



## Role of Mahatma Gandhi National Rural Employment Guarantee Act, 2005 in Income and Livelihood Generation.

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### ABSTRACT

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), enacted in 2005, is one of the most significant social security measures in India aimed at enhancing livelihood security in rural areas. To try and deal with issues of poverty, unemployment, and rural distress, MGNREGA assures at least 100 days of wage employment per household in every financial year with every adult member willing to accept unskilled manual work. Being one of the largest public work programs in the world, MGNREGA has provided jobs to millions of Indians and greatly alleviated rural poverty and unemployment for economic stability while guaranteeing social inclusion, especially for women and Scheduled Castes/Scheduled Tribes. Notable for its holistic approach to rural development, MGNREGA provides not only short-term job guarantees but also channels long-term livelihood improvement through asset creation such as irrigation and community infrastructure. The spending under MGNREGA has been found to be positively related to higher rural wages and improved food security and, thus, to have "important spillovers on household economic activities.". The Act goal is to follow the Directive Principles of State Policy contained in Part IV of the Constitution of India. The law by providing a 'right to work' is consonance with Article 41 that provides that the State will secure to all citizens the right to work. According to Article 21 of the

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Constitution of India that guarantees the right to life with dignity to every citizen of India, this program gives dignity to the rural people through promise of livelihood security. This research article focuses on income and livelihood generation through the MGNREGA, discussing the impact of the scheme on the rural households, women empowerment, and the overall development of the rural settings. The article also describes the problems or bottlenecks associated with the scheme and makes policy suggestions for its proper implementation.

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## **1. Introduction**

One of the most significant social security measures introduced in India with the purpose of enhancing livelihood security in rural areas is the Mahatma Gandhi National Rural Employment Guarantee Act enacted in 2005. It guarantees, on average, 100 days of wage employment per financial year to every rural household whose adult members volunteer to do unskilled manual work. MGNREGA is a rights-based program which empowers the marginalized and the economically weaker sections by offering an assured source of income. The Act intends to address the threefold goals of rural poverty, unemployment, and seasonal distress migration through creating durable assets as well as upgrading the infrastructure of the village. The rural areas, comprising the vast majority of the country's population, have traditionally been economically vulnerable, largely because they rely on agriculture, weather patterns are unreliable, and other means of earning a living are scarce. Introducing MGNREGA marked a step change toward ensuring financial inclusion, income equality, and sustainable development. Thus, while MGNREGA goes a long way in providing a legally enforceable right to work, it also drives economic stability through decentralized planning and deployment with local governance being impacted positively. Through MGNREGA, the priority on gender equality and social inclusion has been crucial since it insists that one-third of the recipients be women, thereby improving their participation in the labor force. Additionally, the act has facilitated financial literacy and independence among rural workers by mandating direct wage payments into bank accounts, thus integrating them into the formal banking system. By addressing issues of wage discrimination and employment insecurity, MGNREGA has played a vital role in empowering women and marginalized communities. Furthermore, MGNREGA contributes to sustainable rural development by focusing on projects that enhance agricultural



productivity and ecological conservation. Durable assets such as water conservation, drought-proofing, afforestation, and rural connectivity provide gainful employment but enhance the quality of life for rural people. This has considerably contributed to reduction of rural distress and long-term economic resilience. It aims at developing durable infrastructure and improving means of livelihood. Despite its successes, MGNREGA has faced challenges such as delayed wage payments, corruption, and inefficiencies in implementation. However, continuous policy reforms and technological interventions, such as the use of digital job cards and geotagging of assets, have helped to improve transparency and accountability. The act remains a crucial tool in India's efforts to combat rural poverty and unemployment. The Mahatma Gandhi National Rural Employment Guarantee Act, 2005, has significantly contributed to income and livelihood generation in rural India. By ensuring wage employment, promoting gender equality, and supporting sustainable development, MGNREGA has become a cornerstone of India's social security system. While challenges persist, the program continues to evolve, reinforcing its role as a catalyst for economic empowerment and rural transformation. This article examines the role of MGNREGA in income and livelihood generation, focusing on its impact on rural households, women empowerment, and overall rural development. The article also discusses the challenges faced by the program and offers policy recommendations for its effective implementation.

## 2. Review of Literature

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), enacted in 2005, is one of the most significant social welfare programs in India aimed at providing employment and improving rural livelihoods. Several studies have examined its impact on income generation, poverty alleviation, and rural development.

