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**Mahatma Gandhi National Rural Employment Guarantee Act  
(MGNREGA):  
A Critical appraisal of its performance since its inception**

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## ABSTRACT

*Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was implemented and came into force on February 2, 2006. It was the first act of its kind in the world wherein an economic safety net is provided to around 2/3<sup>d</sup> of the population through a right to work. The scale on which it has been provided is just mindboggling, around 1/10<sup>th</sup> of the total world population. It was second in a series of right based policies Government of India has rolled out in the past decade.*

*This research considers the performance of MGNREGA since its inception and examines its objectives, design and the several modifications in it. The purpose is to examine the consistency and effectiveness of this policy. An assessment of the program till date has been performed using secondary data analysis and the intended and non-intended effects and impacts are discussed. It is clear that the program is no silver lining but have several clouds associated with it.*

**Keywords:** MGNREGA, policy evaluation, objectives, design, consistency, effectiveness

## 1. INTRODUCTION

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was implemented and came into force on February 2, 2006. It was the first act of its kind in the world wherein an economic safety net is provided to around 2/3<sup>rd</sup> of the population through a right to work. The scale on which it has been provided is just mindboggling, around 1/10<sup>th</sup> of the total world population. It was second in a series of right based policies Government of India has rolled out in the past decade. The others are the Right to Information (RTI) Act, the Right to Education (RTE) Act, the Right to Food Act etc. passed in 2005, 2009 and 2013 respectively.

It was implemented in a phase wise manner; with the first 200 most backward districts covered in Phase I i.e. 2006-07. The Phase II included 130 additional districts and the final phase covered the remaining rural districts. The Act currently covers all the 645 rural districts throughout India. It has generated 1679.01 crore person days of employment since its inception at a total expenditure of Rs. 250310.81 crores (refer to Table 1 for details).

**TABLE 1. MGNREGA at a Glance**

	<b>FY 2014-2015</b>	<b>FY 2013-2014</b>	<b>FY 2012-2013</b>	<b>FY 2011-2012</b>
Total no of Districts	645	644	636	635
Total No. of Blocks	6601	6576	6568	6378
Total No. of GPs	247643	247643	247643	247643
Total no of Villages	778134	778134	778134	778133
Total No. of HH Registered(In Cr)	13	13.3	13.2	12.6
Total No. of Workers in Job Card(In Cr)	28.9	29.5	29.3	27.8
Number of GPs with NIL exp	112190	26097	26190	25389
Number of Ongoing Works(In Lakhs)	72.7	72	79.1	53.2
Total No. of Works Takenup (New+Spill Over) (In lakhs)	73.8	93.6	104.6	80.8
Total Exp(In Cr)	Wages(Rs. In Cr.)	4407.3	26588.8	27152.8
	Material and skilled Wages(Rs. In Cr.)	1184.5	9602.1	10430
	<b>Adm Exp:</b>			
	GP Level	6	224.7	307.6
	Block Level	104.4	1329.3	1330.1
	District Level	30.5	592.6	482
				514.4

	State Level	19.557	200.166	32.936	108.055
	Total Adm Expenditure	160.5	2346.7	2152.7	2116
	Total Exp(Rs. in Cr.)	5752.3	38537.6	39735.4	37072.7
	Labour Vs Material(%)	78.8	73.5	72.2	69.5
	Admin Exp(%)	2.8	6.1	5.4	5.7
Wage Employment Provided(in lakhs)	Households	116.3	478	498.9	506.4
	Individuals	165.2	736	797.3	820
	Men	67.3	383.3	422.1	446.6
	Women	97.9	352.8	375.3	373.3
	SCs	36.9	167.3	181.7	185
	STs	28.6	129.3	142.9	147.4
	Persons with Disability	1.6	4.8	4.6	4
Person days(In Cr)	Total as per LB	227.0	258.6	278.7	199.6
	Persondays Generated so far	19	219.7	230.5	218.8
	% of Total LB	8.4	84.9	82.7	109.6
	% as per Proportionate LB	39.2			
	SC persondays	4.1	49.6	51.2	48.5
	ST persondays	3.2	37.9	41	40.9
	Average Wage rate per day per person	130.3	132.7	121.4	114.5
Average days of employment provided per Household		16.3	46	46.2	43.2
Total No of HHs completed 100 Days of Wage Employment(In Lakhs)		0.1	46.3	51.7	41.7
% payments generated within 15 days		73	50.9	63	57.8
% of payments Disbursed through EFMS		39.2	26	0.9	0
Performance since inception: Person-days Generated (In Cr.): <b>1679.01</b>					
Total expenditure (In Rupees Crore): <b>250310.81</b>					

**Source:** MGNREGA website

The MGNREGA act has laudable objectives of providing a work-guarantee to the poor rural households on one hand and quality asset creation, strengthening of rural resource base, ensuring social inclusion as well as strengthening of Panchayati Raj institutions on the other. However, questions have been raised about the timing and purpose of the act, its design and structure, about the logic of state intervention in labour market in an era of liberalization, likely impacts of the programme on asset creation and economy and its overall success.

## 2. AN ANALYSIS OF ITS DESIGN, OBJECTIVES & MODIFICATIONS

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was approved by the parliament in its 2005 monsoon season on September 5, 2005. It was within a year of the formation of the UPA-I government at the centre and marked the beginning of the pre-election promise fulfillment of the Congress led UPA-I government regarding measures to strengthen rural India. It was implemented in a phase wise manner, with the first 200 most backward districts covered in Phase I beginning February 2, 2006. The Phase II beginning on April 1, 2007 included 130 additional districts and the final phase beginning on April 1, 2008 covered the remaining rural districts. The Act currently covers all the 645 rural districts throughout India. It emerged in a context wherein there was economic growth without distribution, poverty and unemployment was increasing, and agriculture and rural economy was in distress as Sharma (2010) points.

### 2.1. Objectives of MGNREGA

The primary objective of the act is to provide a minimum level of household security to the rural households by providing on demand right to work i.e. at least 100 days of unskilled labour. The NREGA (2005), the gazette document outlines the primary purpose of the act as:

*“An Act to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work and for matters connected therewith or incidental thereto.”*

**Source:** (NREGA Gazette document)

MoRD (2014) outlines the other objectives of the act which include creation of productive assets both of prescribed quality and durability through the provided wage employment, strengthening the livelihood resource base of the rural poor, a proactive ensuring of social inclusion of women, SCs and STs and strengthening of the Panchayati Raj Institutions (PRIs). The PRIs perform an active part in formulation, implementation and monitoring of the scheme. MoRD (2012, 2010) also state the auxiliary objective of the act as strengthening natural resource management (NRM) through works that address causes of chronic poverty like drought, deforestation and soil erosion to ensure sustainable development. Moreover, strengthening of grassroot processes of democracy and infusion of transparency and accountability in governance has been measured as process outcomes. MoRD (2014) does not mention these auxiliary objectives and process outcomes.

