

**Impact of MGNREGA on Employment Generation and Asset Creation in Rural India – A Critical Review****Mr. Sudipta Biswas**

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**Abstract:**

*MGNREGA, introduced by the Government of India in 2005, is a revolutionary programme enacted by law which guarantees hundred days of employment in a year to each rural household who are willing to provide unskilled labour. The secondary objective of the programme is creating sustainable assets in rural India which in turn strengthen natural resource management and help address the issues of chronic poverty in the long run. The programme has created ample opportunity for wage employment among rural masses and set a number of examples in building quality, durable and sustainable asset base in rural India though there are many criticisms. A number of studies have been conducted to review the performance of the programme across periphery from different perspectives. This paper is an attempt to study the performance of the programme in terms of wage employment generation and asset creation. Secondary data available from the Ministry of Rural Development, Government of India and other study reports have been used for the review. This paper has critically analyzed the progress of the programme nine years after introduction. Analysis of data reflects that the programme has created huge employment opportunities in rural India but has not been showing progressive trends from last couple of years. It has not been successful to include socially excluded families especially Scheduled Tribes significantly though participation of women is showing satisfactory trend. In terms of asset creation, where the plan has been prepared in a participatory manner, actual need of people has been captured and technical designs are taken into consideration, qualities of assets created proved to be durable and sustainable. The paper concludes with some suggestions for improvement for the both aspects.*

**Key Words:** Asset creation, employment generation, MGNREGA, PRIs, wage employment.

**Introduction:**

Employment generation is considered as a most powerful instrument for poverty alleviation. Keeping in view the role of employment generation in alleviating rural poverty in India, government has initiated various programmes time to time since independence. However these programmes could not create such major impact in rural areas as it was expected to be. There were number of factors responsible for hampering the progress like problem of seasonality, lack of proper planning at lower level, timely disbursement of fund at lower level government, poor capacity of local governments etc. In order to overcome all these problems government of India introduced Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005 which was a landmark decision in the history of wage-employment generation.

The Act guarantees the right to work to by providing 100 days of guaranteed wage employment in a financial year to every rural household whose adult members are willing to do unskilled manual work. MGNREGA is the first ever law internationally, that guarantees wage employment on an unprecedented scale. Its secondary objective is to strengthen natural resource management through works that address

causes of chronic poverty like drought, deforestation and soil erosion and so encourage sustainable development. It has the potential to empowering the rural poor through improved governance in rural areas and enhancing capacity and responsiveness of the Panchayati Raj Institutions (PRIs).

This Act features some unparallel attributes like right based, demand driven approach, bottom up approach etc. which make it different from previous attempts of the government to address rural poverty through employment generation in India. It is the largest wage employment programme in India ever launched with 25% of rural households participating and an annual central government expenditure of about 0.5% of GDP.

**Table 1: Milestones of the Indian Journey towards MGNREGA**

Year	Programme
1952	Community Development Programme (CDP)
1960	Rural Manpower Programme (RMP)
1971	Crash Scheme for Rural Employment (CSRE)
1972	Intensive Rural Employment Programme (IREP)
1973	Small Farmers Development Agency (SFDA), Marginal Farmers and Agricultural Labour Scheme (MFAL)
1977	Food for Work Programme (FWP)
1980-89	National Rural Employment Programme (NREP)
1983-89	Rural Landless Employment Guarantee Programme (RLEGP)
1989-99	Jawahar Rozgar Yojana (JRY)
1993-99	Employment Assurance Scheme (EAS)
1999- 2002	Jawahar Gram Samridhi Yojana (JGSY)
2001	Sampoorna Grameen Rozgar Yojana (SGRY)
2004	National Food for Work Programme (NFFWP)
2006	NREGA 200 districts
2007	Extension of PhaseII-NREGA to additional 130 Districts
2008	NREGA PhaseIII-Extended to cover all rural districts of India
2009	NREGA renamed as Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) and extended whole country

Source: Adapted from annual reports of MGNREGA, MoRD, GoI

### **Methodology of the study:**

This study is descriptive type on the basis of annual report of MGNREGA of various financial years and different independent evaluation studies. The main source of data used for the study is secondary data derived from the website of MGNREGA as well as research studies from different sources. Present study covers the performance analysis of MGNREGA for nine consecutive financial years in terms of employment generation and different studies conducted time to time in various regions on quantitative as well as qualitative aspect of asset creation. The period of the study starts from financial year 2006-07 to 2014-15. Here, three criteria are taken for study i.e., (1) Number of household provided employment against job card issued (2) Volume of person-days created (3) quality, durability and utility of assets created by the programme. This study is useful to people who are interested to know about the impact of MGNREGA in employment generation and asset creation in rural India.

