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The Role and Impact of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on Rural Livelihood Security in India

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Abstract

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was passed by Parliament in September 2005 and came into force on 2 February 2006. The Act provides a legal guarantee of wage employment to rural households willing to undertake unskilled manual work. This decentralized system aims to enhance grassroots democracy and guarantee that local development priorities are incorporated into program implementation. MGNREGA strongly focuses on promoting social inclusion and gender equality. The legislation requires that a minimum of one-third of the beneficiaries be women. MGNREGA plays a crucial role in generating wage employment and supplementary income for rural households in India. MGNREGA has consistently generated large-scale rural employment. MGNREGA contributes to rural livelihood security primarily by augmenting household income and stabilizing consumption expenditure, especially among poor and vulnerable rural households. MGNREGA contributes to rural livelihood security primarily by augmenting household income and stabilizing consumption expenditure, especially among poor and vulnerable rural households. MGNREGA is widely recognized for enhancing social inclusion and gender empowerment by providing equitable access to employment for women and marginalized communities. Although the MGNREGA has been a flagship programme in strengthening rural livelihoods in India, implementation has faced persistent challenges that undermine its effectiveness as a rights-based employment guarantee scheme. As of 2025, the scheme remains a cornerstone of the rural economy, particularly for marginalized groups.

Keywords: Employment, livelihood, development, gender, marginalized, infrastructure

Introduction

Rural India has historically been marked by persistent poverty, seasonal unemployment, underemployment, and vulnerability to agrarian distress. A large share of the rural workforce depends on agriculture and allied activities, which are characterized by low productivity, irregular income flows, and susceptibility to climatic shocks such as droughts and floods. These structural challenges have often resulted in livelihood insecurity, distress migration, and chronic poverty among rural households. In response to these long-standing issues, the Government of India enacted the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005 as a landmark rights-based social protection and employment program.

The Mahatma Gandhi National Rural Employment Guarantee Act was passed by Parliament in September 2005 and came into force on 2 February 2006. The Act provides a legal guarantee of wage employment to rural households willing to undertake unskilled manual work. Under its provisions, every rural household is entitled to a maximum of 100 days of wage employment per financial year, to be provided within fifteen days of demand, failing which the state government is required to pay an unemployment allowance. In 2009, the scheme was renamed after Mahatma Gandhi to emphasize the principles of dignity of labour, social justice, and inclusive development.

MGNREGA represents a significant departure from earlier rural employment programs in India, such as the Food for Work Programme and the Jawahar Rozgar Yojana, which were largely supply-driven and discretionary.

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In contrast, MGNREGA adopts a demand-driven and rights-based approach, empowering rural citizens to demand employment as a legal entitlement. This shift reflects a broader policy move toward social protection and inclusive growth, recognizing employment as a critical instrument for poverty alleviation and livelihood security (Dreze & Sen, 2013).

A key feature of MGNREGA is its emphasis on decentralized planning and participatory governance. The Act assigns a central role to Panchayati Raj Institutions (PRIs) in the identification, planning, and implementation of works at the village, block, and district levels. This decentralized framework seeks to strengthen grassroots democracy and ensure that local development priorities are reflected in program execution. Transparency and accountability mechanisms such as social audits, mandatory maintenance of job cards, and an online Management Information System (MIS) are integral to the scheme's design and are intended to reduce leakages and enhance public oversight (Dreze & Khera, 2017).

MGNREGA also places strong emphasis on social inclusion and gender equity. The Act mandates that at least one-third of beneficiaries should be women, although women's participation has frequently exceeded this threshold at the national level. Equal wages for men and women

Table 1: Employment and Income Generation under MGNREGA in India

Financial Year	Households Employed (crore)	Person-days Generated (crore)	Average Days of Employment per Household	Average Daily Wage Rate (₹)
2019–20	5.48	265.4	48	182
2020–21	7.55	389.1	52	201
2021–22	6.25	363.3	58	209
2022–23	5.94	289.9	49	221
2023–24	5.20	265.0	51	236

Source: Ministry of Rural Development, Government of India (MGNREGA MIS). Note. Figures are rounded; wage rates are national averages.