## **2.2.        *The Salient Design Features of MGNREGA outlined***

For the achievement of the desired objectives, MGNREGA has several design features which were missing in the erstwhile public works and employment generation programmes. India has a long history of public-works based employment guarantee programs and its experiments with them dates back to the 80s. Some of them are: National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Jawahar Rozgar Yojana (JRY), Employment Assurance Scheme (EAS), Jawahar Gram Samridhi Yojana (JGSY), Sampoorna Grameen Rozgar Yojana (SGRY) and National Food for work programme (NFFWP) implemented in the period 1980-89, 1983-89, 1988-89, 1993-1999, 1999-2002, 2001-06 and 2004-06 respectively. SGRY and NFFWP were merged to NREGA in 2006. There were some common problems in the implementation of all these programmes as Pankaj (2012) notes:

1. All of them were centralized schemes, formulated and implemented both by the bureaucracy without any consultation and involvement of the community.
2. The second feature was their supply-driven nature and thus employment was provided based on the needs of the government. Thus, the needs of the people were kept at bay.
3. Poor mechanism for accountability and transparency with no provision for social accounting and monitoring. It thus led to a lot of pilferage and wastage of resources and cases of leakage and rampant corruption by the government officials.
4. There was inadequate employment generation. Moreover, the employment generation was not seen in linkage with provision for minimum livelihood security.
5. Income, minimum wages and worker's amenities were not part of the entitlement thus not ensuring at least a minimum level of dignity to the poor.
6. Low participation of women in the programmes.
7. Employment opportunities were not flexible to the worker's demand.

MGNREGA marks a significant departure to these supply driven work-based employment policies and makes a transition to right-based demand driven policy as Sharma (2011, 2010) argues. MGNREGA has its inspiration from the Maharashtra Employment Guarantee Scheme (MEGS), which has marked its inception as a drought relief measure in the years 1972-73 and later got converted into a legal guarantee programme in the year 1975. The MEGS has several distinctive policy design features and was first of its kind policy based on entitlement based approach and a demand-driven work based employment policies. Although there were mixed evidences (Datar, 1990; Dev, 1995; Patel, 2006; Vatsa, 2006) on its success, MEGS was lauded for its entitlement based and demand-driven approach. MGNREGA draws heavily on MEGS for its objectives, design and implementation structure. Some of the salient

features of MNREGA over its predecessors, as outlined in Pankaj (2012) & Sharma (2010, 2011) are as follows:

1. Unlike its predecessors, which had their beginnings in executive orders MNREGA is an act of the parliament and thus has both legal superiority as well as constitutional approval.
2. It is irrevocable and can be dismissed only by another act of parliament.
3. It is not only a work-based employment programme but also integrates the agenda of providing minimum livelihood security to rural households and other development objectives.
4. The basic thrust is entitlement and thus the act provides provisions for minimum wages, appropriate worksite facilities and ensuring of female participation (at least one-third of the workforce).
5. It is a first of its kind experiment on partial decentralized planning, implementation and monitoring of program through the Panchayati Raj Institutions (PRIs) across states.

Other key features of MGNREGA which provide to it a distinct character are the following:-

1. At least 100 days of employment at a minimum wage thus ensuring a minimum livelihood security for the poor rural households ensuring them a life of dignity.
2. A demand-driven employment strategy allowing for the self-selection of the participants.
3. Unemployment expenses to the demander in case of inability of the state agency to provide for suitable employment, thus helping keep the government officials on their toes for providing gainful employment.
4. Providing fund for MGNREGA is a legal obligations and not subject to budgetary allocations thus ensuring that livelihood of poor is not contingent upon the fiscal allocations.
5. 60% of the project cost to be spent on wages of the unskilled labour and 40% on wages of semi-skilled labour, skilled labour and material costs.
6. Central funding for 100% of the wage costs of the unskilled labour and 75% of wages of semi-skilled labour, skilled labour and material costs. State to provide for the unemployment wages.
7. A non-lapsable corpus of funds which can be carried over during fiscal years unlike budgetary allocations.
8. An emphasis on the works of water-conservation and harvesting which is an important concern in rural areas.
9. A decentralized implementation mechanism through PRIs.
10. Social auditing to enforce transparency and accountability



11. Four kinds of worker entitlements viz. drinking water, shelter, first aid and crèche for children (below 6 years) of female workers
12. No contracts as far as possible and no use of machines
13. Provision of ombudsman and three-tier grievance redressal mechanism.

Pankaj (2012) notes that as a policy instrument MNREGA fits into many shoes. An analysis of the design objectives and salient features of the act reveal that it can be seen as a measure to provide social security, as an employment generation programme, a conditional cash transfer schema, a rural development initiative as well as a macroeconomic policy initiative. Its multi-directional and multi-pronged objectives create a lot of confusions about the exact nature of the program. One of the key things it does is to enshrine the principle of minimum livelihood security as a non-negotiable democratic right of citizens despite concerns about the course and exact nature of development. Thus, it establishes the idea of rights and entitlements as part of democratic citizenry firmly, which can have substantial implications for future.

### 2.3. *Modifications introduces in MGNREGA over time*

<b>TABLE 2. A Brief Timeline of the Changes in MGNREGA (2006 – 2014)</b>				
<b>Timing</b>	<b>Event</b>	<b>Changes in Program Objectives</b>	<b>Changes in Program Design</b>	<b>Changes in Program Implementation</b>
February 2006	NREGA 1.0 launched, 200 most backward districts covered in Phase I	To provide livelihood security to rural poor by providing an employment guarantee as an unskilled laborer Proactive ensuring of social inclusion of women, SCs and STs	No use of machines was part of the program design.  Centre-state funding shared in the ratio 90:10	Proposed demand driven scheme turned out to be supply driven due to lack of awareness among the people and the implementation through labour budgets which did not take care of seasonal employment demands
April 2007	130 additional			

	districts covered in Phase II			
April 2008	All rural districts covered, the program is implement fully		Centre-state funding shared in the ratio 75:25	
January 2010	NREGA renamed as MGNREGA			
September 2011	Government proposes reforms in MGNREGA		<p>Proper demand assessment of labour to be done by states using MIS labour supply and demand data</p> <p>Reduction in distress migration by making the program truly demand-driven and not supply driven by non-dependence on labour budgets to provide employment and also reduction in approval time by gram panchayats to take care of seasonal employment</p>	<p>A demand-driven legal entitlement to be ensured through organization of quarterly ROZGAR DIWAS and also ensuring that the UNEMPLOYMENT ALLOWANCE is provided by use of an automated software based pay order for payment</p> <p>Preparation of true labour budgets showing quantam of work demanded and also the timing of demand to ensure provisioning of seasonal employment Appointment of full-</p>

			<p>demands</p> <p>Reduction in delay of payment to workers</p> <p>Provide number of work-days as per demand and improve quality of assets created and their relevance for the livelihood of the poor</p> <p>Anchor participatory grassroot planning</p> <p>Strengthen grievance redressal</p>	<p>time dedicated Programme officer, provision to demand second installment after 75% utilization of the first installment.</p> <p>60:40 work-material distribution should happen at the block level and not at the Gram Panchayat level</p> <p>Habitation Level committees (HLCs) formed and regular habitation assemblies conducted to ensure participatory ideation and planning</p> <p>Set up of ombudsman in each district for grievance redressal</p>
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May 2012	NREGA 2.0 launched	<p>Rural asset creation became a stated objective of the program.</p> <p>strengthening the livelihood resource base of the rural poor</p> <p>Skill development of workers also became part of the agenda</p>	<p>Allows NREGA work to be done in private lands of small and marginal farmers</p> <p>Allows private contracts in implementation of MGNREGA work</p> <p>Increasing the use of machinery in MGNREGA projects</p> <p>Going beyond skilled manual work by including semi-skilled works which are measureable like fishery and carpentry</p> <p>Convergence with projects from other ministries. For instance, rural water and sanitation programs</p> <p>Use of machines also became permissible</p>	<p>Set up of ombudsman in each district for grievance redressal</p> <p>Appointing dedicated staff at district level to create awareness among people about their rights</p>
January 2014				MGNREGA to include works related to rural sanitation in

				collaboration with Nirmal Bharat Abhiyaan (NBA) Scheme, also Social audit of toilets built under MGNREGA
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**Source:** Compiled from Circulars on MGNREGA website

#### **2.4. A comment on its Consistency and Effectiveness with regards to its objectives**

There are multiple views on its design objectives. Pankaj (2012) notes that some consider it as only an income-transfer programme whilst others both an asset creation as well as an income transfer program. . The supporters of the former evaluate the program from the perspectives of the worker while the supporter of the latter evaluates the program from the perspective of investment and asset creation. There are divergent views on its working and success as well. While some view it as a complete wastage of resources while others see as a possible instrument of rural transformation. Any conclusive evidence on its overall impact is far from reached.

