

Mahatma Gandhi National Rural Employment Guarantee Act 2005: A Brief Review

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ABSTRACT

The Govt. of India is set to introduce a new rural employment law in the Lok Sabha, proposing to repeal the two-decade-old Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) with another legislation, titled the Viksit Bharat Guarantee for Rozgar and Ajeevika Mission (Gramin) (VB-G RAM G) Bill, 2025. The bill seeks to replace the MGNREGA with a revamped framework aimed at aligning rural employment and development with the national vision of Viksit Bharat 2047. The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA) is considered to be a game changer for rural India. India's rural economy remains the backbone of its socio-economic condition, with approximately 60% of the population residing in rural areas and a majority dependent on agriculture and allied activities. Yet, the sector faces persistent structural challenges that manifest as agrarian distress, including fragmented landholdings, low productivity, scarcity of irrigation, and fluctuating market prices the study evaluates the scheme's effects on employment, income, women's empowerment, poverty, and migration. The review confirms that MGNREGA has significantly improved rural livelihoods by providing income security, enhancing women's participation, and reducing distress migration. However, the analysis also highlights persistent implementation challenges, including regional disparities, wage payment delays, and corruption. The findings are summarized using tables to provide a robust, evidence-based assessment for policymakers and researchers. In light of such questions, this article, rather than engaging in debate over the various divisions of opinion, lets the figures speak for themselves. It collates the relevant statistics in user-friendly form and the concluding analysis then briefly analyses particularly the inter-state differences in the MGNREGS performance for the period of 2006–25.

Keywords: MGNREGA, Agriculture, socio-economic impact; rural livelihoods; employment generation; women's empowerment; poverty alleviation; migration reduction; food security;

INTRODUCTION

In Indian history, apart from the Maharashtra Employment Guarantee Scheme (MEGS) of 1975, which started as a drought-relief measure in 1972–73, MGNREGS is the only flagship wage employment programme on the lines of the right to work. For the first time, a large wage employment programme has been designed within a constitutional framework to provide employment guarantees to rural households who are willing to do manual work. With unique features like employment on demand within 15 days, wage payments within 15 days, equal wages for men and women, the active role of local bodies (Gram Panchayat), use of information technology and social audits, MGNREGS completely differs from previously introduced wage employment schemes in the country. It is expected to provide at least 100 days of employment to every participating household in a year to enhance their livelihood security.

Being a huge quasi-federal state, India is highly diversified across its regions in terms of economic, political, geographical and sociocultural factors. In such a scenario, the country's economic phenomena cannot be uniform, and the implementation of MGNREGS is no exception. There are wide variations among the states in

different aspects related to MGNREGS implementation and achievements. Generally speaking, the performance of MGNREGS is expected to be better in poorer states where such an employment guarantee is direly needed. At the same time, states' capability to implement the scheme effectively is also equally important. Crucial questions thus arise related to MGNREGS performance, concerning the differences among the states and the contributing factors of differential evidence of MGNREGS successes and failures.

Within the specific economic development trajectory of postcolonial India, the necessity of multi-pronged state intervention in the form of the MGNREGS appears to have arisen as a consequence of increasing inegalitarian growth processes in the phase of economic reforms during the early 1990s. It is undoubted 'a bold experiment in providing minimum livelihood security to rural households' Opponents of India's MGNREGS approach to addressing rural unemployment and underemployment problems may still find it easy to criticise that, for example, it could so far only provide a maximum of 54 days of employment per household at a national level, which is just over half of the proposed official target of 100 person-days per participating household.

Objectives

1. To evaluate MGNREGA's effectiveness in generating rural employment and enhancing income security among marginalized households.
2. To analyze the role of MGNREGA in promoting women's empowerment and social inclusion.
3. To examine the program's impact on poverty reduction, improved food security, and curbing distress migration in rural areas.
4. To identify gaps in existing research and recommend directions for future studies to inform evidence-based policy and program improvements.

Data Sources

To guarantee a comprehensive and representative dataset, a wide range of sources spanning academic, governmental, and grey literature was consulted:

- Academic Databases: Searched Scopus, Web of Science, JSTOR, EconLit, and Google Scholar for peer-reviewed studies on rural employment, poverty alleviation, gender inclusion, and migration related to MGNREGA.
- Government and Policy Documents: Included official reports from Ministry of Rural Development, NITI Aayog, and Comptroller and Auditor General to capture authoritative data on program performance and governance.
- Grey Literature: Sourced reports and case studies from NGOs, UNDP, and World Bank that provide qualitative insights and field-level assessments.
- Triangulation: Combined evidence from diverse sources to reduce publication bias and enrich the review with comprehensive, multi-dimensional perspectives.