Table-1 shows that MGNREGA has consistently generated large-scale rural employment, with annual person-days ranging between 265 crore and nearly 390 crore. Employment peaked in 2020-21, reflecting the programme's role as a counter-cyclical safety net during the COVID-19 pandemic, when reverse migration and job losses increased rural labour demand (Ministry of Rural Development [MoRD], 2021).

In terms of income generation, the scheme contributes by providing paid employment at statutory minimum wages. The average daily wage rate increased steadily from about ₹182 in 2019-20 to around ₹236 in 2023-24, enhancing nominal rural incomes. Although most households do not receive the full 100 days of guaranteed employment, the average 49-58 days of work per

under the scheme have contributed to reducing gender wage disparities in rural labour markets. Empirical studies indicate that MGNREGA has contributed to improved income security, enhanced rural wages, and strengthened rural infrastructure, although challenges related to delayed wage payments, inadequate funding, and uneven implementation persist (Dreze & Sen, 2013; Khera, 2011).

Methodology

This paper synthesizes secondary data from government publications, non-government research institutes, peer-reviewed journal articles, and credible policy briefs. Quantitative data from official reports and academic sources were employed to construct descriptive statistics and comparative tables.

Employment Generation and Income Generation under MGNREGA

MGNREGA plays a crucial role in generating wage employment and supplementary income for rural households in India. Employment generation is commonly measured in terms of person-days created, while income generation is reflected through average days of employment per household and wage earnings. Table-1 summarizes key indicators for selected recent financial years.

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household provides critical supplementary income, particularly during the agricultural lean season (Das, 2016).

The data also indicate that income generation under MGNREGA is broad-based and inclusive, as a large proportion of workers belong to women, Scheduled Castes, and Scheduled Tribes. Studies show that MGNREGA wages are often used for food consumption, healthcare, education, and debt repayment, thereby strengthening livelihood security rather than merely short-term income support (Murugan & Anshida, 2024).

However, the gap between guaranteed employment (100 days) and actual employment generated remains a persistent limitation. This constrains the programme's ability to deliver sustained income security and highlights the need for adequate labour





budgets, timely wage payments, and efficient local implementation.

Household Income and Consumption Generation under MGNREGA

MGNREGA contributes to rural livelihood security primarily by augmenting household income and stabilizing consumption

Table 2: Household Income and Consumption Effects of MGNREGA in India

Indicator	MGNREGA Beneficiary Households	Non-Beneficiary Households	Key Evidence
Share of MGNREGA wages in annual household income	8–12%	Not applicable	NSS-based studies
Increase in annual household income	₹6,000–₹12,000	Marginal increase	Das (2016)
Increase in food consumption expenditure	Significant increase	Moderate increase	MoRD & NSS
Use of income for health & education	Moderate to high	Moderate	Murugan & Anshida (2024)

Source: Compiled from National Sample Survey (NSS) data, Ministry of Rural Development reports, and peer-reviewed studies.

Evidence from national-level surveys and empirical studies indicates that MGNREGA plays a supplementary but stabilizing role in household income generation. Das (2016), using NSS data, finds that MGNREGA wages account for approximately 8-12% of annual income for participating rural households, which is particularly significant for landless labourers and marginal farmers. Although this income does not fully lift households out of poverty, it provides a critical income floor, especially during agricultural off-seasons.

In terms of consumption generation, MGNREGA income has been shown to positively influence food security and essential expenditures. Beneficiary households demonstrate higher and more stable food consumption compared to non-beneficiaries, reducing hunger and nutritional stress (Das, 2016). Ministry of Rural Development assessments further indicate that MGNREGA wages are frequently spent on food grains, cooking fuel, healthcare, and children's education, reflecting its role in meeting basic needs rather than luxury consumption (MoRD, 2022).