With regards to its objective, there have been several changes introduced over time. It was being looked at as an employment guarantee program in the beginning whose objective was to ensure minimum livelihood security to the rural poor by providing them unskilled labour. Though the program since its inception mentioned a permissible set of works in order of priority but was not clear about how it will lead to boost rural economy in a way that it turns out to be fruitful for the rural poor. After several years of implementation and criticism of the program on account of its inability to do any useful work that can help boost the agrarian economy, it was realized that the objectives of an employment guarantee program cannot be restricted to just providing employment. This led to addition of a second objective of the program i.e. of creation of durable rural assets. The creation of durable assets was to ensure another newborn objective of the program of strengthening the livelihood resource base of the rural poor. This can be linked back to the primary objective of the program of ensuring livelihood security of the rural poor. MGNREGA currently has become a policy with multi-dimensional objectives and hence several questions also surround it. What is the significance and need of a government guaranteed, wage –based employment programme in the post-LPG (Liberalization, Privatization, and Globalization) era and its significance for the market economy that India has become in the post-LPG era? What will be the economic impacts of such a huge program on both local as well as national economy? What will be the impact of such program on rural income, rural employment generation and rural asset base?

What will be its impact on mitigation of rural poverty at the household level? How should it be connected to other poverty alleviation programs to ensure that poor people are pushed out of the vicious cycle of poverty? What will be its impact on the agriculture economy and labour market conditions and outcomes as well as economic linkages between rural-urban as well as multiplier effects? What will be the impact of doling out such a huge amount of money on the India's GDP and its growth? These are some of the important policy questions which need an answer. Questions can be raised also on the exact nature of the program since it seems to be loaded with multi-directional and multi-pronged objectives. Is it a program for social security or an employment generation programme or a conditional cash transfer schema or a rural development initiative or a macroeconomic policy initiative for asset creation. If it is a program for social security then why it is linked to asset creation and employment generation are some other policy questions that continue to linger. Thus, with regards to its objectives there is a lot of confusion and inconsistency regarding MGNREGA. This confusion has not done any good to its effectiveness as a policy because the policy has not been able to use a focused approach to its implementation.

## **2.5. MGNREGA's design and implementation**

Sharma (2010) notes that there is a triadic structure to the MGNREGA design: first are the processes through which government provides the entitlement and rights to the workers; second are the processes through which the workers make a demand for their rights; and the third are the processes through government ensure the fulfillment of those rights. A right-based approach and a demand-driven approach have two advantages over and above the earlier supply-driven approach. *Firstly*, it makes fulfillment of the workers demand a mandatory obligation for the government machinery. *Secondly*, it provides for several policy innovations some of which have been discussed briefly in the previous section.

The MGNREGA though is a departure from the previous work-based employment guarantee program but have most features common to the previous programs. The question of importance then is what makes it more effective as compared to its predecessors. Kamath (2010) & Sharma (2010) raise the question that what part of its effectiveness relates to its design factors and what can be owed to the context in which it operates?

The *policy context of MGNREGA* that facilitated its effectiveness can be divided into two, the socio-economic context and the political context. With regards to the *socio-political context*, the period before the launch of MGNREGA was marked with high rates of economic growth with limited impact of poverty and unemployment thus growth was not happening with distribution. The policy response to poverty and inequality focused on inclusive growth. The NREGA marked as a tool for resource distribution to the rural poor and provide them with minimum livelihood security. This policy marked as a movement towards a right-based

policy by ensuring a minimum dignified level of living for the rural poor. Secondly, the political context also facilitated for the passing of the act with inclusive growth high on the agenda of Congress-led UPA-I government. The emphasis on rural areas led to the advent of the act guaranteeing a right to work to all rural households. It was high on Central government's agenda and subsequently also caught the attention of the state governments as it guaranteed rights to rural poor, a critical political constituency.

The *design related factors* as discussed already which supported the effectiveness in detail were its right-based, demand-driven approach, an irrevocable constitutional provision, decentralized implementation through PRIs, decision making space to the states and district as a unit for implementation, appropriate financial approach and planning, administrative support and transparency & accountability as well as scope for innovation.

## **2.6. Policy Innovations in MGNREGA**

Sharma (2011) argues that MGNREGA has been able to innovate with respect to its policy implementation despite several operational challenges. Its design has been able to integrate its normative framework with a lot of flexibility. Firstly, the involvement of PRIs in the design, implementation and monitoring has been a key policy innovation to ensure *decentralization* for management of such a large scale program. Secondly, the ability of the program to disseminate awareness of the program through *social mobilization* has been another policy innovation. Thirdly, the policy implementation that ensured such a *large scale operation* in each and every panchayat in all the 645 rural districts in a period of 3 years is another policy innovation. Fourthly, the *worksite innovations* of the program including time and motion studies as well as worksite facilities for the workers in another laudable policy innovation of the program. Fifthly, there is a focus on *sustainable development* through activities that regenerate natural resources, individual ownership, and workers as beneficiaries for other social benefits etc. Sixthly, *transparency and accountability* in operation with all data to be made available in public domain is another policy innovation of the program. Lastly, web-based management information systems (MIS), knowledge resource centres (KRCs), door-step financial services, fund management are some of the other policy innovations of the program.

## **2.7. A comment on the policy Consistency and Effectiveness of MGNREGA's design and implementation**

With regards to the policy design and implementation as well there can be several inconsistencies that can be observed. *Firstly*, in MGNREGA the basic unit of planning is the villages. But, there is lack of planning capacity, skill and administrative capability to prepare annual plan and project estimates by appropriately mapping village resources. Even the