**Employment generation under MGNREGA:**

Employment generation among rural masses is the key objective of this programme which has always been given utmost priority since the beginning. The programme has undoubtedly generated huge wage employment in rural India by helping the poor in utilizing their physical toil. It has been working as safety nets in rural fabric of the society providing employment opportunities during lean seasons and percolating money to the hand of the rural people. A number of studies have been conducted to measure the effectiveness of MGNREGA on employment generation which shows varying results. These studies also helped to identify critical gaps in programme implementation, creating scope for mid-course correction and improve in performance. An overview of performance in terms of wage employment generation since the beginning till date is presented below which gives a quick reflection on the issue and shows the areas where immediate attention is required.

**Table 2: Performance of MGNREGA in terms of employment generation**

Employment generation	FY 2006-07 (200 dist.)	FY 2007-08 (330 dist.)	FY 2008-09 (615 dist.)	FY 2009-10 (619 dist.)	FY 2010-11 (626 dist.)	FY 2011-12 (626 dist.)	FY 2012-13 (632 dist.)	FY 2013-14 (632 dist.)	FY 2014-15 (till 31.12.2014)
Total job card issued (in crore)	3.78	6.48	10.01	11.25	11.98	12.50	13.06	13.15	13.00
Employment provided to household (in crore)	2.10	3.39	4.51	5.26	5.49	5.06	4.99	4.79	3.6
Total Person-days generated (in crore)	90.5	143.59	216.32	283.59	257.15	218.76	230.48	220.22	121.25
SCs	22.95 (25%)	39.36 (27%)	63.36 (29%)	86.45 (30%)	78.76 (31%)	48.47 (22%)	51.21 (22%)	49.79 (23%)	27.51 (23%)
STs	32.98 (36%)	42.07 (29%)	55.02 (25%)	58.74 (21%)	53.62 (21%)	40.92 (19%)	41.00 (18%)	38.23 (17%)	20.18 (17%)
Women	36.40 (40%)	61.15 (43%)	103.57 (48%)	136.40 (48%)	122.74 (48%)	105.27 (48%)	118.23 (51%)	116.24 (53%)	67.32 (56%)
Others	34.56 (38%)	62.16 (43%)	97.95 (45%)	138.40 (49%)	124.78 (48%)	129.38 (59%)	138.27 (60%)	132.29 (60%)	73.57 (61%)
Average person-days per household	43	42	48	54	47	43	46	46	34

Source: Annual Reports, Ministry of Rural Development, Government of India

An analysis of the government data shows that MGNREGA has been very much successful to meet its primary objective, employment generation in rural India. But, a steady decline is observed in last 3

years. The gap between job card issued and employment provided per household has gradually widened percentage wise. Though there was a trend of rise in participation or employment generation among Scheduled Caste population but it has declined in past couple of years (highest in 2010-11). The picture of employment generation among Scheduled Tribe population which was a major thrust of the development agenda is gloomy. There is a steady decline trend from the base year in spite of taking state specific measures. The programme is very much successful in generating employment among women. There is a positive trend in their participation since base year. Overall, the programme has been helpful in generating employment in rural India. It has worked as a safety net in rural social fabric by creating employment opportunities during lean seasons. It has positive impact in ensuring job opportunities for socially excluded categories and checking seasonal forced migration to certain extent.