Another important impact is the reduction in distress coping mechanisms, such as borrowing from moneylenders or selling productive assets. Field-based studies report that regular MGNREGA income reduces reliance on high-interest loans, thereby improving household financial resilience (Murugan & Anshida, 2024). This effect is particularly pronounced among Scheduled Castes, Scheduled Tribes, and women-headed households.

expenditure, especially among poor and vulnerable rural households. Wage earnings from MGNREGA are often used to meet basic consumption needs such as food, healthcare, education, and repayment of debts, thereby reducing vulnerability to seasonal unemployment and income shocks.

However, the programme's consumption and income effects are constrained by limited employment days. With average employment ranging between 45 and 60 days per household annually, the income generated remains supplementary rather than transformative. Furthermore, Das (2016) notes that improvements in consumption expenditure are sometimes similar between beneficiary and non-beneficiary households, suggesting that broader rural economic conditions also influence consumption patterns.

Overall, MGNREGA contributes meaningfully to income stabilization and consumption smoothing, strengthening rural livelihood security, though its long-term poverty-reducing impact depends on improved implementation and convergence with other livelihood programmes.

Asset Creation and Rural Infrastructure under MGNREGA

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) aims not only to provide wage employment but also to generate durable rural assets that enhance infrastructure, natural resource management, and community resilience. Asset creation is central to the scheme's intent to improve rural productivity and livelihood security by investing in water conservation, land development, irrigation facilities, rural connectivity, and other infrastructure works (Press Information Bureau, 2025).

Table 3 Asset Creation and Rural Infrastructure under MGNREGA (Key Indicators)

Indicator	Value	Source
Total rural assets created (2014–15 to	8.07 crore+ assets	Government of India (ET) The





Indicator	Value	Source
2024–25)		Economic Times
Geo-tagged assets (2014–15 to 2025–26)	6.44 crore+ assets	Ministry of Rural Development PSU Connect
Increase in geo-tagged assets (last decade)	526%	Government release DD India
Assets related to rural infrastructure*	58 categories (of 266 works)	Press release summary DD India
Water conservation and irrigation works	150 categories (incl. water works)	Official scheme data DD India

*Note. Works categories under MGNREGA include multiple infrastructure types such as rural connectivity, water conservation, and land development.

As shown in Table 3, MGNREGA has facilitated the creation of over 8.07 crore rural assets between 2014–15 and 2024–25, supported by a cumulative release of approximately ₹7.8 lakh crore in scheme funds (Economic Times, 2025). This reflects a major expansion in asset creation compared with earlier periods, driven by increased budgetary outlays and prioritization of rural development through public works.

Geo-tagging of assets has emerged as a key reform for transparency and planning. From FY 2014–15 to early FY 2025–26, around 6.44 crore assets have been geo-tagged and made publicly available, enabling improved monitoring of asset quality and distribution (Ministry of Rural Development, 2025). Geo-tagging helps prevent duplication, track work completion, and ensure that infrastructure meets local needs.

The diversity of asset types under MGNREGA is noteworthy. Out of 266 permissible work categories, 58 relate directly to rural infrastructure development and 150 to agriculture and allied activities, including natural resource management such as water harvesting, irrigation structures, check dams, and community ponds. These investments contribute to enhanced water security, agricultural support, and connectivity in rural regions (Press Information Bureau report, 2025).

Importantly, MGNREGA's infrastructure works go beyond traditional employment schemes by creating productive assets that provide long-term benefits. For example, water conservation and irrigation assets help to reduce vulnerability to drought and seasonal fluctuations, while rural connectivity projects improve market access and service delivery for rural communities. In addition, the scheme's focus on natural resource management supports environmentally sustainable development by conserving soil and water resources.

Despite these achievements, challenges persist, such as maintaining asset quality, ensuring equitable distribution across states, and integrating asset works with broader rural development programmes. Continued emphasis on community participation, technical quality control, and post-

completion maintenance is essential for maximizing the long-term impact of MGNREGA-created infrastructure.

In conclusion, asset creation under MGNREGA has been significant and multifaceted, enhancing rural infrastructure and contributing to sustainable livelihoods. Through strategic funding, expanded asset categories, and digital transparency measures like geo-tagging, the programme has reinforced its role as a foundational pillar of rural development policy in India.