Rozgar Sevaks appointed to advise Gram Panchayats lack training in providing technical inputs, budget preparations and village planning. If Panchayati Raj Institutions (PRIs) were the channel of implementation of the program and one of the process outcomes of MGNREGA was the strengthening of PRIs, then before launching the program there should have been adequate capacity building at the village level through proper training. *Secondly*, MGNREGA was envisaged to be a right-based program that is demand based and not supply based like the earlier employment based job guarantee programs. The awareness about the program is a precondition to ensure appropriate functioning of its right-based framework and making it successful demand-based program. But, the program after 5-6 years of its inception was facing problems of awareness about its unemployment wage provision which allowed officials implementing the program to involve in a lot of corrupt practices. This led to the primary nature of the program remain as supply-based and not demand-based. *Thirdly*, one of the key objectives of the program was prevention of distress migration which is seasonal in nature in many parts of the country. The dependence of the program on annual labour budgets and the delays in employment provision because of that led to nullifying its impact on seasonal distress migration in the most years of its implementation. This happened because an annual labour budget does not take into account both factors i.e. the quantum of demand and the timing of demand, leading to non-provision of work quickly leading to seasonal distress migration of labourers. *Fourthly*, as one of the MGNREGA implementation reform reports mentions that in most cases the unemployment allowance was not provided to the workers. This was a primary feature of MGNREGA design and if neither there was awareness creation regarding this nor a grievance redressal mechanism for the same, it only reflects on the effectiveness and consistency of MGNREGA at the policy level. *Fifthly*, the ensuring of inclusion of women, SCs and STs was an important state objective of the policy but the cases of discrimination in work provision to these categories in states of Kerala and Andhra Pradesh only reflects on the policies ability to live to its intentions. *Sixthly*, the program has been unable to keep itself away from cases of corruption and irregularities with cases of fake entries in muster rolls, overwriting, false names, delay in payment to workers and irregularities in job cards. The effectiveness of such a policy fraught with irregularities is more than questionable. *Seventhly*, challenges in creation of useful assets have been another challenge for MGNREGA with its lack of planning capacity at the village level. The inability of the program to collaborate with other rural development programs has been one of the policy shortcomings which are being modified as late as now. For instance, the rural sanitation works have been brought under MGNREGA works this year. *Eighthly*, MGNREGA has been unable to achieve many of its own stated objectives in an effective manner, which amounts to policy failure. But, it has also led to some unintended effects for the Indian economy like agricultural labour scarcity, soaring



food prices and inflation among others. A good policy design should also try to minimize the unintended effects of a policy by properly interlinking its effects in the larger economic context.

Thus, we can see that a policy is as good as its implementation. As can be seen from the above analysis, MGNREGA has not been able to make a significant departure in terms of policy consistency and effectiveness from other wage-based employment guarantee programs despite its boasting of innovative design features. Although a comprehensive impact assessment of the program still needs to be done, the above analysis does point out some real policy inconsistencies and ineffectiveness in MGNREGA design and implementation.

### 3. PERFORMANCE TILL DATE: AN ASSESSMENT

The performance of MNREGA has been done in accordance to the objectives outlined in NREGA (2005) and MoRD (2014). It will be assessed on the parameters of the ability of the program to provide employment to the rural poor leading to their livelihood security, its ability to ensure social inclusion of the marginalized especially women, SCs and STs, on its performance on financial grounds and its performance on works taken and completed leading to asset creation for the rural areas. Table 3 depicts the performance of MGNREGA on the employment provided to the rural poor for ensuring their livelihood security. The total number of job cards issued has shown a slightly increasing trend from 2009-10 onwards after covering all the rural districts. The job card issued is for a period of 5 years. From 2009-10 to 2013-14, under MGNREGA a total number of 61.24 crore jobcards have been issued, which is almost 50% of the Indian population. The scale of coverage of MGNREGA has been remarkable.

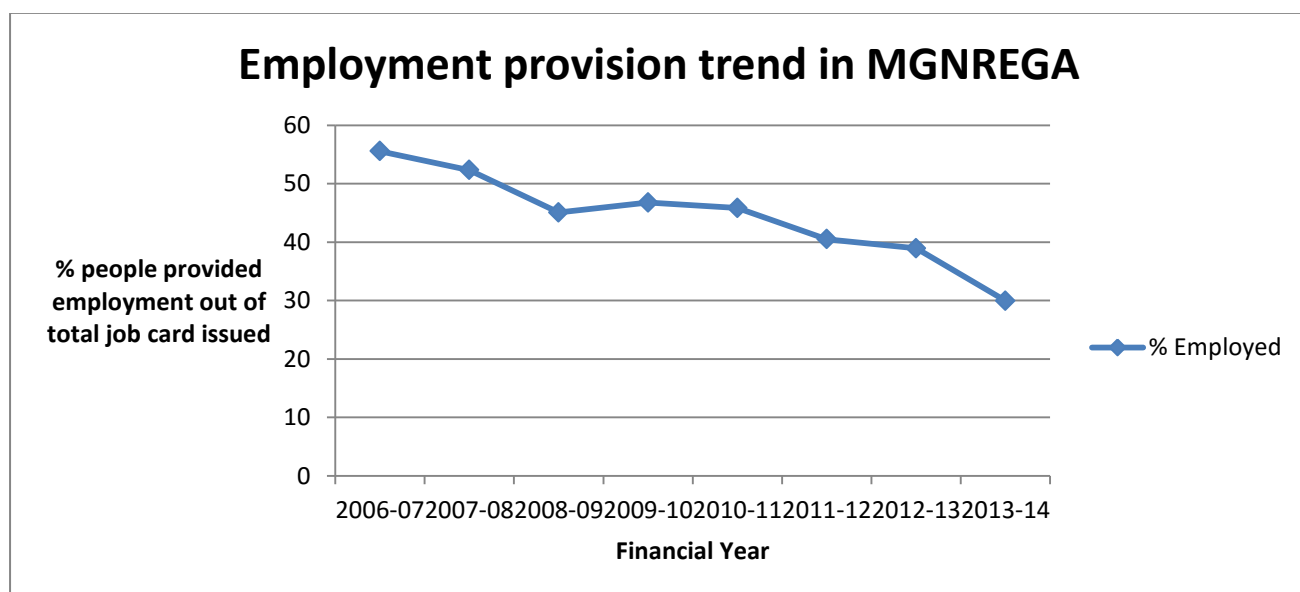
**TABLE 3. Performance of MGNREGA on Employment Provided (a National Overview)**

	(FY 06-07)	(FY 07-08)	(FY 08-09)	(FY 09-10)	(FY 10-11)	(FY 11-12)	(FY 12-13)Provisional	(FY 13-14)Till Dec 13
<b>Total Job Card issued [in Crore]</b>	3.78	6.48	10.01	11.25	11.98	12.50	12.79	12.72
<b>Employment provided to households [in</b>	2.10	3.39	4.51	5.26	5.49	5.06	4.98	3.81

<b>Crore]</b>								
<b>Persondays [in Crore]</b>								
Total:	90.5	143.59	216.32	283.59	257.15	218.76	229.86	134.80
SCs	22.95 [25%]	39.36 [27%]	63.36 [29%]	86.45 [30%]	78.76 [31%]	48.47 [22%]	50.96 [22%]	31.53 [23%]
STs	32.98 [36%]	42.07 [29%]	55.02 [25%]	58.74 [21%]	53.62 [21%]	40.92 [19%]	40.75 [18%]	21.09 [16%]
Women	36.40 [40%]	61.15 [43%]	103.57 [48%]	136.40 [48%]	122.74 [48%]	105.27 [48%]	117.93 [51%]	73.33 [54%]
Others	34.56 [38%]	62.16 [43%]	97.95 [45%]	138.40 [49%]	124.78 [48%]	129.38 [59%]	138.14 [60%]	82.18 [61%]
<b>Person days per HH [Days]</b>	43	42	48	54	47	43	46	35

