Welfarism in India: The Study of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005 with its Prospects and Problems in Implementation

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Abstract:

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), enacted in 2005, stands as a cornerstone of welfarism within the Indian Constitution, aligning with the Directive Principles of State Policy (DPSPs) under Articles 38 and 39. MGNREGA is the result of the constitutional commitment to social justice by guaranteeing 100 days of wage employment annually to rural households, fostering economic security and empowering marginalized communities. Its objective to reduce rural poverty, curb distress migration, and promote sustainable development through asset creation, such as water conservation structures and rural infrastructure. The Act is rights-based way, emphasizing demand-driven employment, marks a paradigm shift in India's welfare landscape, reinforcing the state's obligation to ensure a dignified livelihood.

Despite its significance, MGNREGA's implementation faces substantial hurdles. Bureaucratic delays, inadequate funding, and corruption often undermine timely wage payments and project execution, eroding trust among beneficiaries. Disparities in state-level governance lead to unequal outcomes, with some regions struggling to generate sufficient employment opportunities. The reliance on manual labor and limited skill development restricts the Act's transformative potential, while insufficient integration with broader agricultural and developmental policies hampers long-term impact. Additionally, fluctuating political will and competing fiscal priorities threaten the program's sustainability.

Nevertheless, MGNREGA carries immense prospects for advancing welfarism. Leveraging digital platforms like Aadhaar-linked payments enhances transparency and efficiency. Strengthening local governance through capacity building and community participation can improve project quality and accountability. By aligning MGNREGA with climate-resilient agriculture and skill development, it can foster inclusive growth. Addressing systemic challenges, such as fund allocation and monitoring, is critical to realizing its constitutional goals of equitable development and social empowerment.

1. INTRODUCTION

The National Rural Employment Guarantee Act (NREGA) was renamed the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on October 2, 2009. This amendment changed the name of the Act to honor Mahatma Gandhi's legacy and efforts in rural development. India's socio-economic landscape has been shaped by continuous challenges of poverty, unemployment, and inequality, especially in rural areas. The legacy of colonial underinvestment in rural infrastructure and social welfare exacerbated these issues, necessitating radical policy interventions in post-independence. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), passed on August 23, 2005 in Parliament of India, also got the assent of President of India on 5th September, 2005 and implemented from February 2006, emerged as a major social welfare program under the United Progressive Alliance (UPA) government.

This paper deals with MGNREGA within India's broader welfarist framework, which has been evolved from food security policies in the colonial and early post-independence periods to rights-based entitlements in the 2000s. It evaluates MGNREGA's prospects in fostering inclusive development and explains implementation challenges, taking inputs on academic research, government reports, and recent studies. The analysis aims to provide a balanced perspective on the Act's transformative potential and the structural barriers hindering its efficacy.

2. HISTORICAL CONTEXT OF WELFARISM IN INDIA

India's social welfare policies have historically been reactive, driven by crises such as famines, droughts, and economic disparities. During the colonial era, rural areas suffered from chronic underfunding, leading to inadequate infrastructure and limited job opportunities. Post-independence, India's policy focus initially centered on food security, with programs like the Public Distribution System (PDS) introduced during World War II. The Green Revolution in the 1960s improved food production but did little to address rural unemployment or poverty comprehensively.

The Maharashtra Employment Guarantee Scheme (EGS) of 1973 was a prior to MGNREGA, providing wage employment during droughts. However, its limited scope and declining its importance by the late 1970s became significant for the need of a national framework. The 1990s economic reforms, emphasizing fiscal issues, further barred social protections, with targeted programs like the Targeted PDS (TPDS) failing to address widespread deprivation. The early 2000s marked a shift toward rights-based welfare, with an Act like MGNREGA and the Right to Food (National Food Security Act, 2013) enshrining legal entitlements to work and sustenance.

