became a groundbreaking employment initiative that guaranteed 100 days of work and attracted significant public investment. By giving recipients more assets, MGNREGA has become a potent instrument for strengthening socially marginalised populations and promoting inclusive development over time. This article examines the several studies on the economic effects of MGNREGA on Indian rural lives. It concluded that MGNREGA has significantly impacted rural livelihoods in India by providing 100 days of wage employment, empowering women, conserving natural resources, and reducing migration. It has improved household income, enhanced asset ownership, and contributed to socio-economic upliftment. However, challenges remain in infrastructure, implementation, and access to basic amenities. Strengthening monitoring, integrating skill-based employment, and aligning with other development schemes can boost its effectiveness. As a flagship programme, MGNREGA continues to serve as a powerful tool for rural poverty alleviation and economic transformation, with scope for further improvement to ensure sustainable and inclusive rural development.

**Keywords;** Economic development, Rural Livelihoods, Mahatma Gandhi National Rural Employment Guarantee (MGNREGA), Rural people, Agriculture and allied occupations, NREGA, etc.

## INTRODUCTION

Nearly two-thirds of the population resides in rural India, which is instrumental in the development of the nation's socioeconomic structure. It is defined by a variety of vocations, with a dominant emphasis on agriculture and related activities. Rural India, despite its immense potential, is confronted with a variety of obstacles, including inadequate infrastructure, education, healthcare, and sanitation, as well as low income levels [1]. The holistic development of rural communities has been impeded by these issues, which has necessitated the pursuit of concerted efforts to bridge the rural-urban divide. In rural India, employment challenges continue to be one of the most pressing issues [2]. Agriculture, the primary source of livelihood, is frequently seasonal and susceptible to factors such as erratic monsoons, volatile market conditions, and decreased landholding sizes. This dependence on agriculture has led to underemployment and disguised unemployment, resulting in a substantial portion of the rural workforce being financially insecure [3]. Moreover, the absence of a variety of employment opportunities and opportunities for skill development further exacerbates the issue, causing a significant number of individuals to migrate to urban areas in search of more prosperous circumstances [4].

The two biggest obstacles to economic progress are unemployment and poverty. Resolving these two issues will help the economy grow to unprecedented levels. With the combined efforts of the Indian government and many state governments, India has achieved a notable advancement in the elimination of poverty and unemployment [5]. The majority of rural households don't have enough jobs. In this case, the government believes that MGNREGA helps these rural households advance in a favourable position and generates employment [6].

The MGNREGA is the most important law in Indian political history in a number of ways, including the democratic process that allows all citizens and beneficiaries to participate at the grassroots level, the multi-layered social audit and transparency mechanism that involves civil society, the thorough planning at the village level that promotes equitable and sustainable development, etc [7]. By directing wage workers into village-level development initiatives, the Act's key feature is to enhance the quality of life for rural residents who are at risk of leaving their communities in pursuit of daily wage jobs [8].

### **MGNREGA**

Ensuring the "right to work" is the goal of the Mahatma Gandhi National Rural Employment Guarantee Act 2005, often known as MGNREGA. Previously, it was known as the National Rural Employment Guarantee Act, or NREGA. Following the bill's introduction in parliament by Minister for Rural Development Raghuvansh Prasad Singh, this act was enacted on August 23, 2005, and put into effect in February 2006 under Prime Minister Manmohan Singh's UPA administration [9].

By offering at least 100 days of secured and guaranteed pay employment in a fiscal year to at least one adult householder in every Indian rural home who volunteers to do unskilled manual labour, it seeks to improve livelihood stability in rural regions. Under the MGNREGA, women are promised a third of the employment created, and attempts are made to assure at least 50%. MGNREGA also aims to build long-lasting assets, such wells, ponds, canals, and highways [10]. Employment must be offered within five kilometres of the applicant's home, and the minimum pay required by law must be paid. Those who apply are eligible for unemployment benefits if they are not hired within 15 days. In other words, if the government is unable to create jobs, it must provide those individuals specific unemployment benefits. As a result, employment under MGNREGA is guaranteed by law [11]. Other arguments in favour of NREGA include its ability to safeguard the environment, empower rural women, lessen rural-urban migration, and promote social fairness, in addition to its ability to create rural assets and provide economic stability. Table 1 illustrate the time line of MGNREGA [12].