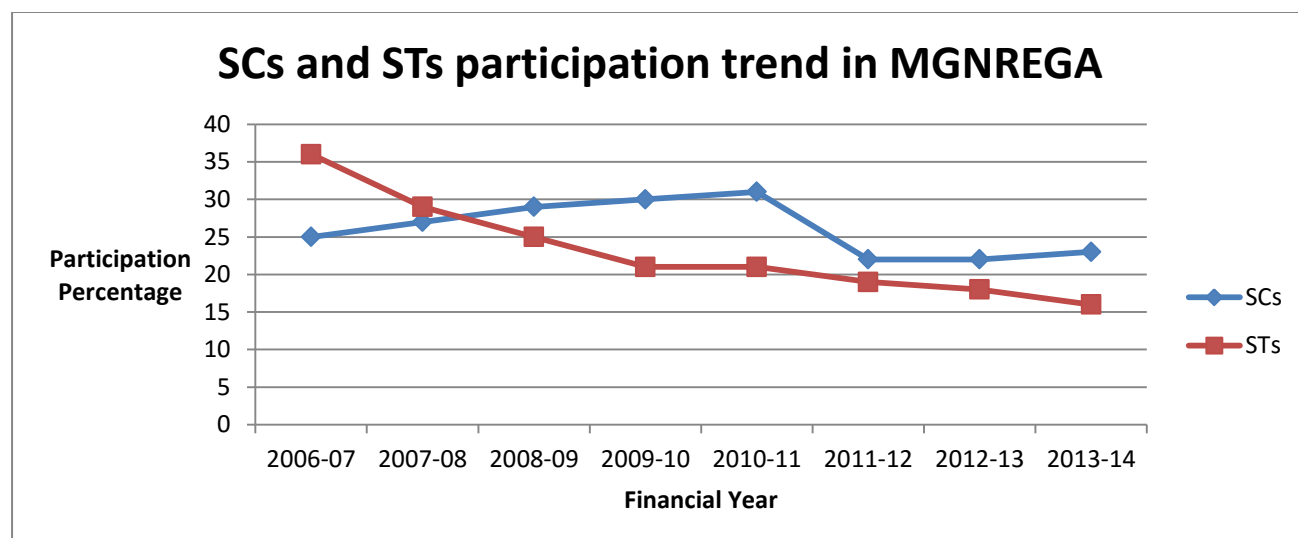
**Source:** MoRD (2014)

From 2009-10 to 2013-14, the total employment provided has been 24.6 crores, which is 40.17% of the total job cards issued. The figure can be only 40.17% because of two reasons, first, several persons whom the job card was issued belonged to the same household and second, the government's inability to provide employment to the people who demanded jobs under MGNREGA. Such a low figure indicates inability on the part of the government to provide for employment under MGNREGA to many. The employment provision also shows a declining trend as depicted in Figure 1.



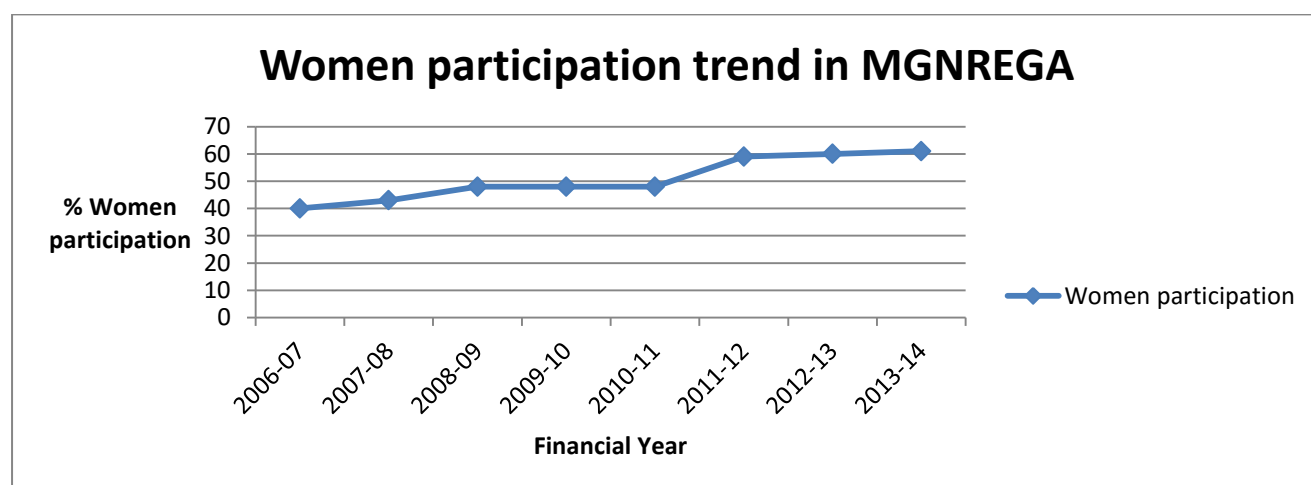
**Figure 1.** *Employment provision trend in MGNREGA*

Further, with regards to the participation of SCs Table 2 shows an increasing trend till 2010-11 since inception from 25% to 31%. But the participation rates of SCs in MGNREGA seem to decline since then till 2013 end. The participation rates for STs have seen a continuous declining trend from 36% in the beginning to 16% now. These indicate that both the SCs and the STs are not seeing MGNREGA as a very attractive employment option and are finding better employment options than that. This does not indicate a very positive picture of MGNREGA as far as social inclusion of both SCs and STs are concerned. The trends can be seen in Figure 2.



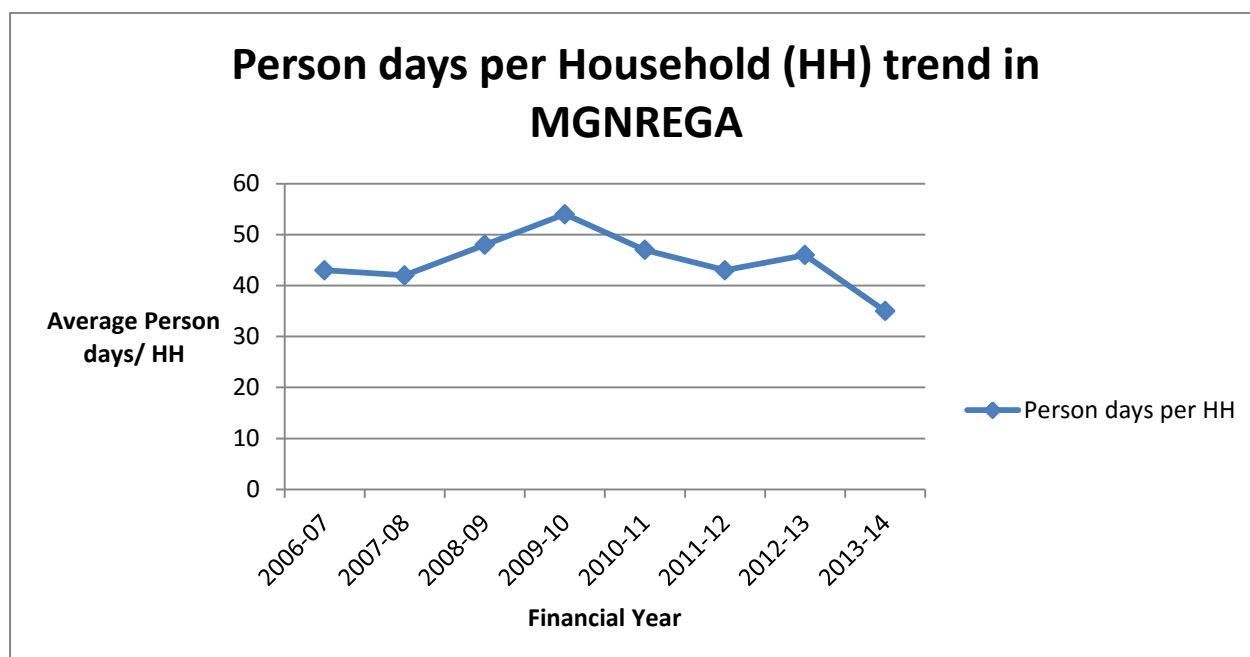
**Figure 2.** SCs and STs Participation trend in MGNREGA

The women participation trend in MGNREGA has shown a continuous increase from 40% in 2006-07 to 61% in 2013-14 (till 2013 end), which are positive signs. It can be inferred that MGNREGA has shown a positive trend with regards to social inclusion of women. Further, it can be seen as a part of rural household strategy wherein the male member earns from other employment opportunities and the female from the MGNREGA employment thus boosting the overall household income.



