

## **Implementation and Effectiveness of MGNREGA in India: A Brief Study**

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**Abstract**

*MGNREGA was notified on 7 September 2005 to provide 100 days of guaranteed wage employment to every rural household. During 1980's to 2000's various employment schemes were launched by Indian government to provide employment for rural areas but MGNREGA scheme is quiet high in its framework with an approximate annual expenditure of Rs. 40000 crore. In the five tire implementation system gram panchayat occupies the bottom & central government the top position. Over the last nine years researchers have gazed at the impact of MGNREGA on human development indicators.*

**Keywords**

*MGNREGA, Wage guarantee, Employment scheme, Human development*

Reference to this paper  
should be made as follows:

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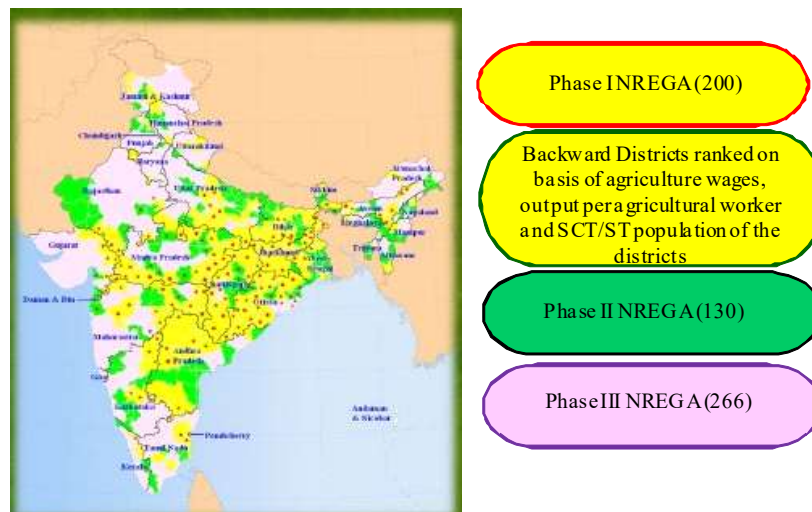
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**MGNREGA** was notified on 7 September 2005 to provide 100 days of guaranteed wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work resulting in the creation of productive assets of prescribed quality and productivity; Strengthening the livelihood resource base of the poor; Proactively ensuring social inclusion; and Strengthening Panchayat Raj Institutions (PRIs).

First phase of MGNREGA was implemented from 2 February 2006 targeting 200 rural districts. Then, 130 more rural districts were included in 2007–08, while remaining districts were notified with effect from 1 April 2008. Since 2008, this scheme has been implemented almost entire country, Figure 1.



**Figure 1. NREGA coverage during Phase I, II and III**

MGNREGA scheme is generally known as ‘Act of the people, by the people and for the people’ comprising salient features like:

- Ø **Employment to all those who are willing to work**
- Ø **Free registration with a job guarantee within 15 days of application:**
- Ø **At least 1/3<sup>rd</sup> of the employees must be women**
- Ø **Fixed minimum wage rate and no upper limit**
- Ø **Weekly disbursement of wages and delays not beyond a fortnight**
- Ø **Unlimited supply of funds for this project**
- Ø **prohibits the use of contractors or machinery in execution of the works**

### Ø **Transparency and accountability ensured through social audit**

#### **A paradigm shift**

During 1980's to 2000's various employment schemes were launched by Indian government to provide employment for rural areas but MGNREGA is the one which brings a paradigm shift. It provides a legal guarantee of wage employment through its rights-based framework, and measures for empowerment of stakeholders. Also, the scale of the scheme is quite high i.e. the biggest public works programme worldwide with an approximate annual expenditure of Rs 40,000 crore (\$6.7 billion). This not only provides livelihood to rural people but also generates natural resource management and creates durable assets. The transparency and accountability is maintained by the act's mandate 'monthly squaring of accounts'.

