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The role of MGNREGA in addressing rural unemployment challenges

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Abstract: *This research paper offers a comprehensive evaluation of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and its effectiveness in mitigating rural unemployment across India. The analysis places particular emphasis on key dimensions such as the generation of wage-based employment, the scheme's role in fostering social inclusivity—especially among women and marginalized communities—the creation of durable rural assets, and the operational challenges encountered in its implementation. Drawing on an extensive array of data sources including official government reports, academic literature, and policy reviews, the study assesses the scheme's performance up to the financial year 2022–23. The evidence suggests that MGNREGA has played a critical role in providing livelihood security to millions of rural households and in improving rural infrastructure. However, several systemic constraints continue to limit its overall impact. These include persistent delays in wage payments, technological and administrative inefficiencies, and issues related to inadequate and irregular funding. The paper concludes by highlighting the need for policy reforms and stronger institutional mechanisms to enhance the efficiency and reach of the programme*

Keywords: MGNREGA, Rural Unemployment, Employment, Rural development, Joblessness reduction

Introduction: Unemployment in rural India continues to be a significant socio-economic issue, largely driven by the seasonal nature of agricultural activities, underemployment, and the scarcity of alternative livelihood options beyond the farm sector. This structural challenge not only affects household incomes but also contributes to poverty, migration, and social inequality in rural regions. In response to these persistent issues, the Government of India enacted the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005, positioning it as a landmark rights-based legislation aimed at enhancing livelihood security. The scheme guarantees a minimum of 100 days of wage employment annually to willing rural households through the provision of unskilled manual labor, while simultaneously aiming to create durable and productive rural infrastructure. This paper critically analyses the effectiveness of MGNREGA in addressing rural unemployment, with a particular focus on its performance and impact in recent years, especially up to the financial year 2022–23. Through a detailed examination of employment trends, inclusivity measures, and implementation outcomes, the study seeks to understand both the achievements and limitations of the scheme in fulfilling its mandate.

Employment Generation under MGNREGA

National Trends: Since its inception, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has emerged as a vital mechanism for generating wage-based employment in rural India. One of its core objectives is to provide a safety net for rural households by ensuring a minimum of 100 days of unskilled manual work annually. Over the years, the scheme has played a crucial role in mitigating the adverse effects of rural distress, particularly during periods of agrarian stagnation and economic downturns.

A notable spike in employment generation was observed during the fiscal year 2020–21, largely due to the economic disruptions caused by the COVID-19 pandemic. In this year alone, MGNREGA created approximately 3.89 billion person-days of employment across the country—a record high that underscored its importance as a lifeline for millions of rural workers who lost livelihoods due to lockdowns and restricted mobility. This surge reflected the increased demand for employment under the scheme, highlighting its counter-cyclical nature in times of crisis.

Despite this substantial contribution, the scheme continues to fall short of fulfilling the full employment guarantee of 100 days per household. On average, the actual number of employment days provided has remained relatively stagnant, typically ranging between 48 to 52 days per household annually. This discrepancy points to systemic limitations such as budgetary constraints, administrative bottlenecks, and inconsistent demand-supply coordination at the grassroots level. While the scheme has undoubtedly expanded rural employment opportunities, these figures suggest that there is considerable scope for improving its implementation to better meet the intended objectives.

State-Level Insights

Odisha: The state of Odisha experienced a remarkable surge in employment generation under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) during the COVID-19 pandemic. As economic activities came to a halt and rural livelihoods faced severe disruptions, the scheme emerged as a crucial source of income and sustenance for a large segment of the rural population.

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Between the fiscal years 2019–20 and 2020–21, Odisha saw a dramatic increase in the number of individuals provided with wage employment through MGNREGA. The total number of beneficiaries rose from approximately 3.7 million in 2019–20 to an impressive 6.2 million in 2020–21. This significant rise reflects both the increased demand for employment due to pandemic-induced economic stress and the proactive response of the state in scaling up implementation of the scheme.