**Table 1 Time-line of MGNREGA [12]**

August 25 <sup>th</sup> 2005	NREGA enacted by legalization
September 5 <sup>th</sup> 2005	Assent of the President

September 7 <sup>th</sup> 2005	Notified in the Gazette of India
February 2 <sup>nd</sup> 2006	Came into force in 200 districts
April 1 <sup>st</sup> 2007	113 more districts were notified
May 15 <sup>th</sup> 2007	17 more districts were notified
April 1 <sup>st</sup> 2008	Notified in the remaining rural districts
October 2 <sup>nd</sup> 2009	Renamed as MGNREGA

### **Rural livelihood**

The participation of the rural populace in a variety of economically useful vocations is known as rural livelihood. Agriculture and related professions are the mainstay of rural existence. Agriculture of food and cash crops, fish farming, cattle raising, dairying, food processing, wood industries, and organised plantation operations including rubber, tea, cashew, coffee, cardamom, pepper, etc. are the main sources of income for the rural people. It is evident that rural livelihoods are becoming more and more urbanised and industrialised [13]. In the rural sector, a number of new professions are developing, including horticulture, floriculture, export-oriented organic farming, rural infrastructure, rural transportation, rural communication, and rural health and education. New opportunities for rural life are provided by initiatives like rural projects that increase the link between rural and urban areas [14].

### **Role of the women in MGNREGA**

Action on each of these points is embodied in MGNREGA. According to the statute, men and women would get equal pay. Additionally, it pledges to guarantee that women make up at least 33% of the workforce. MGNREGA can significantly contribute to the economic empowerment of women and the establishment of the groundwork for increased independence and self-worth by creating jobs for them in the village at fair rates. By giving them cash earnings, MGNREGA is starting to provide women more economic autonomy, which implies financial inclusion and empowerment. As previously stated, this was one of the primary goals of MGNREGA, and improved gender relations may result from women's greater involvement in family income generating [15]. According to qualitative and quantitative social effect studies, women workers are becoming more aggressive about their place in the public arena and are more confident about their responsibilities as decision-makers and contributors to family expenses [16]. Over 50% of the participants said that the MGNREGA had significantly changed both their personal lives and their communities. This is due to the fact that jobs are being

created in their village, creating assets for the community and increasing their purchasing power [17] [18]. Table 2

illustrate role of MGNREGA in rural gender inclusivity and equity in India [19].

**Table 2 Role of MGNREGA in rural gender inclusivity and equity in India [19]**

Themes/Factors	(Role Women)	(Role of Youth)	(Food Security)	(Role of Technology)	(MGNREGA)
Contribution to Agriculture	Crucial role in food production	Future of agriculture	Vital for food security	Increases efficiency	Aims for overall sustainability
Challenges Faced	Limited access to resources	Migration to urban areas	Land degradation	Accessibility of technology	Poverty, environmental degradation
Impact on Sustainability	Contributes to land and water management	Can bring innovative solutions	Focuses on conservation	Reduces resource use	Focuses on water harvesting, rural connectivity
Solutions/Recommendations	Empowerment of women	Engage and train youth	Increase sustainable practices	Leverage modern technology	Provide safety-net for vulnerable groups
Outcome/Benefits	Increased agricultural productivity	Modernized farming methods	Improved livelihoods	Improved yields	Growth engine for sustainable development

### **Benefits of MGNREGA**

The Government of India implemented "the MGNREGA Act" program to enhance the livelihoods of rural households and promote employment opportunities. The following are several significant advantages of the NREGA program:

**Employment Generation:** For rural households, employment opportunities are one of the primary advantages of the MNREGA scheme. Within a year, it guarantees 100 days of employment for each rural household whose family members volunteer to perform menial manual labour. The NREGA initiative will contribute to the reduction of destitution and unemployment in rural areas.