**Figure 3.** Women Participation trend in MGNREGA

The persondays/HH in MGNREGA which was proposed to be 100 days has consistently pegged around 50 since the inception of the program. It showed an increasing trend till 2009-2010 rising to 54 from 43 in 2006-07. But, it shows a declining trend since then.



**Figure 4.** Persondays/HH trend in MGNREGA

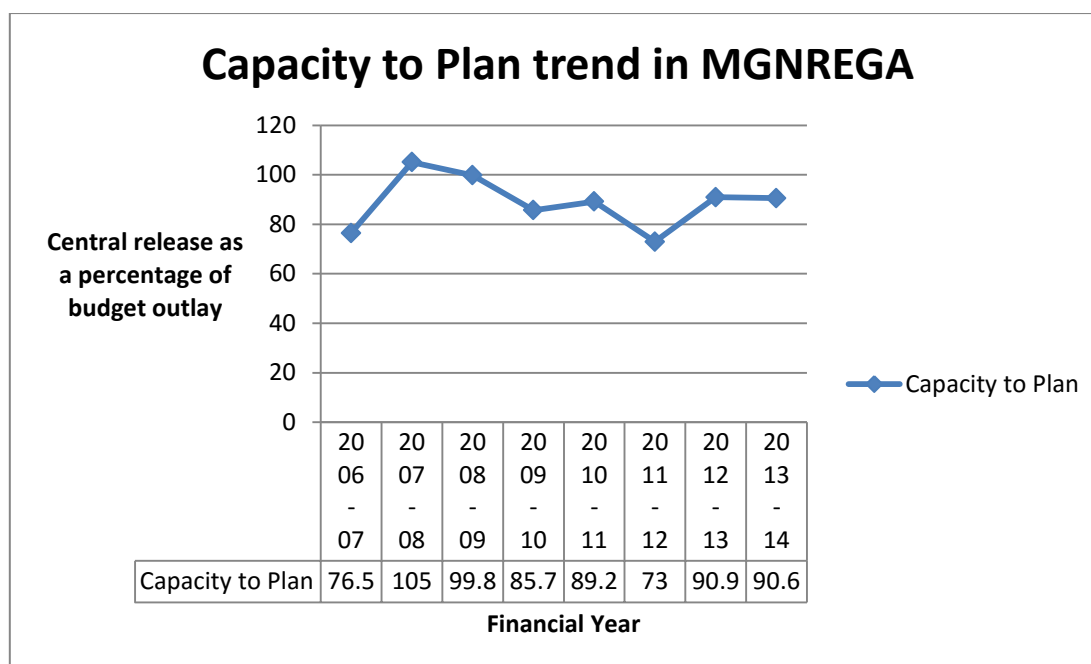
With regards to employment provision in MGNREGA, the analysis of the trends present a very dismal picture of the program with regards to employment provision, SCs & STs participation rates as well as the work allocation measured by persondays/HH. The only success of the program with regards to participation is the rising trend of women participation which was envisaged to be at least 33% of the total. It has consistently met the desired criteria and also shows an increasing trend.

<b>TABLE 4. MGNREGA Financials (a National Overview)</b>								
	<b>(FY 06-07)</b>	<b>(FY 07-08)</b>	<b>(FY 08-09)</b>	<b>(FY 09-10)</b>	<b>(FY 10-11)</b>	<b>(FY 11-12)</b>	<b>(FY 12-13) Provisio nal</b>	<b>(FY 13-14) Till Dec 13</b>
<b>Budget Outlay (In Rs Crore)</b>	11300	12000	30000	39100	40100	40000	33000	33000
<b>Central Release (In Rs)</b>	8640.8 5	12610. 39	29939. 60	33506. 61	35768. 95	29189. 77	30009.96	29885. 92

Crore)								
<b>Total available fund [including OB]</b> In Rs. Crore.	12073.55	19305.81	37397.06	49579.19	54172.14	48805.68	45051.43	37084.76
<b>Expenditure</b> (In Rs. Crore.) [percentage against available funds]	8823.35 [73%]	15856.89 [82%]	27250.10 [73%]	37905.23 [76%]	39377.27 [73%]	37072.82 [76%]	39657.04 [88%]	24848.75 [67%]
<b>Expenditure on Wages</b> (In Rs. Crore.)	5842.37 [66%]	10738.47 [68%]	18200.03 [67%]	25579.32 [70%]	25686.53 [68%]	24306.22 [70%]	27128.36 [72%]	17832.19 [76%]

**Source:** MoRD (2014)

Table 4 depicts the financials of the MGNREGA program. Figure 5 depicts the trend of capacity to plan defined as central release as a percentage of the budget outlay. The trend shows values between 73% and 91% in the years 2009-10 to 2013-14, which depicts the Centre's capacity to plan has continuously been below par and has declined to even 73% in 2010-11. Only in the MGNREGA expansion years i.e. 2007-08 and 2008-09 government has shown almost a cent percent capacity to plan. The figure in the year 2007-08 even exceeds 100% which shows government's commitment for the program in its expansion phase but the trends after that need improvement.



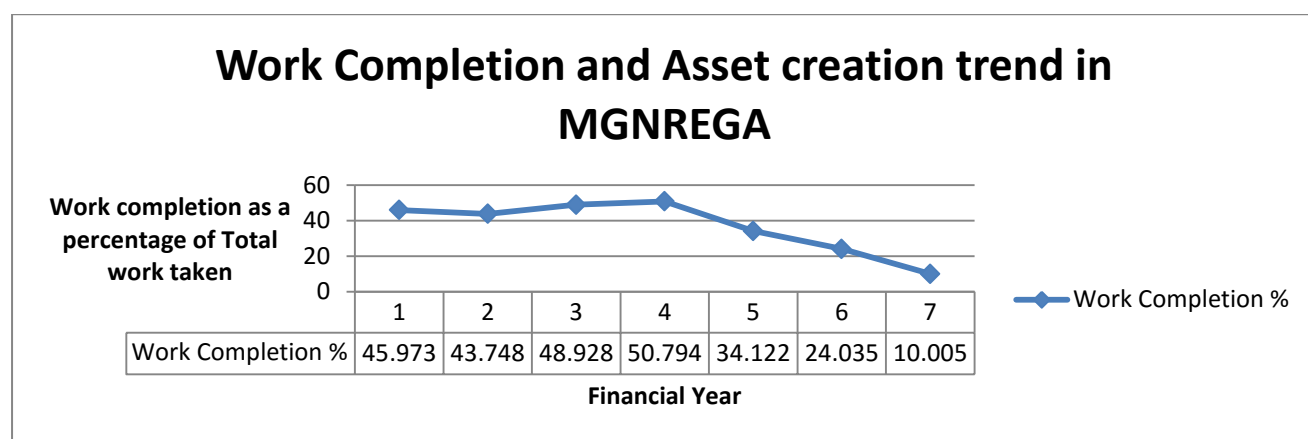
**Figure 5. Capacity to Plan trend in MGNREGA**

Table 4 depicts the government's expenditure on the program as a percentage of total available funds. This figure denotes the government's capacity to implement the program. The figure has continuously fallen between 67% and 88% with the figure in most years around the 75% mark. Column 4 of the table shows it. Looking at the utilization of resources in similar large scale programs like Bosa Familia and Fome Zero in Brazil for which utilization have continuously pegged above 90 percent mark, we can say that the government has not been very efficient in utilization of the resources allocated to the program.