This diverse array of sources enabled thorough triangulation of data, reducing publication bias and enriching the depth and breadth of evidence synthesized.

RESULTS

Employment Generation and Wages

MGNREGA has significantly increased rural employment, especially by providing off-season work and reducing underemployment in agrarian areas. Studies show that over 80% of households in states like Andhra Pradesh and Tamil Nadu accessed at least 50 days of wage employment annually, offering greater income stability. The scheme's wage rates, aligned with minimum agricultural labor laws, have raised earnings and reduced seasonal income volatility. Social audits in some regions improved wage payment transparency. However, regional disparities persist, with southern and western states outperforming poorer states like Bihar and Uttar Pradesh due to better governance and administration. This uneven implementation affects the scheme's nationwide effectiveness in generating employment and fair wages.

Household Income and Consumption

MGNREGA wages have elevated household income levels, contributing tangibly to improved consumption and quality of life. Longitudinal household surveys indicated that participation in MGNREGA increased median annual incomes by approximately 30-40% in states with strong uptake (Afridi et al., 2012; Imbert & Papp, 2015). This income boost enabled beneficiaries to diversify consumption beyond mere subsistence needs. Expenditure patterns changed significantly, with greater allocations towards food, healthcare, education, and household assets such as livestock and durable goods. Enhanced access to paid employment reduced reliance on informal credit and distress borrowing, a crucial factor for economic resilience (UNDP, 2019). Improved food security was a particularly notable outcome: families reported fewer seasonal hunger gaps due to stable wage earnings, with positive implications for child nutrition and health.

Women's Empowerment

MGNREGA's impact on women's empowerment is often described as a "silent revolution" in rural gender relations. Women's workforce participation in MGNREGA schemes rose from about 40% in 2006 to nearly 55% by 2023, reflecting not only increased financial inclusion but also enhanced social recognition of women as economic actors (MoRD, 2023). Participation translated into strengthened decision-making power within households and communities. Women's independent access to wages lessened economic dependence on male household members and elevated their status in family decisions related to expenditures and education (Sudha & Reddy, 2017). Additionally, childcare support at MGNREGA worksites, now common in southern states, facilitated greater labor force participation among mothers managing domestic responsibilities, reducing the traditionally gendered labor barrier (Narayanan, 2016).

Poverty Reduction

Multiple evaluations have linked MGNREGA participation to declines in rural poverty headcount ratios. Reliable wage employment decreased exposure to seasonal income shocks, allowing households to accumulate savings and maintain essential consumption during lean periods. Notably, in high-uptake states, poverty rates dropped by 5-10 percentage points over a decade (UNDP, 2019). Additionally, MGNREGA reduced distress borrowing from informal lenders, a major poverty trap entailing high-interest debt cycles. Household surveys found that wages from MGNREGA helped meet basic consumption needs, lifting families above poverty thresholds and improving food security — a fundamental determinant of health and well-being (Afridi et al., 2012). While poverty alleviation was widespread, its sustainability over long time horizons remains insufficiently documented, underscoring the need for longitudinal research.

Migration Trends

MGNREGA has played a significant role in lowering distress migration, particularly seasonal outmigration driven by agricultural labor shortfalls. States like Rajasthan and Chhattisgarh recorded reductions of 15-20% in seasonal labor migration correlating with MGNREGA's wage employment availability (Bhatia & Dreze, 2006). Conversely, migration trends remain complex and context-dependent. In states such as Bihar and Uttar Pradesh, where program coverage and governance are weaker, the scheme's impact on curbing distress migration is limited or inconsistent (Keshri & Bhagat, 2012). Some evidence suggests that while MGNREGA offers local employment, migration for higher-value urban jobs continues, reflecting nuanced livelihood strategies.

DISCUSSION

The findings from this systematic review consolidate a multifaceted evidence base showing that the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has played a significant role in enhancing rural livelihood security in India. The program's wide-ranging impacts, limitations, and regional variations highlight both its transformative potential and the challenges that impede its full realization. This discussion focuses on synthesizing key evidence in alignment with Sustainable Development Goals (SDG), examining how governance influences outcomes, and exploring policy implications necessary for maximizing benefits.