Research by Dreze and Khera (2009) highlights MGNREGA's role in providing employment security and reducing rural distress. Their study found that the scheme has increased household income, particularly for marginalized communities, and reduced migration to urban areas. Similarly, Imbert and Papp (2015) observed that MGNREGA has positively influenced wage rates in rural areas by increasing labour demand. Studies by Shah (2016) and Narayanan (2018) emphasize that MGNREGA has not only generated income but also contributed to asset creation, such as irrigation facilities, roads, and water conservation structures, which enhance long-term livelihood opportunities. However, challenges such as delays in wage payments, corruption, and inefficiencies in implementation have been noted in studies like those by Mukherjee and Ghosh (2019). According to Dutta et al. (2012), MGNREGA has



significantly contributed to wage growth in rural India by setting a floor for rural wages. Studies by Imbert and Papp (2015) further confirm that MGNREGA has led to an increase in agricultural wages by reducing labour supply during peak seasons, thereby benefiting wage labourers. Additionally, studies by Narayanan et al. (2014) indicate that MGNREGA earnings have played a crucial role in reducing poverty by providing supplementary income to households, particularly during lean agricultural periods. Beyond income generation, MGNREGA has been instrumental in enhancing livelihoods through sustainable asset creation. Research by Sharma and Sisodia (2017) suggests that the program has led to the development of productive rural infrastructure, such as water conservation structures, roads, and irrigation facilities, which in turn contribute to long-term agricultural productivity and resilience. A critical aspect of MGNREGA is its impact on women's participation in the workforce. Studies by Khera and Nayak (2009) highlight that the act has led to increased female labor force participation, providing women with financial independence and decision-making power. Parida and Sinha (2020) note that MGNREGA has contributed to reducing the gender wage gap in rural areas by offering equal wages for men and women, thus enhancing gender equity.

Overall, the literature supports the role of MGNREGA in income and livelihood generation in rural India, even though it has progressed on all other fronts: wage growth, poverty reduction, women's empowerment, and creating rural assets. However, this would not be impossible, and the solution lies in correcting these persistent imbalances in implementation.

### **3. Purpose of Study**

This research article aims to analyse the impact of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005, on income and livelihood generation in rural India. It examines how the scheme has contributed to poverty alleviation, employment opportunities, and financial stability for rural households. The study also explores challenges in implementation and suggests policy improvements to enhance the effectiveness of MGNREGA in fostering sustainable rural development.

### **4. Methodology**

This research paper is written based on secondary sources.

1. Research journals
2. Newspaper and Magazine Articles
3. Social site

4. Internet websites

## 5. Objectives of MGNREGA

The main objectives of MGNREGA are as follows:

1. **Employment Generation:** To ensure minimum 100 days of wage employment in a year to each rural household.
2. **Livelihood Security:** To strengthen the livelihood security by building durable assets and providing improved infrastructure in the rural areas.
3. **Poverty Alleviation:** To reduce poverty by providing a stable source of income to rural households.
4. **Women Empowerment:** To promote gender equality by ensuring that at least one-third of the beneficiaries are women.
5. **Environmental Sustainability:** To create assets that contribute to environmental sustainability, such as water conservation, afforestation, and land development.

## 6. MGNREGA as a powerful instrument for livelihood and income generation for Rural people.

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) continues to play a pivotal role in enhancing livelihood and income generation for rural populations in India. In the fiscal year 2024-2025, the Indian government allocated ₹ 860 billion to MGNREGA, maintaining the same level of funding as the previous year. In the 2021-2022 fiscal year, MGNREGA provided employment to approximately 11.36 crore households, generating around 389 crore person-days of work. By December 15, 2022, the program had engaged 11.37 crore households, resulting in 289.24 crore person-days of employment. Empirical studies have highlighted MGNREGA's positive impact on rural employment, particularly among marginalized communities. Beneficiaries have reported moderate improvements in income and livelihood security. Additionally, the program has been instrumental in reducing distress-related migration by providing local employment opportunities, thereby improving rural wages and contributing to the creation of essential rural infrastructure. Overall, MGNREGA remains a vital



instrument for livelihood and income generation among rural populations, contributing significantly to rural development and economic stability.