MGNREGA, initially known as the National Rural Employment Guarantee Act (NREGA), was proposed in 1991 by P.V. Narasimha Rao but gained traction under the UPA government led by Prime Minister Manmohan Singh. It was legislated in 2005; it reflects India's commitment to inclusive development, aligning with constitutional mandates like Article 40, which emphasizes decentralized governance through village panchayats.

3. OBJECTIVES AND FEATURES OF MGNREGA

MGNREGA is designed to address rural poverty through sustainable employment and asset creation. Its primary objectives include:

Employment Guarantee: It provides at least 100 days of wage employment per financial year to rural households whose adult members volunteer for unskilled manual work.

Livelihood Security: It enhances economic stability for marginalized groups, including Scheduled Castes (SCs), Scheduled Tribes (STs), and Below Poverty Line (BPL) families.

Asset Creation: It devolops durable rural infrastructure, such as roads, canals, ponds, and wells, to support long-term development.

Women's Empowerment: It mandates at least one-third participation of women by ensuring wage equality.

Decentralized Governance: It empowers Gram Panchayats to plan and implement projects, reinforcing the 73rd Constitutional Amendment.

Key features include:

Job Cards: Issued to registered households to record entitlements and ensure transparency.

Wage Payments: Minimum wages as per the Minimum Wages Act, 1948, with provisions for unemployment allowances if work is not provided within 15 days.

Permissible Works: Infrastructure projects like water conservation, road construction, and sanitation, alongside agriculture and livestock-related activities for marginalized groups.

Proximity: Work provided within 5 km of the applicant's residence to minimize migration.

Since its inception, MGNREGA has generated significant employment, with approximately ₹1, 10,000 Crore (USD 25 billion) disbursed as wages and 12 billion person-days of employment created by 2012. In FY 2023-24, 25.68 Crore workers were registered, though this number slightly declined to 25.17 Crore by November 2024.

4. PROSPECTS OF MGNREGA

MGNREGA has immense potential to transform rural India, as evidenced by its multifaceted and dimensional impacts:

4.1. Economic Security and Poverty Alleviation

MGNREGA has been a critical safety net for rural households, particularly during economic crises like the COVID-19 pandemic, when it supported 76 million households in FY 2020-21. Studies are

indicating that the Act has reduced outstanding debts among vulnerable households, with a 2019 study noting its role in improving financial stability for low-income groups. By providing a fallback employment option, MGNREGA mitigates distress migration and enhances household resilience.

4.2. Women's Empowerment

The Act's mandate for one-third female participation, coupled with equal wage and facilities like crèches, has significantly boosted women's involvement. From 2018-19 to 2022-23, women's participation is ranged between 40-50%, surpassing the mandated threshold.

4.3. Asset Creation and Environmental Benefits

MGNREGA's focus on durable assets has led to infrastructure improvements. Projects like water harvesting, soil conservation and afforestation have enhanced agricultural productivity and environmental sustainability. A study by the Indian Institute of Science projects that natural resource management activities under MGNREGA could capture 249 metric tons of carbon dioxide equivalents by 2030, contributing to climate resilience.

4.4. Decentralized Governance

MGNREGA strengthens local governance by entrusting Gram Panchayats with its implementation. Community participation in planning through Gram Sabhas ensures that projects address local needs, aligning with the principles of democratic decentralization. This model has inspired similar initiatives globally, positioning MGNREGA as a benchmark for employment guarantee schemes.

4.5 Political and Social Impact

MGNREGA's visibility as an election-winning mechanism has ensured sustained political support across regimes. Its rights-based framework has deepened democratic engagement, with citizens demanding accountability through mechanisms like social audits. The Act's emphasis on inclusivity for SCs, STs, and BPL families aligns with India's social justice goals.