NSSO conducted a study on employment and under-employment situation in India in 2009-10 (NSSO 66<sup>th</sup> round) which shows that a high percentage of SC, ST and other poor rural labourers registered under MGNREGA nationwide. But most of the demand among workers in poorer states remained unmet due to various reasons. If we scrutinize certain field studies, we can analyze the reason for the difference between jobs demanded and jobs provided. India Rural Development Report 2012-13 conducted a study of 811 households spread across 23 villages of 8 states. Eight states were grouped in three categories as per level of poverty. Category-I (Poverty less than national average): Villages from Kerala, Andhra Pradesh and Rajasthan; Category-II (Poverty higher than national average): Villages from high poverty regions of Bundelkhand in Madhya Pradesh and Chhatisgarh; Category-III (Acute Poverty): Villages from Palamu of Jharkhand and Gaya of Bihar where deprivation is also very high. The study reveals that issues related to leakage and corruptions are adversely affecting the performance of the programme. Respondents reported paying bribes to local government officials and PRI representatives. It was also noticed that machines were used instead of manual labourer and fund has been siphoned to the pockets of elected representatives and functionaries of PRI as well as local contractors. In some villages like Chhatisgarh and Karnataka, the entire work existed on pen and paper only. Poor transparency and accountability, lack of capacity of PRIs to implement the programme and lack of awareness among people are also viewed as reasons behind poor performance of the programme in generating employment among rural masses.

#### **Asset creation under MGNREGA:**

Creation of sustainable assets that strengthen the livelihood resource base of rural areas is one of the key objectives of MGNREGA. This paper does a critical review of the available literature on assets created under MGNREGA; their quality and durability, viability of these works and utility of those assets. A number of studies have been conducted on the issue which shows positive impact in building sustainable resource base in rural areas.

An impact assessment study conducted by Sambodhi Research & Communications Pvt. Ltd. during 2012-13 on asset creation on individual land under MGNREGA has found (a) increment in household income, (b) improvement in cropping intensity, (c) positive shift of small and marginal farmers to better remunerative crops and (d) improved quality of assets. MGNREGA has faced criticism also on the quality and sustainability of the assets created under it.

A study conducted by N. Bassi and D. M. Kumar argues that since employment generation is the primary objective of the Act, the works undertaken are labour-intensive, these works tend to be non-durable and have limited use. On the other hand, other scholars suggest that earthen works can also be durable

if planned, designed and constructed properly (M. Shah, 2008). Verma and Shah conducted a study in 2012 in case of water assets across 75 villages spread across Bihar, Gujarat, Kerala and Rajasthan found out that 117 assets recovered their investment within a single year of use. The study also shows that land development activity has increased the production of various crops. Another study conducted by Shah and Mistry in the year 2012 shows that Gujarat government's initiatives for construction of over 2.6 lakh 'boribandhs' (dams made up of sand bags) found that 86% of the dams were partially or fully damaged.

MGNREGA Sameksha Report (2012) used three metrics to study the quality, durability and utility of the scheme's assets; (1) Return on Investment (RoI) / cost recovery, (2) beneficiary perception-based surveys, and (3) quality and soundness of technical design. This study is more comprehensive in nature compared to other independent studies. This report also depicts very positive picture in different states while also suggests for local need based and people centric approach for yielding more positive results.

A comprehensive study on RoI related to MGNREGA works across eight districts of Bihar, Gujarat, Kerala and Rajasthan, is indicative of the productive potential of MGNREGA. The study assessed 143 best performing MGNREGA water related assets (for instance irrigation, ponds, wells etc.) and found that RoI estimates are positive in the case of a majority of assets. Specifically, out of 143 assets, 117 assets (for which detailed quantitative data on costs and benefits was calculated) had a RoI of over 100% in the first year, i.e. they recovered their investment in a single year of use. Across the four States, the RoI on all assets collectively was 126% for Gujarat, 121% for Bihar, 101% for Kerala, and 61% for Rajasthan. Micro-canal systems were found to have the highest rate of return compared to all other MGNREGA works (more than 200% within a year). With renovation, water is available in these canals for up to eight months in a year and this has allowed the farmers to provide 3–6 additional waterings to their paddy crops. It must be noted that while the renovation increased the crop productivity by around 6–15 %, the bulk of the benefits for the farmers came in the form of diesel saving as they were able to replace costly well-irrigation.

However, other studies indicate a longer recovery period for 100% RoI. IDYWC study in Madhya Pradesh (2010) estimated that for similar assets (including ponds, wells etc.), the recovery of cost period on an average was five years. This variation may be due to different methodologies followed for assessment as well as different geographic areas of evaluation. In one of the survey rounds for the MGNREGA conducted by the National Sample Survey Organization (NSSO) in 2010-11 in Andhra Pradesh, Madhya Pradesh and Rajasthan, it was found that around 99% of rural households in Rajasthan, 82% in Madhya Pradesh and 64% in Andhra Pradesh were using the assets created through MGNREGA works. Further, out of all the MGNREGA assets being used, 83 % in Rajasthan, 80% in Madhya Pradesh and 67% in Andhra Pradesh, were considered to be of good or very good quality.