**Relief from Poverty:** MGNREGA will contribute to poverty reduction in rural regions by offering employment opportunities. It guarantees a consistent income for each household in rural areas, thereby enhancing their standard of living and decreasing their reliance on irregular income.

**Skill Enhancement:** The MGNREGA initiative is designed to offer unskilled labourers the opportunity to develop and improve their skills by providing them with opportunities. Practical experience will be acquired by labourers through their involvement in a variety of initiatives, including water conservation, road construction, and afforestation. New skills may be acquired that will be applied to future employment opportunities that NREGA provides.

**Infrastructure Development:** The Mahatma Gandhi NREGA program aids in the development of rural infrastructure. The MNREGA program encourages the

construction of infrastructure like as irrigation facilities, ponds, roads, and canals. In addition to creating jobs, the NREGA program improves agricultural production and connectivity while advancing general development.

**Women Empowerment:** The MNREGA program also prioritises women's empowerment by guaranteeing their involvement in rural development. By requiring that women make up at least one-third of the beneficiaries, MGNREGA advances gender equality. MGNREGA improves women's economic standing and gives them more decision-making authority in the home.

**Environmental Conservation:** Under the Mahatma Gandhi NREGA program, environmental conservation-related activities are organised to support sustainable development. Its main goals are afforestation, water conservation, and soil erosion management. Through these efforts, the consequences of climate change will be lessened, ecological balance will be restored, and natural resources will be preserved.

**Social Inclusion:** Scheduled Castes (SCs) and Scheduled Tribes (STs) are among the marginalised sections of society that the MGNREGA scheme is designed to ensure equal access to. In this manner, it guarantees that these vulnerable groups are not discriminated against and have equal access to employment.

### **LITERATURE REVIEW**

(Mishra & S, 2024) [20] Trend analysis is implemented in this research paper to examine the critical role of the

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in the promotion of economic development in rural Bangalore. The research investigates the efficacy of MGNREGA in enhancing the socio-economic well-being of rural communities by promoting asset formation, facilitating employment opportunities, and providing critical welfare benefits. Consequently, the results of this investigation offer valuable insights into the intricate relationship between economic development outcomes in rural Bangalore and MGNREGA initiatives. By identifying significant trends and patterns, the research provides policymakers, practitioners, and stakeholders with actionable recommendations to enhance the effectiveness of MGNREGA in promoting sustainable and inclusive economic growth in rural areas.

(Tirkey & Sangma, 2024) [21] In this investigation, the diverse effects of MGNREGA are examined, with a particular emphasis on the efficacy of planning and personnel, the empowerment of women, and environmental sustainability. The development of women's empowerment as a consequence of MGNREGA has resulted in heightened economic opportunities and social empowerment in both households and communities. In addition, the investigation evaluates the efficacy of planning and personnel in the implementation of the program, focussing on variables such as resource allocation and program design. Additionally, the study examines the impact of employment generation activities under MGNREGA on land use patterns and natural resources, with the objective of utilising the program to promote sustainable development and mitigate environmental degradation.

(Patel et al., 2023) [22] The purpose of this research was to find out how MGNREGA affected the socioeconomic advancement of respondents in Madhya Pradesh, India. In rural parts of the nation, the program aims to increase the livelihood security of households by providing at least 100 days of guaranteed employment every fiscal year to any home whose adult member volunteers to do unskilled labour. The current research looked at how MGNREGA affected those who benefited from socioeconomic upliftment in the Jabalpur area of Madhya Pradesh. Based on a random sample of 245 respondents, the research was conducted. Both direct interviews and a questionnaire are used in the survey. The type of revenue creation and yearly income have changed, according to observations.

(V.A. & S Benni, 2019) [8] Unemployment and poverty are the primary obstacles to economic growth. The eradication of these two issues will facilitate the economy's

advancement to its next level. The purpose of this paper is to determine the social and economic impact of MGNREGA on the beneficiaries in the taluks of Sandur and Kudligi in the Ballari District. Data sources for this investigation were both primary and secondary. Utilising descriptive statistical instruments, the data was examined to derive conclusions. The socioeconomic status of the beneficiaries has been positively impacted by the scheme, as determined by inferences.