5. PROBLEMS IN IMPLEMENTATION

Despite its prospects, MGNREGA faces significant implementation challenges, undermining its effectiveness:

5.1. Wage Delays and Inadequate Rates

Delayed wage payments remain a persistent issue, with a 2021-22 study reporting that 71% of 31.36 million transactions were delayed beyond seven days, resulting in ₹39 Crores in pending dues. Wage rates, ranging from ₹193 to ₹318 across states, are often below market rates and fail to keep pace with inflation, discouraging participation. The Standing Committee on Rural Development (2022) criticized these inequalities as unjustified, noting that only 72 lakh out of 755 lakh households completed 100 days of work in FY 2020-21.

Unequal wage payments under MGNREGA across Indian states are primarily due to variations in how states set and implement wage rates, and inconsistencies in the timeliness and availability of funding. While the MGNREGA mandates minimum wages, state governments have the discretion to set wage rates, leading to disparities. Additionally, inconsistent funding from the central government and delays in reimbursement can exacerbate payment issues, impacting the amount and timeliness of wage payments.

Here's a More Detailed Breakdown

5.2. State-Level Wage Determination

5.2.1. Discretionary Power

State governments have the autonomy to determine wage rates under MGNREGA, resulting in differences across states.

5.2.2. Factors Influencing Wage Rates

State-specific factors, including local market wage rates, cost of living, and available work opportunities, can influence the wage rates set by each state.

5.2.3. Impact on Workers

This discretion can lead to situations where workers in some states receive significantly higher wages than those in other states.

5.3. Funding and Reimbursement Challenges

5.3.1. Inconsistent Central Funding

The central government provides financial support for MGNREGA, but funding levels can fluctuate, sometimes leading to inadequate resources for states.

5.3.2. Reimbursement Delays

Delays in reimbursements by the central government to states can create financial strain, making it difficult for states to make timely wage payments.

5.3.3. Pending Liabilities

The accumulation of pending liabilities, due to delayed payments, can further complicate wage payment processes.

The daily wage rate for unskilled manual workers under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) varies across states in India. For example, Andhra Pradesh's rate is Rs. 300, while Arunachal Pradesh's is Rs. 234. States like Assam and Bihar have rates of Rs. 249 and Rs. 245, respectively. These rates are subject to change, it's important to note that these are general wage rates and may vary depending on the specific work being performed and the local economic conditions. Additionally, the Ministry of Rural Development, Government of India, may issue notifications to update wage rates periodically.

Here's a more detailed breakdown of some state-wise wage rates: **Andhra Pradesh:** Rs. 300 per day, **Arunachal Pradesh:** Rs. 234 per day, **Assam:** Rs. 249 per day, **Bihar:** Rs. 245 per day, **Chhattisgarh:** Rs. 122 per day, **Goa:** Rs. 138 per day, **Jharkhand:** Rs. 120 per day, **Odisha:** Rs. 125 per day, **Punjab:** Rs. 153 per day, **Rajasthan:** Rs. 119 per day, **Tamil Nadu:** Rs. 119 per day, **Uttar Pradesh:** Rs. 120 per day, **West Bengal:** Rs. 130 per day, **Andaman and Nicobar:** Rs. 170 - 181 per day (depending on the district), **Dadra and Nagar Haveli:** Rs. 126 per day, **Daman and Diu:** Rs. 138 per day, **Lakshadweep:** Rs. 138 per day, **Puducherry:** Rs. 119 per day and **Chandigarh:** Rs. 174 per day.

5.4. Technological Issues and Implementation Challenges

Insufficient technical staff and inadequate training troubles project execution. Studies highlight a lack of engineers and supervisors as a primary reason for unrealized asset creation potential. The reliance on digital systems, such as Aadhaar-based payments and the National Mobile Monitoring Software (NMMS), has excluded workers due to connectivity issues and documentation errors

5.4.1. Increased Dependence on Technology

While technology aims to improve transparency and efficiency in MGNREGA, it can also create new challenges, including delays in wage payments.

5.4.2. Implementation Issues

Challenges in implementing technology-based systems, such as network issues or data entry errors, can lead to delays in wage payments.