## 7. Impact of MGNREGA on Income Generation

The Mahatma Gandhi National Rural Employment Guarantee Act, enacted in 2005, is one of India's most significant social welfare initiatives with the objective of enhancing the livelihood security of rural households by guaranteeing 100 days of wage employment every year. Over the years, MGNREGA has been at the forefront in changing the character of rural economies, altering the patterns of employment, income, and migration. MGNREGA has been instrumental in providing employment opportunities to millions of rural households. In the financial year 2023-2024, the scheme allocated ₹ 860 billion for rural employment, maintaining the same level of funding as the previous year. This consistent allocation underscores the government's commitment to sustaining rural employment amidst economic challenges. Studies have highlighted the scheme's positive impact on employment, particularly among marginalized communities. For instance, research focusing on Odisha revealed that MGNREGA significantly increased job opportunities, with beneficiaries reporting moderate improvements in income and livelihood security. The scheme has contributed to income enhancement for rural households. In Odisha, the average wage rate under MGNREGA increased from ₹ 220.84 per day in the previous year to ₹ 248.31 per day in 2023-2024. However, the average employment generated per household decreased from 55.51 days to 53.23 days during the same period, indicating a need for strategies to increase the number of workdays provided. MGNREGA has also influenced migration patterns by providing local employment opportunities. A study in Odisha found that the scheme helped reduce seasonal migration, as individuals opted to work within their communities rather than seeking employment elsewhere. Despite its massive success, MGNREGA still faces serious difficulties, which include that the wages are often paid late and assets vary in quality. There is also implementation disparity across states. For instance, there are regions that effectively utilize MGNREGA funds to produce quality assets while other regions show suboptimal results because of procedure-related inefficiencies. Significant positives of MGNREGA in improving rural livelihoods include the provision of employment that increases income levels and reduces migration. However, to maximize its impact, it is essential to address existing challenges by ensuring timely wage payments, improving asset quality, and regularly updating wage rates to reflect economic realities. Continuous monitoring and adaptive strategies will be crucial in sustaining and enhancing the scheme's effectiveness in the evolving socio-economic landscape of rural

India.

## **8. Impact of MGNREGA on Livelihood Generation**

In addition to income generation, MGNREGA has played a crucial role in livelihood generation by creating durable assets and improving rural infrastructure. The program has focused on activities such as water conservation, land development, and afforestation, which have contributed to the long-term sustainability of rural livelihoods.

One of the key achievements of MGNREGA has been the creation of water conservation structures, such as ponds, check dams, and irrigation channels. These structures have improved water availability for agriculture, leading to increased agricultural productivity and diversification of crops. A study by the International Water Management Institute (IWMI) found that MGNREGA had a positive impact on water availability and agricultural productivity in several states, including Rajasthan, Madhya Pradesh, and Andhra Pradesh.

MGNREGA has also contributed to the development of rural infrastructure, such as roads, schools, and health centres. These infrastructure developments have improved access to essential services and enhanced the quality of life in rural areas. A study by the Indian Institute of Management (IIM) found that MGNREGA had a positive impact on rural infrastructure development, particularly in remote and backward regions (IIM, 2015).

MGNREGA has substantially increased employment opportunities in rural areas. A study published in the International Journal of Creative Research Thoughts in April 2024 analysed the impact of MGNREGA on tribal and non-tribal households in Odisha. The research found that the program effectively promoted livelihood among tribal beneficiary households, leading to increased employment and income levels.

Similarly, an empirical analysis in the Journal of Emerging Technologies and Innovative Research in October 2024 assessed MGNREGA's impact in Chikkamagaluru. The study revealed that beneficiaries experienced moderate improvements in income and livelihood security, with increased job opportunities, particularly for marginalized communities.

In the Union Budget for the financial year 2025-26, the Indian government allocated • 4.57 trillion (approximately \$52.81 billion) for subsidies on food, fertilizers, and rural employment schemes,



maintaining a similar level of spending as the current year. The allocation for MGNREGA has been retained at ₹ 860 billion, underscoring the government's commitment to supporting rural employment and livelihood generation. MGNREGA has been instrumental in enhancing livelihood security in rural India by providing employment opportunities, reducing migration, and improving infrastructure. While challenges remain, ongoing efforts to address these issues are essential for maximizing the program's benefits. The sustained government investment in MGNREGA reflects a strong commitment to rural development and livelihood enhancement.

### **9. Women Empowerment under MGNREGA**

MGNREGA has been instrumental in promoting gender equality and women empowerment in rural areas. The program mandates that at least one-third of the beneficiaries should be women, and it has successfully achieved this target in many states. By providing employment opportunities to women, MGNREGA has enabled them to contribute to household income and gain greater financial independence.