Some of its other unique aspects are:

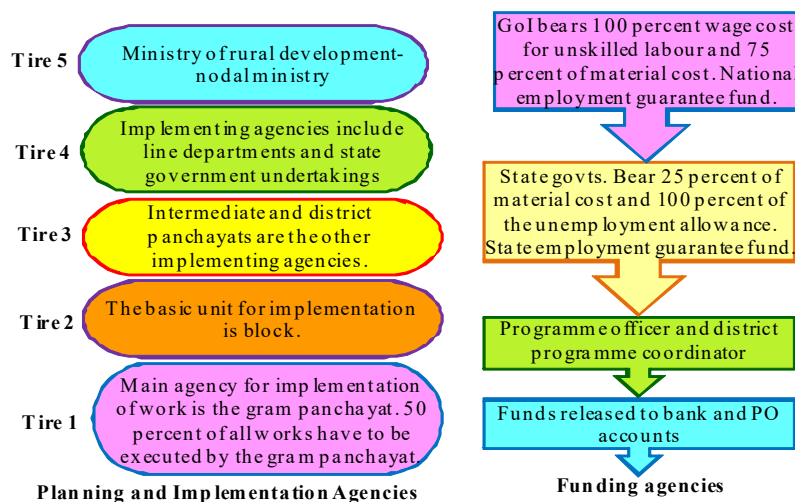
- A bottom-up approach 'Act of the people, by the people and for the people'.
- It is a demand-driven programme.
- If work is not provided within 15 days of applying, applicants are entitled to unemployment allowance is a legal entitlement.
- With GPs implementing 50 per cent of the works in terms of cost, it empowers grassroots democratic institutions.
- The Act recommends active use of Information Technology, like creation of a 'Monitoring and Information System (MIS)' and a NREGA website, to assure quality in implementation of NREGA through technical support.

Success rate of any scheme crucially depends on its effective implementation because introductory phase of any programme never means the end of the problem or the achievement of the set objectives. A poorly organized programme is bound to prove to be a failure despite its massive investment because it gives rise to a number of deficiencies & inefficiencies like slow & poor decisions, lack of co-ordination among the different levels & line departments, poor specification of duties etc. A structurally sound programme & scheme on the other hand can produce better results even with a modest investment because a well designed scheme encourages growth, diversification, improves administration, ensures coordination at all levels & hence tones up the overall operation of a programme. Truly speaking the success or failure of any development strategy/programme largely depends on its implementation rather than its mere introduction. Against this backdrop, present chapter makes an effort to discuss the details of organizational & procedural implementation of MGNREGA.

#### **Implementation structure of MGNREGA**

MGNREGA scheme is implemented under the direction of Gram Panchayats

and involve no contractors. The programme comprises of following five tier of implementation (Figure 2) viz; (i) Gram Panchayat, (ii) Block Panchayat, (iii) District Panchayat, (iv) State Government & (v) Central Government. In this five tier system, Gram Panchayat occupies the bottom & Central Government the top.



**Figure 2: Implementation structure of MGNREGA and funding agencies**

1. **Gram Panchayat (GP):** It is the basic agency which is responsible for the registration of households, issuance of job cards, providing work etc. Gram Panchayat has to select, design & implement 50% of the works.
2. **Block Panchayat:** Block Panchayat is the second tier which deals with the implementation of the programme. The Block Panchayat undertakes the remaining 50% of the work either at their own level or at District Panchayat or jointly undertaken by them. It also looks after the updating of the data under the programme relating to works, muster roll entries etc.
3. **District Panchayat:** Besides implementation of non mandatory works, District Panchayat also coordinates the activities of programme at the district level. This Panchayat also prepares the district annual plan & the five year perspective plans in consultation with Gram & Block Panchayats.
4. **State Government:** The state government functions like a facilitator in the flow of MGNREGA funds. It is also responsible for setting up the State Employment Guarantee Council which acts as an advisor to the Government on implementation, monitoring & evaluation of the programme in the state.