Consolidation of Evidence on MGNREGA's

Role in Rural Livelihood Security MGNREGA's primary objective is to provide a legal guarantee of 100 days of wage employment to rural households, thus functioning as a critical safety net for millions of India's vulnerable rural population. This review confirms that MGNREGA substantially secures livelihoods by generating off-season employment opportunities, especially in rural areas heavily dependent on agriculture, where seasonal labor fluctuations and underemployment have been chronic issues (Dreze & Khera, 2009; Ravi & Engler, 2015). Stable wage income attained through the scheme lessens households' income volatility, enabling better planning and improved consumption stability.

Impact on Gender Equality (SDG 5) and Poverty Reduction (SDG 1)

MGNREGA has significantly advanced gender equality (SDG 5), with women's participation rising from 40% in 2006 to nearly 59% in 2023 (MoRD, 2023). Female beneficiaries report greater financial independence and improved household decision-making roles, aided by childcare facilities at worksites that reduce labor barriers for rural mothers (Sudha & Reddy, 2017; Narayanan, 2016). Simultaneously, MGNREGA supports poverty reduction (SDG 1) by providing wage employment that lowers income insecurity and dependence on high-interest informal credit. In states with high program uptake, rural poverty rates and distress borrowing have notably declined, improving food security and reducing hunger risks (UNDP, 2019; Afridi et al., 2012).

Table 1: Women's Empowerment and Poverty Reduction Indicators Linked to MGNREGA

| Indicator | 2006 | 2015 | 2023 |
|---------------------------------------|------|------|------|
| Female Labour Force Participation (%) | 40 | 47 | 55 |
| Women with Independent Income (%) | 32 | 41 | 49 |
| Poverty Headcount Reduction (%) | - | 8 | 8 |
| | - | 70 | 85 |

Regional Disparities and Governance Issues

MGNREGA's socio-economic outcomes vary widely across regions due to differences in governance, administrative capacity, and political will. Southern and western states like Tamil Nadu, Kerala, Andhra Pradesh, and Maharashtra generally perform better with timely wage payments, robust social audits, and higher women's participation, reflecting stronger decentralized governance and technology use (Khera & Nayak, 2009; Ravi & Engler, 2015). In contrast, states in northern and eastern India such as Bihar, Uttar Pradesh, and Jharkhand face challenges like delayed payments, corruption, and poor grievance redressal, undermining program effectiveness (CAG, 2020; Dhorajiwala, 2018). Additionally, Aadhaar-linked payments, while improving transparency, sometimes exclude marginalized groups lacking formal ID or tech access, increasing inequalities. This uneven implementation limits consistent nationwide benefits and calls for targeted interventions (MoRD, 2023).

Table 2: Regional Governance and Implementation Metrics

| State | Average Workdays | Timely Wage Payment (%) | Women Participation (%) | Governance Rating* |
|---------------|------------------|-------------------------|-------------------------|--------------------|
| Tamil Nadu | 96 | 95 | 58 | High |
| Kerala | 90 | 93 | 54 | High |
| Maharashtra | 85 | 90 | 50 | Low |
| Rajasthan | 75 | 80 | 45 | Medium |
| Bihar | 50 | 60 | 35 | Low |
| Uttar Pradesh | 45 | 55 | 40 | Low |

*Based on independent audits and social governance effectiveness reports (MoRD, CAG)

CONCLUSION AND POLICY SUGGESTIONS

Unfortunately, MGNREGS has been politicised from the start and such unhealthy politicisation of the scheme seems to affect certain states' political will. Some states still consider the MGNREGS a Congress-flagship programme, rather than a welfare programme, which affects implementation. States such as Maharashtra, Gujarat, Haryana, Bihar and Uttar Pradesh, where its performance is absolutely poor, show an ambivalent attitude towards MGNREGS. In practice, there is no uniformity in the scheme's implementation across the nation. States adopt their own models as per their administrative capacities to implement the scheme. However, they adopted a similar structure at the district and state levels. In the Act, Gram Sabha and Gram Panchayat are given utmost importance in mobilising the workers, identifying works, labour budgeting, monitoring, supervision and social audit. In practice, the local bodies hardly function in this manner, as they are not equipped with sufficient manpower, skills and infrastructure in most states. Andhra Pradesh and Telangana follow the techno-bureaucratic model using effective information through information and communication technology. This model is administratively run, reduces transaction costs and administrative delays involved in the process of implementation, and it also ensures transparency and accountability). But this model typically bypasses Panchayati Raj Institutions in the scheme implementation). Interestingly, Kerala follows an innovative model to implement the scheme at the grassroots level. In Kerala, the state government entrusted the line management and implementation of the scheme to its Kudumbashree mission, which is the state's poverty eradication mission, a programme that mobilises women into self-help groups for economic activity.

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