Several studies have highlighted the positive impact of MGNREGA on women empowerment. For example, a study by the National Institute of Rural Development (NIRD) found that MGNREGA had a significant impact on women's participation in the labor force, particularly in states like Kerala, Tamil Nadu, and Rajasthan (NIRD, 2013). Another study by the International Labour Organization (ILO) found that MGNREGA had contributed to the economic empowerment of women by providing them with a stable source of income and reducing their dependence on male family members (ILO, 2014).

### **10. Challenges and Limitations of MGNREGA**

Despite its significant achievements, MGNREGA faces several challenges and limitations that hinder its effectiveness. Some of the key challenges include:

1. **Delays in Wage Payments:** One of the major issues faced by MGNREGA workers is the delay in wage payments. Delays in wage payments not only affect the livelihoods of workers but also undermine the credibility of the program.





2. **Corruption and Leakages:** Corruption and leakages in the implementation of MGNREGA have been a persistent problem. Misappropriation of funds, fake job cards, and ghost workers are some of the common issues that have been reported.
3. **Inadequate Monitoring and Evaluation:** The lack of effective monitoring and evaluation mechanisms has led to inefficiencies in the implementation of MGNREGA. There is a need for greater transparency and accountability in the program.
4. **Limited Scope of Work:** The scope of work under MGNREGA is limited to unskilled manual labour, which may not be suitable for all rural households. There is a need to diversify the types of work offered under the program to cater to the needs of different groups.
5. **Seasonal Employment:** MGNREGA provides employment for only 100 days in a year, which may not be sufficient to meet the livelihood needs of rural households. There is a need to extend the duration of employment under the program.

## 11. Policy Recommendations

To address the challenges and limitations of MGNREGA, the following policy recommendations are suggested:

1. **Timely Wage Payments:** The government should ensure timely payment of wages to MGNREGA workers by streamlining the payment process and addressing the issues related to delays.
2. **Strengthening Monitoring and Evaluation:** There is a need to strengthen the monitoring and evaluation mechanisms of MGNREGA to ensure transparency and accountability in the program. The use of technology, such as biometric authentication and GPS tracking, can help in reducing corruption and leakages.
3. **Diversification of Work:** The scope of work under MGNREGA should be diversified to include skilled and semi-skilled work, which can provide better livelihood opportunities for rural households.
4. **Extension of Employment Duration:** The duration of employment under MGNREGA should be extended beyond 100 days to provide greater livelihood security to rural households.
5. **Capacity Building:** There is a need for capacity building and training of MGNREGA workers to enhance their skills and improve their employability in other sectors.



## 12. Conclusion

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005, has played a pivotal role in transforming the socio-economic landscape of rural India by providing a legal guarantee of employment to rural households. It has significantly contributed to income generation and livelihood security for millions of rural families, particularly during times of economic distress. By offering wages for unskilled labor in public works projects, MGNREGA has improved the income levels of vulnerable communities, empowering women, marginalized groups, and the landless. Furthermore, MGNREGA has created a vast array of community assets such as roads, irrigation channels, and water conservation structures, contributing to long-term rural development. While the program has had a substantial positive impact on poverty alleviation, it is not without its challenges, including issues related to timely wage payment, corruption, and inadequate implementation in some regions. Nonetheless, MGNREGA's role in rural income generation and livelihood enhancement remains indispensable, and with continued reforms and effective monitoring, its potential for poverty reduction and sustainable development can be further maximized. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has played a crucial role in income and livelihood generation in rural India. The program has resulted in stabilized rural household incomes by providing assured wage employment. Additionally, the construction of durable assets and rural infrastructure has created various livelihood opportunities within rural areas and helped to further reduce poverty levels. In relation to gender and women's empowerment, MGNREGA has been especially efficient. However, MGNREGA faces several challenges, including delays in wage payments, corruption, and inadequate monitoring and evaluation. To address these challenges, there is a need for timely wage payments, strengthening of monitoring and evaluation mechanisms, diversification of work, extension of employment duration, and capacity building of workers.

Overall, MGNREGA has been a significant step towards addressing rural poverty and unemployment in India. With effective implementation and necessary reforms, the program has the potential to further enhance income and livelihood generation in rural areas and contribute to the overall development of the country.

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