With regards to the expenditure on wages for MGNREGA, it has continuously been above the planned 60% mark. This reveals two things, first, the government's focus on providing wages to the rural households which is one of the objectives and second, the inability of the program and its official to plan for useful asset creation. This reveals inability of the program to spend the envisaged 40% on skilled and semi-skilled labour and materials. Thus, it can be inferred that the objective of asset creation not being achieved properly.

In sum, with regards to the analysis of MGNREGA financials reveals government incapacities to both plan as well as implement the program efficiently. The analysis also reveals that the primary emphasis of the program has been the provision of wages to rural households which leads to an increase in income distribution, which is a stated objective. But, the asset creation objective is not being achieved properly.

Table 5 gives a national overview of the works taken, completed and break-up of work types. With regards to the works taken up and completed, the analysis of trend shows a dismal performance once again. The work completion rates has a maximum figure of 50.8%, which only shows the inability of the MGNREGA program to develop into an asset creation program apart from a wage-employment program. This kind of inefficiency in work done reveals a very lax attitude of both workers and government officials towards the program outcomes. There needs to be a focus not only on the input expenditures of the program but also on the output monitoring of the program to have a positive impact on the economy of the country. Alternatively, it will turn out to be only a waste of resources and also can have behavioural implications for the workers of the program.



**Figure 6. Work completion trend in MGNREGA**

<b>TABLE 5. MGNREGA Works (a National Overview)</b>								
	(FY 06-07)	(FY 07-08)	(FY 08-09)	(FY 09-10)	(FY 10-11)	(FY 11-12)	(FY 12-13) Provisional	(FY 13-14) Till Dec 13
<b>Total works taken up (In Lakhs)</b>	8.35	17.88	27.75	46.17	50.99	80.77	106.51	111.64
<b>Works completed (In Lakhs)</b>	3.87	8.22	12.14	22.59	25.90	27.56	25.60	11.17
<b>Works break up (in Lakh)</b>								
Water conservation	4.51 [54%]	8.73 [49%]	12.79 [46%]	23.43 [51%]	24.26 [48%]	48.81 [60%]	49.26 [46%]	45.41 [41%]

Works on individuals land	0.81 [10%]	2.63 [15%]	5.67 [20%]	7.73 [17%]	9.15 [18%]	9.16 [11%]	11.81 [11%]	12.62 [11%]
Rural Connectivity	1.80 [21%]	3.08 [17%]	5.03 [18%]	7.64 [17%]	9.31 [18%]	13.86 [17%]	13.04 [12%]	12.62 [11%]
Land Development	0.89 [11%]	2.88 [16%]	3.98 [15%]	6.38 [14%]	7.04 [14%]	6.32 [8%]	6.58 [6%]	5.78 [5%]
Any other activity	0.34 [4%]	0.56 [3%]	0.28 [1%]	0.98 [2%]	1.06 [2%]	2.31 [3%]	9.87 [9%]	9.65 [9%]
Rajiv Gandhi Seva Kendra	-	-	-	-	0.17 [0.33%]	0.29 [0.36%]	0.30 [0.28%]	0.29 [0.26%]
Coastal Areas	-	-	-	-	-	-	0.00061 [0.001%]	0.00407 [0.004%]
Rural Drinking Water	-	-	-	-	-	-	0.03062 [0.03%]	0.08757 [0.08%]
Fisheries	-	-	-	-	-	-	0.02791 [0.03%]	0.03508 [0.03%]
Rural Sanitation	-	-	-	-	-	-	15.59 [15%]	25.12 [23%]
Aanganwadi	-	-	-	-	-	-	-	0.00664 [0.01%]
Play Ground	-	-	-	-	-	-	-	0.00876 [0.01%]

**Source:** MoRD (2014)

With regards to work distribution, there are a variety of rural assets that can be created as outcome of this employment guarantee program. These include works related to water conservation, rural connectivity, land development etc. Rural drinking water, sanitation, anganwadi and playground construction seem to be new inclusions. The program outcome on asset creation remains unsatisfactory and there is still a long way for the program to evolve from its current status of employment guarantee to become a rural asset creation program. This will only enhance the fiscal sustainability of the program otherwise an income distribution program with no outcomes will be difficult to sustain for a developing economy like India.



## 4. DISCUSSION & CONCLUSION

### 4.1. *The Positive impacts of MGNREGA*

There have been several intended as well as unintended impacts of the MGNREGA program on the economy both at the regional level as well as at the national level. There have been regional variations in the impact as well with the act proving a boon for states of Bihar and Jharkhand, two of the most backward states of the country while having negative impacts on agricultural economy of states like Punjab which depend a lot on migrant labourers for their peak agricultural seasons. At the national level, on one hand it can be seen as a full employment strategy and on the other a huge burden on the fiscal expenditure. Mann & Pande (2012) & Ghosh (2009) however argue that it has served as an effective instrument for distribution and reduction of income disparity.

This section examines the impact of MGNREGA on rural areas and the local economy. It discusses impact of the scheme on rural wages, aspects of community assets creation and challenges in making it productive, agrarian economy, impact on women employment, distress migration etc. Sinha & Mukherjee (2010, 2013) finds out positive impact of MGNREGA on the income of the poor. JPMorgan (2011) validates the same by showing a significant increase in rural wages post-MGNREGA. Shah and Jose (2009) discuss aspects of asset creation both in terms of opportunities and challenges. They note that the enhancement of wages with coupling of productive asset creation is a common path taken by employment programs both in India and outside. Their argument is that increase in wages coupled with capital enhancement in the rural economy can boost up both demand as well as productive capacities having positive impacts on poverty reduction as well as overall economic growth of the country. This is especially true for a country like India where agriculture provides livelihood to most population. They conclude that while MGNREGA has the potential of increasing the productive capacities of the rural economy, there needs to be sync between planned economic growth and MGNREGA to have positive impact on local economy. Basu (2013) argues that there is a tradeoff between the policy objectives of increased worker's welfare and increased agricultural productivity. He further points that setting the Employment guarantee scheme (EGS) wage greater than the lean period wage will lead to permanent contract for the workers thus increasing their welfare as well as farm productivity simultaneously. Haque (2012) studies the relationship between MGNREGA and agricultural productivity. He posits a positive impact of the program on agricultural productivity. He points out that this has been due to large amount of irrigation, water-harvesting and land-development works undertaken under MGNREGA. There have been effects on cost of production, crop productivity and cropping pattern. He also points a rise in cost of production because of increase in wages, an effect of MGNREGA. Reddy (2012)

finds out that the effect of MGNREGA on small-marginal farmers has been dismal. He points that MGNREGA has a highly positive impact on poor households with a drastic reduction in the distress migration and further argues that there is no reason for being apprehensive about its negative impacts on migration to economically dynamic areas as Farrington et al. (2007) point since the migration for works with higher wages and opportunities for skill development remains unaffected. Pankaj & Tankha (2012) find out that the MGNREGA has also implications for correcting gender skewness by removing gender-discriminatory wages prevalent in rural India's labour market prior to MGNREGA. Kelkar (2009) also find evidences for the ability of MGNREGA in enhancing gender agency and productivity. IDYWC (2010) conclude that MGNREGA has significant positive implications for improving rural livelihood and sustainable asset creation.