**5. Central Government:** The Ministry of Rural Development, Government of India is the nodal agency for MGNREGA implementation. The Central Government has the authority to set up Central Employment Guarantee Council for receiving advice on MGNREGA implementation besides independent evaluation & monitoring of the scheme. The Central Government also has to prepare the budget & disburse the funds.

**Impact on Incomes and Livelihood Security**

Nine years of MGNREGA’s implementation and research evidence thereof suggests that despite implementation gaps, MGNREGA provides the choice to demand work to a large number of rural households and persons. Table 1 shows that during 2012-2015, 39.2 crore job cards have been issued under MGNREGA, providing employment to a large number of households.

**Table 1: cards issued over the last three years under MGNREGA (2012–15)**

All India	Cumulative number of HH provided employment	Number of HH working under NREGA during the reporting month (crores)	LB: Projected person-days up to the month (crores)	Cumulative person days generated					Cumulative number of HH completed 100 days	Number of HH which are beneficiary of land reform/AY	Number of disabled beneficiary individuals
				SC's	ST's	Others	Total	Women			
2012-2013	4.9	1.8	27.27	51.20 crore	410,010,688	138 crore	2,304,767,361	1,182,334,148	5,173,796	2,389,185	45,5307
2013-2014	4.7	1.9	25.03	50.27 crore	386,158,966	131 crore	22,035,586,88	1,163,972,569	4,659,447	2,426,497	48,6496
2014-2015	4.1	1.2	48.70	37.09 crore	2,820,08,051	100 crore	1,658,812,264	91,007,6650	2,476,121	2,218,379	41,0692

**Joshi, Desai, Vanneman and Dubey (2014)** [1] in their working paper on the India Human Development Survey that mapped about 42,000 overall sample through a nationally representative survey data, find that poor households with low asset bases and membership to vulnerable communities are more likely to participate in MGNREGA. The sample for the rural households was 27,579 households, where at least one member of the household was surveyed. As can be seen, about two-third of the sample was rural households who were asked specific questions on MGNREGA and household well-being. In line with the evaluation research question, the study found that education status was negatively correlated with participation in MGNREGA. The authors utilized this result to buttress their finding that MGNREGA is targeting the poorest, vulnerable and those with ‘fewer opportunities’.

In a policy brief by NCAER and University of Maryland, research on Indian Human Development Surveys, **Desai, (2014)** [2] analysed the question of whether restricting MGNREGA to 200 districts would improve its targeting. According to the

policy brief because the poor and the marginalized are spread across the country, with most of the poor living outside the poorest districts, limiting MGNREGA to the poorest districts would not be productive. Further, it must be noted that governance challenges at the state and district levels remain, regardless of whether it is limited or not. Therefore, the poorest districts in the lagged states would still have to work with the same challenges in implementing MGNREGA.

**Datta, Murgai, Ravallion and Walle** (2012) [3] analysed the National Sample Survey data for 2009-10 (66th NSSO Round) which included questions on participation and demand for work; three of these questions had to do with MGNREGA: (i) whether the household had a job card; (ii) whether it had got work under the scheme during the last 365 days for which responses were coded under three options: got work, sought but did not get work and did not seek work under MGNREGS; and (iii) if the household got work, the number of days of work and the mode of payment. While the authors confirmed that the poorer states had more demand for work under MGNREGS, the study found considerable unmet demand for work in all states, albeit more so in the 'poorest' ones where the scheme was needed the most. Regardless of these variations, the authors confirmed that the scheme was reaching the rural poor, the marginalized and the vulnerable and was attracting poor women into the public works programme.

**Rao and Madhusudan** (2013) [4] studied work on individual lands and found that about 79 per cent of the sample beneficiaries belonged to the 'other' category while the SC and ST beneficiaries constituted 16 and 5 per cent of the sample respectively. The authors feel that the low coverage of SC and ST beneficiaries under individual land development works seems to point to the disturbing view that the expansion (inclusion of small and marginal farmers etc.) of eligibility criteria to include other categories had had an adverse impact on socially and economically disadvantaged groups.