In another study conducted by Madhya Pradesh Institute of Social Science Research (MPISSR) in 2011 in five districts of Madhya Pradesh, 74% out of 100 sample beneficiaries stated that the dug wells created under MGNREGA had increased the total irrigated area and saved their crops from water scarcity. In Anantpur, Andhra Pradesh, out of 54 soil water conservation works surveyed such as farm ponds, tank desilting and field bunds, 76% were serving the purpose of irrigation, water conservation, etc. and/or being used by the beneficiaries. All these studies revealed the importance of technical design and quality of assets across regions.

Overall, studies show that where local needs have been taken into consideration and local government has taken proactive role, quality of assets created by the help of the programme are satisfactory. Many a Civil Society Organizations (CSOs) has demanded to have created good examples in asset creation in different parts of the country. Improvement in resource base at local level has been instrumental in increasing the agricultural productivity. Field level studies reflected that where community participation was high in local planning and community owns the resources, impact of MGNREGA is positive and assets are sustainable.

### **Conclusion and Suggestions for Improvement:**

MGNREGA has not only set good examples in rural India in creating opportunities for employment but also created durable assets in many parts of the country which in turn further improved resource base for livelihoods for rural masses. It has also created scope of strengthening PRIs which are primarily responsible to implement the programme. However, various studies reveal deficiencies in effective implementation of the programme in terms of employment generation and asset creation. Government has been taking lessons from different studies and trying to improve the performance by taking innovative actions. Still, there is scope of improvements to yield better results in days ahead.

**1. Participatory planning:** The Act mandates that preparation of labour budget should be made in a participatory manner by involvement of Gram Sabha following the principle of bottom-up approach. But, because of lack of capacity among PRI functionaries at the local level or inadequate supply of trained manpower, plan is prepared without involvement of people which widens the gap between local needs and plan of the programme. Appropriate measures should be taken to make the planning process more participatory to capture the local need, seasonal variation and trap the unused labour. Different studies highlighted that when plan has been prepared by involvement of people and actual local needs have been captured in the plan, the programme has been very much successful in both aspects – employment generation and asset creation.

**2. Capacity building:** different field studies have reiterated the need for capacity building of implementing agencies i.e. PRIs for better performance of the programme. It has often been found that because of lack of trained manpower plans have not been prepared in a participatory manner, actual need of the region and people has not been identified, estimation of work, preparation of labour budget, record keeping, muster roll generation etc. have not been done effectively and efficiently causing delay in entire process. There is a need of building capacity of local government functionaries or deployment of adequate barefoot professionals to improve the performance of the programme up to the expected level.

**3. Meeting the gap of fund flow:** Delay in payment of wages creates apathy among labour force to participate in the programme. Studies show that around 40% of the total wage payments are delayed for more than 15 days (which is mandatory provision of the Act). In certain cases delay is more than three months. Reasons for such delay vary from adequate and timely availability of fund with PRIs to delay in measurement of work, computerization of records and fund transfer orders, poor bank link etc. The government at appropriate level should take these issues seriously and take necessary steps to resolve the same.

**4. Transparency and accountability:** Though social audit has been made mandatory in the programme guideline but in most of the states it does not take place regularly. Deployment of trained staff, adopting

quality monitoring mechanism and creating awareness among masses are the urgent needs to bring transparency in the system. It will in turn enable participation of people in the programme, check leakage and corruption and enhance quality of durable assets. Almost every study has urged the need for bringing transparency in the system to make the programme more meaningful.

**5. Ensuring quality of assets:** In case of preparing plan for building individual or collective assets, involvement of people or actual beneficiary should be given foremost priority. Until and unless the plan is based on actual need and outcome from the project is clear to the people or individual beneficiary, it is not going to serve the purpose of the programme. Outcome based asset planning for creating productive, quality and durable assets is very much necessary. It should be made mandatory to describe expected outcome from the assets during preparation of plan, delineate parameters to measure the outcome and reporting the actual outcomes after implementation. Appropriate mechanism should also be adopted to monitor the quality of the assets.

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