This part comments on the inter-state variations in the impacts of MGNREGA. Pankaj (2008) in his study on impact assessment of MGNREGA on the states of Bihar and Jharkhand notes that the two states are ideal candidates for the scheme. This is because of existence of high rural poverty, non-existence of occupational diversity in rural households, poor rural infrastructure and a high-incidence of distress migration. The socio-economic realities of the rural households in these states suggest a need for a wage-employment program like MGNREGA. The existence of MGNREGA can also have implications for inter-state variation in average per capita income and poverty. Pankaj (2008) argues that though the program is highly suitable for these states, the lack of awareness, low literacy levels, absence of social mobilization and weak presence of Civil Society Organizations (CSOs), the program remains largely supply-driven and its proper implementation a concern. However, there are positive impacts of the program on livelihood of beneficiary households both in terms of reduction of debt and seasonal distress migration. Joshi et al. (2008) on their study of Rajasthan note that MGNREGA has positive impacts on distress migration, purchasing power augmentation and debt decline of rural households, rural connectivity, environmental conditions, agricultural production etc. Pankaj (2012) reveals that Rajasthan has been a leading performer in MGNREGA implementation. There are some instances of regulatory capture of the program though. Galab & Revathi (2012) in their study of MGNREGA in Andhra Pradesh note similar positive trends in impact. Pankaj (2012) argues that the MGNREGA does not suit the needs of agriculturally developed states like Punjab and Haryana. There is negative implication of MGNREGA on the agrarian economy of the state which depends a lot on migrant labourers during its peak agriculture season. But, there is reduction in supply of both migrant workers and even local workers due to existence of MGNREGA. This has implications for increase in wage rates of labourers thus reducing agricultural profits. This has led to farmers being tempted to employ their land for non-agricultural purposes. Ghuman

& Dua (2012) with their study on the impact of MGNREGA on declining agrarian economy of Punjab, suggest a region or state-specific approach for MGNREGA.

The impact of a large-scale policy like MGNREGA is a matter of pertinent debate. There is a significant budget outlay for the scheme in the range of Rs. 35000 crores every year from 2009 onwards after the full expansion of the scheme to all rural districts. The main contention is that whether it remains only an income transfer scheme, which makes such a huge sum an expenditure as against it also develops into an asset creation mechanism, which leads to an investment in rural asset creation. There is also possibility of schemes like MGNREGA contingent upon states capacity to implement, to create fiscal imbalance. Chakraborty (2007) finds that MGNREGA induced fiscal expansion does lead to fiscal imbalances. He further argues that since the flow of resources to individual states is dependent on the ability of the states to forecast labour demand and subsequently submit a plan outlining the same. The poorer states with their incapacities to plan can have lower flow of resources making the program regressive. Hirway (2008) argues that MNREGA can serve as a full employment strategy to facilitate a labour-intensive growth path for a country like India. But, the contention to this would be how government ex-ante can be able to do an exact sector-wise demand assessment of labour and also set the labour prices at a fixed value. She further suggests skill training and maintenance of public assets and services as permissible works in MGNREGA. Hirway et al. (2008) with their multiplier analysis infer that MGNREGA can make a significant positive impact on the economy. It can eradicate poverty at the bottom and can generate assets to improve the livelihood of people. It is also an effective instrument for inclusion of women in the productive work force of an economy. Thus, MGNREGA can serve as an instrument for poverty reduction and growth with distribution through employment generation and making unemployed people part of the productive workforce, if properly implemented. The impact of MGNREGA on inclusion is a little agreeable but on growth is more than questionable. But, is there only a positive side to the MGNREGA story. The answer is a no. It has induced some unintended systemic impacts on the Indian economy which can have some negative discernible consequences.

#### **4.2.        *The Negative impacts of MGNREGA***

The MGNREGA though has some useful contribution with regards to reduction of rural poverty and income inequalities but it has also induced some unintended impacts due to affecting the economy in a systemic manner and thus has stressed some trends which can have some adverse long-term consequences for the economy of India. *Firstly*, the reduction in poverty through MGNREGA has come at a cost of soaring food prices as the agricultural laborers wages have increased several folds and that have forced farmers to demand more for their food grains by way of Minimum Support Prices (MSPs). *Secondly*, higher

agricultural laborer wages in rural areas are leading farmers to take a move towards mechanization of farms which is proving to be cheaper. Thus, sugarcane and oilseeds farmers among others are moving towards harvesting through mechanized means which can have negative implications for labour requirement in the agriculture sector. This overtime can lead to almost no demand of labour in rural areas thus making MGNREGA only a non-contributory income transfer program or a 'social safety net' for the poor. *Thirdly*, a program like MGNREGA also has behavioural implications for the people covered under it. Since, mostly the work done under MGNREGA is not well planned and many a times it is perfunctory, the people who are getting employment under MGNREGA are getting into a habit of getting paid for not working, which can have serious implications for India's human prowess and outlook. *Fourthly*, many skilled occupations like handloom weavers, rural artisans etc. are losing their workers to MGNREGA, which is leading to a loss of skill in that particular profession. Thus unique skills acquired over generations are being lost due to the existence of an employment guarantee program like MGNREGA which offers more wages, although its impact on skill development is almost nil. *Fifthly*, MGNREGA also has implications for increase of urban wages in sectors like infrastructure and real state, which depend on migrant workers from rural areas. This increases the costs of real state and infrastructure projects. *Sixthly*, the rising food inflation (which can be an unintended consequence of MGNREGA through the Minimum Support Price (MSP) route due to rise in farm wages) is pushing people pulled out of the vicious cycle of poverty being pushed back again. So, even the claim that it has positive impact on removing rural poverty can be a wrong one. The reason for that being the indicators for poverty reduction being monitored might be the total nominal income and not the total real income and it might be the case that the nominal incomes have been raised but not the real income due to inflationary pressures. *Seventhly*, the flow of resources to individual states is dependent on the ability of the states to forecast labour demand and subsequently submit a plan outlining the same. The poorer states with their incapacities to plan can have lower flow of resources making the program regressive. Thus, there is also possibility of schemes like MGNREGA contingent upon states capacity to implement, to create fiscal imbalance. *Eighthly*, there have been instances of large scale corruption in MGNREGA. Considering the large scale of the program, it can have serious implications for the economy of the country due to wastage of such a huge amount of resources. *Ninthly*, Li & Sekhri (2013) find out that MGNREGA though intends to increase the rural household income thus enabling them to allocate more resources towards quality provisioning of education but fails to do so by providing perverse incentives. They find out that the program induces young children to either substitute in home production or withdraw from school. Moreover, it also increases private school enrollment and decreases government school enrollment. This is one more unintended consequence of the program.

Thus, it is clear that the program is not a silver lining but have several clouds associated with it.

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