(SUBRATA DAS, 2019) [23] The sustainable development of humanity is facilitated by economic, social, and ecological principles. MGNREGA is a policy in India that is designed to ensure the sustainability of rural livelihoods. Through its reduction of unemployment, the MGNREGA is not solely a poverty alleviation initiative in rural areas. The rural development is being improved through the implementation of a series of plans that are based on ecological principles. The purpose of this paper is to investigate the impact of MGNREGA on the generation of employment, which is indicative of the economic dimension and the role it plays in the sustainability of the environment in West Bengal. The objectives were elucidated through the application of several fundamental MGNREGA schemes that are closely associated with them. The final recommendation is to propose improvements to the implementation of MGNREGA.

(Agrawal, 2017) [17] The purpose of the current study on the evaluation of the MGNREGA Scheme is to evaluate the scheme's impact on the overall quality of life of individuals by evaluating various parameters that are associated with the enhancement of the overall quality of life. These parameters include the impact on the income earning levels of each household, expenditure on food and non-food items, and the creation of household and cultivable assets by the beneficiaries. Agricultural wages and gross irrigated area are potential channels through which the scheme may ultimately influence crop yields and cultivation patterns. Furthermore, the paper investigates whether the MGNREGA has resulted in an increase in crop yields and whether farmers are transitioning to commodities that require less labour and/or more water.

(Jain, 2017) [24] The business era is characterised by the significant role of agribusiness in the formation of nations. It continues to be the foundation of the Indian economy in terms of its level of commerce. The MGNREGA, or Mahatma Gandhi National Rural Employment Guarantee Act, 2005, is a law in India that guarantees 100 days of employment per year to any rural family whose adult



members are engaged in unskilled manual labour. The general public who were previously unaware was also granted access to employment opportunities through MGNREGA. This maintains the populace's mobility by providing alternative wage-generating activities. Our investigation has also included an examination of the socio-economic circumstances of rural labourers.

(Pamecha & Sharma, 2015) [25] Attempts to enhance the socioeconomic status of individuals in rural areas in order to promote transformation. Economic development in India is fundamentally dependent on the rural economy. Certainly, the economy will be stimulated by the provision of employment to rural households. There is an increase in the demand for products and services. The socio-economic impact of the MGNREGA scheme on the lives of beneficiaries in the Dungarpur district has been the subject of extensive analysis in this article. Beneficiaries' lives have been transformed by the initiative, according to the study's results. While it is always a contentious matter whether such modifications, as implemented by MGNREGA, are transitory or sustainable.

## CONCLUSION

This review highlights the transformative economic impact of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on rural livelihoods in India. The scheme, with its provision of 100 days of wage employment, has played a vital role in enhancing the socio-economic conditions of rural populations, particularly by improving household income and reducing seasonal migration. It has also empowered women by providing accessible employment opportunities and promoting their financial independence. MGNREGA contributes to environmental sustainability through natural resource conservation and rural infrastructure development when implemented with proper planning and skilled personnel. Findings reveal that the increased income has positively influenced rural consumption patterns, enabling access to essential goods such as mobile phones, motorcycles, electricity, and televisions. However, challenges persist, including the lack of gas connections and sanitation facilities in many households. Addressing these gaps through convergence with other welfare schemes and better monitoring can enhance the scheme's effectiveness. Livelihood diversification and inclusion of skill-oriented, productive work can ensure long-term economic security for beneficiaries. Encouraging the use of earnings for income-generating activities can further stimulate rural growth. Moreover, MGNREGA has influenced market wage

dynamics by setting a wage benchmark that uplifts rural labor compensation. To optimize its impact, employment must align with agricultural cycles to avoid labor shortages during peak farming periods. Despite its challenges, MGNREGA stands as a powerful macroeconomic tool that has significantly contributed to rural poverty alleviation, employment generation, and economic resilience in India.

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