5.4.3. Lack of Timely Payments

Evidence suggests that a significant number of MGNREGA workers are not paid at all for their work, or that payments are delayed, impacting their livelihoods. In summary, the unequal payment of wages through MGNREGA in Indian states is a multifaceted issue influenced by factors such as state-level wage determination, inconsistencies in funding and reimbursement, and technological implementation challenges.

5.5. Corruption and Leakages

Corruption, including ghost workers and misappropriation of funds, undermines transparency. The Comptroller and Auditor General (CAG) report (2013) flagged irregularities in fund utilization, while

social audits have exposed discrepancies in job card records. Weak grievance redressal mechanisms further erode trust.

5.6. Declining Participation and Worker Deletions

Recent data is indicating an 8% reduction in active workers from FY 2023-24 to FY 2024-25, with over eight crores workers removed from the registry between FY 2022-23 and FY 2023-24 due to administrative issues. This trend reflects disillusionment with low wages, payment delays, and bureaucratic problems.

5.7. Budgetary Issues

Budget cuts and allocation shortfalls have strained MGNREGA's demand-driven nature. Posts on X in 2023 highlighted a ₹30,000 crore budget slash, limiting the program's ability to meet employment demands. The Economic Survey 2024-25 underscores the need for increased funding to ensure equitable rural development.

6. INSIGHTS FROM RECENT STUDIES

Recent studies provide some important insights into MGNREGA's impact and challenges:

Economic Impact: A 2019 study by Debnath and Goswami found that MGNREGA significantly reduced rural household debt by providing stable income streams, particularly for SCs and STs,

Child Welfare: Research in Rajasthan, Madhya Pradesh, and Gujarat showed that MGNREGA reduced short-term migration, leading to higher educational attainment among children of non-migrating families.

Environmental Benefits: The Indian Institute of Science's 2020 study underscored MGNREGA's potential for carbon sequestration, advocating for expanded natural resource management projects.

The "MGNREGA Sameeksha" anthology (2012): launched by Prime Minister Manmohan Singh, compiled assessments from IIMs, IITs, and UNDP, affirming the program's scale but cautioning that "statistics do not tell the whole truth." These studies collectively underscore the need for systemic reforms to realize MGNREGA's full potential.

7. RECOMMENDATIONS FOR STRENGTHENING MGNREGA

To address implementation challenges and enhance MGNREGA's impact, the following measures are proposed:

Timely Wage Payments: It is proposed to streamline payment systems and penalize delays, leveraging technology to ensure transparency without excluding vulnerable workers.

Wage Rationalization: It is proposed to have Index wages to inflation and standardize rates across states to reflect living costs, ensuring competitiveness with market wages.

Capacity Building: It is proposed to increase technical staff recruitment and train Gram Panchayat officials to improve project planning and execution.

Anti-Corruption Measures: It is proposed to strengthen social audits, digitize fund tracking, and establish robust grievance redressal mechanisms to curb corruption.

Increased Funding: It is proposed to allocate adequate budgets to meet demand, avoiding disruptions in employment provision.

Community Engagement: It is proposed to enhance Gram Sabha participation to prioritize locally relevant projects, ensuring inclusivity for marginalized groups.

8. CONCLUSION

MGNREGA stands as a cornerstone of India's welfarist framework, embodying the principles of economic security, social justice, and decentralized governance. Its achievements in generating employment, empowering women, and creating rural assets are undeniable, particularly during crises like the COVID-19 pandemic. However, challenges such as wage delays, corruption, and

administrative inefficiencies threaten its sustainability. Recent studies highlight both its transformative potential and the urgent need for reforms to address structural gaps.

The Act's success hinges on sustained political will, adequate funding, and community-driven implementation. By addressing implementation bottlenecks, MGNREGA can fulfill its promise of inclusive development, serving as a model for global social welfare programs. As India navigates its transition toward equitable growth, MGNREGA remains a vital instrument for uplifting the rural poor, provided it is backed by robust policy support and accountability mechanisms.

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