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REVIEW ARTICLE

MGNREGA AND ITS IMPACT ON POVERTY ALLEVIATION

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Mgnrega and Its Impact on Poverty Alleviation

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INTRODUCTION

The **National Rural Employment Guarantee Act 2005** (No 42), also known as the "Mahatma Gandhi National Rural Employment Guarantee Act", and abbreviated to MGNREGA, is an Indian labour law and social security measure that aims to guarantee the 'right to work' and ensure livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. The UPA Government had planned to increase the number of working days from 100 to 150 before the 2014 Lok Sabha Elections in the country but failed. The statute is hailed by the government as "the largest and most ambitious social security and public works programme in the world". The more comprehensive survey of Comptroller and Auditor General (CAG) of India, a 'Supreme Audit Institution' defined in Article 148 of the Constitution of India, reports serious lapses in implementation of the act.

Targeting poverty through employment generation using rural works has had a long history in India that began in the 1960s. After the first three decades of experimentation, the government launched major schemes like Jawahar Rozgar Yojana, Employment Assurance Scheme, Food for Work Programme, Jawahar Gram Samridhi Yojana and Sampoorna Grameen Rozgar Yojana that were forerunners to Mahatma Gandhi NREGA. The theme of government approach had been to merge old schemes to introduce new ones while retaining the basic objective of providing additional wage employment involving unskilled manual work and also to create durable assets. The major responsibility of implementation was also gradually transferred to the Panchayati Raj Institutions. Unlike its precursors, the Mahatma Gandhi NREGA guaranteed employment as a legal right. However, the problem areas are still the same as they were in the 1960s. The most significant ones are: lack of public awareness, mismanagement and above all mass corruption.

The statement of the law provides adequate safeguards to promote its effective management and implementation. The act explicitly mentions the

principles and agencies for implementation, list of allowed works, financing pattern, monitoring and evaluation, and most importantly the detailed measures to ensure transparency and accountability. Further the provisions of the law adhere to the principles enunciated in the Constitution of India.

The comprehensive assessment of the performance of the law by the constitutional auditor revealed serious lapses arising mainly due to lack of public awareness, mismanagement and institutional incapacity. The CAG also suggests a list of recommendations to the government for corrective measures. The government, however, had also released a collection of reportedly independent researches evaluating the functioning of the act whose results significantly differed from the CAG report. Meanwhile, the social audits in two Indian states highlight the potential of the law if implemented effectively.

The stated objective of the Act is "to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. This work guarantee can also serve other objectives: generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity, among others.

IMPACT ON POVERTY:

MGNREGA aims to provide a steady source of income and livelihood security for the poor, vulnerable and marginalised. Overall, evidence suggests that MGNREGA does provide basic income assurance to a large number of beneficiaries. In FY 2011-12 alone, nearly 5 crore households (close to 25 per cent of all rural households in the country) were provided over 209 crore person-days³ of work.

There are a number of distinct ways in which MGNREGA is likely to impact poverty, the most direct and obvious way being by providing extra work

opportunities and income to the poorest in the rural areas.

Net household income or income as a fraction of household income, is considered as an indicator of the relevance of the Scheme for the poor. Surveying 1,500 households in three states, a study observed that the share of MGNREGA in the income of the poor was the highest in Andhra Pradesh (about 17 per cent). In Rajasthan this share was 10 per cent and in Maharashtra it was 7 per cent.

The importance of MGNREGA as a supplementary source of income is also noted by some studies. In a longitudinal survey of 1,064 rural households across Medak district of Andhra Pradesh, around 12 per cent of the households indicated that their household income had increased as more members of the same household were being able to work.

There is also preliminary evidence from the field that MGNREGA income is being used by rural households for starting their own ventures. An interesting research analysing the impact of MGNREGA income on rural entrepreneurship in Birbhum district of West Bengal concluded that around 17 per cent (out of 96 Job Card holders surveyed) of the rural households used MGNREGA income to run, expand or start a rural business.

In order to estimate MGNREGA's impact on income more accurately, research studies suggest that it is necessary to deduct the opportunity cost of time (cost of the next best alternative foregone) from MGNREGA earnings. In Rajasthan, among female headed households, the share of MGNREGA earnings was found to be nearly 15 per cent of household income; this is slightly higher than twice that in male-headed households, implying substantially greater importance of this source of income to female-headed households. In contrast, the shares are high for both male- and female-headed households in Andhra Pradesh (19 per cent and 16 per cent, respectively).

Using the same measure, among landless households, the share is 20 per cent in Andhra Pradesh, followed by Maharashtra and Rajasthan with nearly equal shares (about 7 per cent).

ACHIEVEMENTS:

MGNREGA's other quantitative achievements have been striking as well:

1. Since its inception in 2006, around ₹1,10,000 crore (about USD\$25 billion) has gone directly as wage payment to rural households and 1200 crore (12 billion) person-days of employment has been generated. On an average, 5 crore (50 million) households have been provided employment every year since 2008.
2. Eighty per cent of households are being paid directly through bank/post office accounts, and 10 crore (100 million) new bank/post office accounts have been opened.
3. The average wage per person-day has gone up by 81 per cent since the Scheme's inception, with state-level variations. The notified wage today varies from a minimum of ₹122 (USD\$2.5) in Bihar, Jharkhand to ₹191 (USD\$4) in Haryana.
4. Scheduled Castes (SCs) and Scheduled Tribes (STs) have accounted for 51 per cent of the total person-days generated and women for 47 per cent, well above the mandatory 33 per cent as required by the Act.
5. 146 lakh (14.6 million) works have been taken up since the beginning of the programme, of which about 60 per cent have been completed.
6. 12 crore (120 million) Job Cards (JCs) have been given and these along with the 9 crore (90 million) muster rolls have been uploaded on the Management Information System (MIS), available for public scrutiny. Since 2010–11, all details with regard to the expenditure of the MGNREGA are available on the MIS in the public domain.

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