In tandem with the rise in individual participation, the total number of person-days of employment generated nearly doubled during this period. The state recorded an increase from 111.4 million person-days in 2019–20 to 208.2 million person-days in 2020–21. This substantial growth underscores the effectiveness of MGNREGA in responding to crisis situations and highlights its role as a resilient safety net capable of absorbing economic shocks, especially for vulnerable rural communities. The Odisha experience during this time serves as an important case study on the adaptive potential of rural employment programs in times of widespread socio-economic distress.

Uttar Pradesh: Between 2019–20 and 2021–22, Uttar Pradesh witnessed a notable increase in women's participation in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), reflecting concerted efforts to enhance rural women's economic empowerment.

In the fiscal year 2019–20, women accounted for 34.28% of the total person-days generated under MGNREGA in Uttar Pradesh. This figure rose to 33.59% in 2020–21 and further to 37.20% in 2021–22. These statistics indicate a steady upward trajectory in women's involvement in the scheme.

Women from Self-Help Groups (SHGs) were appointed as 'mates'—supervisors of MGNREGA worksites. By 2022, 16,660 female mates had been deployed, with a target to employ over 35,000.

The state emphasized community mobilization and awareness campaigns to encourage women's participation in rural employment programs.

Despite these improvements, Uttar Pradesh's women's participation rate remained below the national average. In 2020–21, the national average for women's participation in MGNREGA was approximately 53.07%. States like Kerala and Tamil Nadu reported higher participation rates, attributed to cultural acceptance and active SHG movements.

The period up to 2021–22 marked a significant phase in enhancing women's participation in MGNREGA in Uttar Pradesh. While the state made commendable progress, continued efforts are essential to bridge the gap with national averages and ensure equitable economic opportunities for rural women.

Inclusivity and Social Impact-

Women Participation: One of the most commendable aspects of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is its strong emphasis on gender inclusivity, particularly in the context of rural employment. The Act mandates that at least one-third of the total beneficiaries should be women. However, over the years, women's participation under the scheme has not only met this statutory requirement but has consistently surpassed it at the national level.

MGNREGA has created a unique platform for rural women to access wage employment, often for the first time in their lives, thereby enhancing their economic independence and social status. National data indicates that women have regularly constituted more than 50% of the total person-days generated under the scheme, a testament to the transformative role MGNREGA has played in advancing gender equity in rural labour markets.

Certain states have demonstrated particularly strong performance in promoting women's participation. For instance, states such as Kerala and Tamil Nadu have reported exceptionally high levels of female involvement, with participation rates often exceeding 85%. This success can be attributed to a combination of effective grassroots mobilization, the active role of women's Self-Help Groups (SHGs), and supportive state-level policies that encourage inclusive planning and implementation of MGNREGA projects.

Overall, the high rate of women's participation in MGNREGA highlights the scheme's potential not just as an employment program, but as a powerful instrument of social empowerment and gender justice in rural India. Marginalised Communities

The scheme has also benefited marginalized communities. For instance, in 2020–21, approximately 29.10 lakh Scheduled Caste individuals and 91,720 Scheduled Tribe individuals in Uttar Pradesh received employment under MGNREGA.

Asset Creation and Agricultural Productivity- Beyond its core mandate of providing wage employment, MGNREGA has made significant strides in the creation of durable assets that contribute to the long-term development of rural infrastructure, particularly in the agricultural sector. A key strength of the scheme lies in its focus on natural resource management and the promotion of sustainable livelihoods, which in turn support agricultural productivity and resilience.

Under MGNREGA, a variety of productive assets have been developed across rural India. These include farm ponds, dug wells, check dams, vermicomposting pits, and land levelling projects. Such interventions have been instrumental in improving water conservation, enhancing soil quality, and ensuring better irrigation coverage—critical factors in boosting crop yields and enabling farmers to shift from subsistence farming to more diversified and remunerative agricultural activities.