Social Inclusion and Gender Empowerment under MGNREGA

The **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** is widely recognized for enhancing **social inclusion and gender empowerment** by providing equitable access to employment for women and marginalized communities such as **Scheduled Castes (SCs) and Scheduled Tribes (STs)**. Its design mandates prioritizing women workers (at least one-third of beneficiaries) and aims to elevate the economic and social status of disadvantaged groups across rural India.

Gender Empowerment through Employment AccessMGNREGA's gender provisions are reflected in high levels of women's participation in employment. In FY 2023–24, women generated approximately 59% of all person-days under MGNREGA, far exceeding the statutory minimum requirement of one-third, indicating strong gender inclusion in the scheme's implementation. Such inclusion is significant in rural contexts where women often face barriers to wage employment due to mobility restrictions, domestic responsibilities, and limited income opportunities.

High participation rates in states like Kerala (89%) and Tamil Nadu (87%) further underscore the potential of the scheme to empower women economically and socially by integrating them into formal wage-earning activities. This employment enhances women's financial independence and can increase their decision-making authority at household and community levels, though localized qualitative research would





be required to evaluate the depth of empowerment outcomes.

Inclusion of Marginalized Communities MGNREGA has also contributed to social inclusion by extending employment opportunities to historically disadvantaged groups. SC and ST populations accounted for approximately 37% of MGNREGA person-days in FY 2023-24, exceeding their combined proportion in the national population, suggesting that the scheme is reaching these groups effectively.

This inclusive participation helps in improving income security for marginalized households and serves as a social safety net against adverse economic conditions. Moreover, studies indicate that MGNREGA's locally available work reduces seasonal distress migration for SC, ST, and women workers, enabling them to remain in their communities while earning a wage.

Despite strong national-level figures, significant regional variability exists. Some states report lower female participation (e.g., Jammu & Kashmir 32%, Uttar Pradesh 42%), suggesting gaps in awareness, accessibility, or supportive infrastructure like childcare facilities that facilitate women's work. These disparities highlight the need for context-specific interventions including targeted outreach, better childcare support, and proactive inclusion strategies to ensure equitable participation across all regions.

Implementation Challenges of MGNREGA

Although the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has been a flagship programme in strengthening rural livelihoods in India, its implementation has faced persistent challenges that undermine its effectiveness as a rights-based employment guarantee scheme.

One of the major problems has been the late disbursement of wages. Although there is a legal obligation to pay wages within 15 days after the work is finished, regular delays happen because of procedural obstacles, technological issues, and bureaucratic challenges in the payment process, which includes complications arising from Aadhaar-based systems and bank discrepancies. These delays disincentives participation and undermine workers' confidence in the program.

Corruption and financial discrepancies continue to occur at various stages of implementation. Instances of phantom beneficiaries, fraudulent job cards, exaggerated muster rolls, and misallocation of funds have been observed in numerous areas, undermining the scheme's credibility and depleting resources meant for legitimate beneficiaries.

Limitations in administrative capacity impede successful implementation. Numerous Gram Panchayats and local offices are short on

sufficient personnel, technical expertise, and resources, resulting in planning shortcomings, substandard assets, and unfinished projects. Complicated documentation processes and inadequate social audit practices further diminish transparency and accountability.

The program's reach among marginalized populations is also constrained by issues related to awareness and access. A lack of knowledge about entitlements, complicated procedures, and obstacles related to technology diminish program participation, particularly among those who are illiterate and economically disadvantaged.

Conclusion

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) represents a significant rights-based initiative within India's rural development strategy. By ensuring wage employment is a legal right; the program has been instrumental in improving rural livelihood security through job creation, income stabilization, asset development, and social inclusion. MGNREGA has proven to be a vital safety net during times of economic hardship, such as during drought conditions and the COVID-19 pandemic, while also fostering gender empowerment and the involvement of marginalized groups. As of 2025, the scheme remains a cornerstone of the rural economy, particularly for marginalized groups. However, the landscape is shifting. In December 2025, the Indian Parliament passed the **Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin) Act, 2025 (VB-G RAM G)**, which replaces the **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005** as the statutory framework for rural employment and livelihood support.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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