Studies reveal that MGNREGA has helped rural households (HHs) in a sustained manner to smooth consumption between the agricultural peak season and lean season. **Klonner and Oldiges** (2013, 2014) [5] report in their research that the poverty gap between Phase I and Phase II districts has decreased. Among SC/ST households both Phase 1 and Phase 2 districts experienced a decline in inequality with the effect being more for Phase 1 districts. The authors used a fuzzy regression discontinuity design to estimate programme effects using NSSO data and also present a detailed descriptive analysis from 2003 to 2011. They construct a district wise panel and found that while there were no statistically significant differences for all rural

households, the vulnerable households as a sub-set showed statistically significant large effects on consumption and consumption based poverty measures for the agriculture lean season while no such effect was revealed in the agriculture peak season. This demonstrates two significant results: Firstly, the poor and the vulnerable are indeed 'targeting' themselves and secondly, the programme is smoothing consumption for these households. Therefore, the main conclusion of their study is that the programme has been successful not only in increasing consumption levels of particularly vulnerable HHs but also in reducing these HHs' exposure to the risk of seasonal drops in consumption. The pattern of these effects is consistent with the pattern of MGNREGS expenditure. According to the authors, the Act appears to have successfully delivered on its two goals, improving livelihood security and reaching out to most vulnerable rural inhabitants. They substantiate their findings with similar analysis by Ravi and Engler (2009), which used a smaller dataset but a robust analysis; Liu and Deninger (2013) who used a panel data for 4,000 households and Bose (2013) who also used NSS data, but the DiD method for analysis.

Further, some research focused on the effect of rainfall deficit on participation in MGNREGA and found a negative relationship between the amount of deficit in the rainfall and MGNREGA participation, concluding that MGNREGA has been used by farmers for income smoothing.

### **Impact of MGNREGA on human development indicators**

Over the last nine years researchers have turned their gaze at not just the direct effect of MGNREGS on economic indicators but on human development indicators as well. Poverty and deprivation are intricately linked to political and governance systems, health and education as well as other opportunities and (un)freedoms that affect the capability of persons. Evidence shows that MGNREGA impacts some aspects of human capability. This research evidence and direction though promising, clearly needs more research effort to arrive at definitive conclusions. While assessing the role of MGNREGA on human development indicators, it is important to note that snapshot studies give a quick assessment of the impact of MGNREGS wages on the livelihood security of worker families. However, the long-term impact as in the case of human development and/or livelihood security can be best assessed by longitudinal studies that map the journey of a household over a period of time.

Ravi and Engler (2015) [6], analysed MGNREGA's impact on rural poor households. The authors studied the impact of the programme on food security, savings and health outcomes by constituting a panel data of 1,064 households from 198 villages in erstwhile Andhra Pradesh. Note that Andhra Pradesh is a high performance state

for MGNREGA. The research indicated that MGNREGA significantly increased monthly per capita expenditure on food and non-food items. It improved food security by reducing the number of meals foregone. Further, participation in MGNREGA increased the probability of savings by households.

Further support to this line of research is given by Islam and Sivasankaran (2014) [7] where evidence indicates that availability and work by adult household members in MGNREGS inversely affects child labour and positively impacts children's schooling. The authors conclude that MGNREGA helps in additional resources being spent on children.

Clearly this is a promising line of research for further studies to answer questions relating to various sub-groups like women headed households or tribal households. Some concerns relating to vulnerable women have been pointed out by Narayanan and Das (2014) [8] which need to be explicated by further research. Further, the impact of MGNREGS wages on the quality of life of the elderly can also be an area for future research. To conclude, more research needs to be done in areas where we are able to conceptualize the 'well-being' of households as defined by the households themselves and then view the impact that MGNREGA has had in general on all the households.

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