The Economic Survey 2022–23 acknowledged the vital role of MGNREGA in not only supplementing rural incomes but also in fostering long-term livelihood sustainability. It emphasized that assets created under the scheme have contributed to increased agricultural output, reduced dependence on external sources of credit, and minimized the need for seasonal migration in search of work. By addressing both immediate employment needs and the foundational aspects of rural development, MGNREGA has thus emerged as a dual-purpose intervention—supporting short-term livelihood security while enhancing long-term economic stability in rural areas.

Challenges in Implementation- While the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has achieved notable successes in generating rural employment and enhancing livelihoods, its implementation has been marred by several persistent challenges that undermine its overall effectiveness and impact. These challenges span administrative inefficiencies, technological limitations, and financial constraints, often affecting the timeliness and quality of service delivery under the scheme.

1. Delayed Wage Payments: A major concern in MGNREGA's execution continues to be the delay in the disbursement of wages to workers. Although the Act mandates timely payment within 15 days of work completion, this timeline is frequently not adhered to due to procedural bottlenecks and delays in fund transfers from the central to state governments. In the fiscal year 2022–23, wage compensation claims for delayed payments totalled approximately ₹94 lakh. However, only ₹59 lakh of this amount was actually disbursed, leaving a significant gap in compensation. Such delays not only undermine the credibility of the scheme but also discourage participation, especially among the most vulnerable rural workers who depend on prompt payments for basic sustenance.

2. Technological Barriers: The increasing integration of digital tools in MGNREGA's operational framework—while aimed at improving transparency and accountability—has inadvertently introduced new challenges. The mandatory use of the National Mobile Monitoring System (NMMS) app for capturing workers' attendance in real-time has faced widespread criticism. In many remote and underserved rural areas, poor internet connectivity, limited digital literacy, and inadequate access to smartphones have resulted in technical failures, leading to situations where completed work goes unrecorded and workers are denied payment. This digital divide threatens to exclude those who are already marginalized, thereby defeating the inclusive spirit of the scheme.

3. Underfunding and Political Disruptions: Another significant challenge is the issue of inadequate and inconsistent funding. Despite the rising demand for rural employment, the scheme often suffers from financial shortfalls, limiting its ability to fulfil the guaranteed 100 days of work per household. Furthermore, political and administrative disputes can further disrupt the flow of funds. A notable example is West Bengal, where MGNREGA funds have been suspended since March 2022 due to alleged non-compliance with administrative norms. This has had a severe impact on employment generation in the state, leaving lakhs of rural workers without access to guaranteed jobs and income support.

These challenges highlight the need for robust institutional reforms, better technological infrastructure, and political will to ensure the consistent and equitable implementation of MGNREGA across all regions. Addressing these issues is essential not only for maintaining public trust in the scheme but also for realizing its full potential as a tool for inclusive rural development.

Conclusion-The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has emerged as a cornerstone of rural development and social protection in India. By guaranteeing wage employment to millions of rural households and facilitating the creation of durable and productive assets, the scheme has significantly contributed to reducing rural unemployment and strengthening livelihood security. Its role has been particularly vital during periods of economic distress, such as the COVID-19 pandemic, when it served as a critical buffer against job loss and income insecurity.

Despite its achievements, MGNREGA's potential is hindered by several systemic challenges that must be urgently addressed to ensure its continued success. Chronic delays in wage disbursement weaken the trust of workers and defeat the purpose of providing timely income support. Technological interventions, while aimed at improving transparency and efficiency, must be adapted to the realities of rural infrastructure and digital accessibility. Additionally, the scheme frequently faces budgetary constraints that restrict its ability to meet growing employment demands, especially in states grappling with administrative or political hurdles.

To enhance the scheme's long-term impact and effectiveness, it is essential to strengthen institutional delivery mechanisms, ensure adequate and sustained funding, and prioritize timely and transparent wage payments. Integrating local governance bodies more effectively, improving technological infrastructure, and fostering community participation can further enhance implementation. With these reforms, MGNREGA can continue to serve as a powerful instrument for inclusive growth, poverty reduction, and rural transformation in India.

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