



Research Paper: Effectiveness of Mahatma Gandhi National Employment Guarantee Act (MGNREGA) on Rural Employment and Quality of Life in Rural Nagpur (100+ Rural Households Surveyed)

Aaditya Agarwal: Grade 12 IBDP Economics Extended-Essay (Economic Policy)

Effectiveness of Mahatma Gandhi National Employment Guarantee Act (MGNREGA) on Rural Employment and Quality of Life in Rural Nagpur (100+ Rural Households Surveyed)- Introduction

India is primarily an agrarian economy, and agriculture's seasonality means rural households are forced to rely on informal, unskilled and insecure jobs in the off-season. The Rural Unemployment Rate (UR) of India is 4.2% as of 2025. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), introduced in 2005, guarantees of 100 days of employment with wages per year to reduce the chronic poverty seen in rural India and and increasing the quality of life of rural Indians.

Nagpur is located in eastern Maharashtra and in its 13 rural blocks (~40% of Nagpur Population), containing a significant presence of farmers and landless labourers . The years 2021 to 2024 are especially significant in evaluating the effectiveness of MGNREGA as it includes the COVID-19 unemployment shock, which triggered a reverse migration from urban centres to rural parts of the country as well as the with the post-pandemic recovery period.

Introduction and Methodology

By focusing on the district of Nagpur over the volatile four-year period (2021–2024), this research project contextualises the effectiveness of MGNREGA during macroeconomic shocks (COVID-19 and demand-pull inflation) through microeconomic metrics (work participation, wage sensitivity etc.)

This paper explores the extent to which MGNREGA has improved rural employment and household income in Nagpur, Maharashtra, between 2021 and 2024.

This analysis is conducted with the help of Secondary data sourced from the MGNREGA Management Information System (MIS) maintained by the Ministry of Rural Development, The reports consulted are: R5.1.1 Employment Generated, S4.11 Work Category Wise Women Employment Provided, R3.1 Work Demand Pattern, R5.1.4 Employment Provided Pattern and Report on No. of Registered households, workers, SC, ST, Others, Women & BPL-Families in MGNREGA. To supplement the government data available, I have obtained **primary data** from my survey of 100 households in Rural Nagpur to ascertain the effectiveness of income received from the policy MGNREGA.

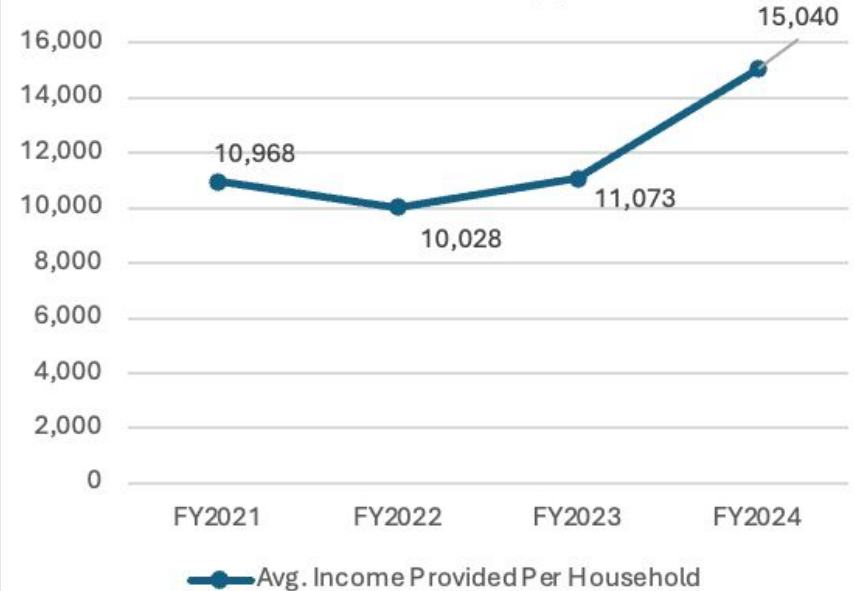
It is hypothesised that while MGNREGA has been successful in expanding opportunities in Nagpur, its impact on sustained income has been limited due to the constraints of underemployment and lower than required average workdays per household.

Discussion: 2021

In 2021, as the COVID-19 pandemic was at its peak, labourers and other workers continued to migrate back to their villages (*reverse migration*). The high number of jobs demanded by new migrant workers put pressure on MGNREGA: resulting in a record ₹98,400 crore of total expenditure. With a wage rate of ₹248/day, MGNREGA helped generate an average of ₹10,900 per household (Fig. 1): ~5.9% of the per capita income of a citizen of Maharashtra.

Noting that households of rural Nagpur earn *significantly* less than the per capita mean of ₹1,83,704, this income was likely extremely effective in acquiring the required preventive healthcare (masks, vaccines etc.) and medicines as well as helping maintain regular household expenditure.

Figure 1: Avg. Income Provided Per Household (₹)

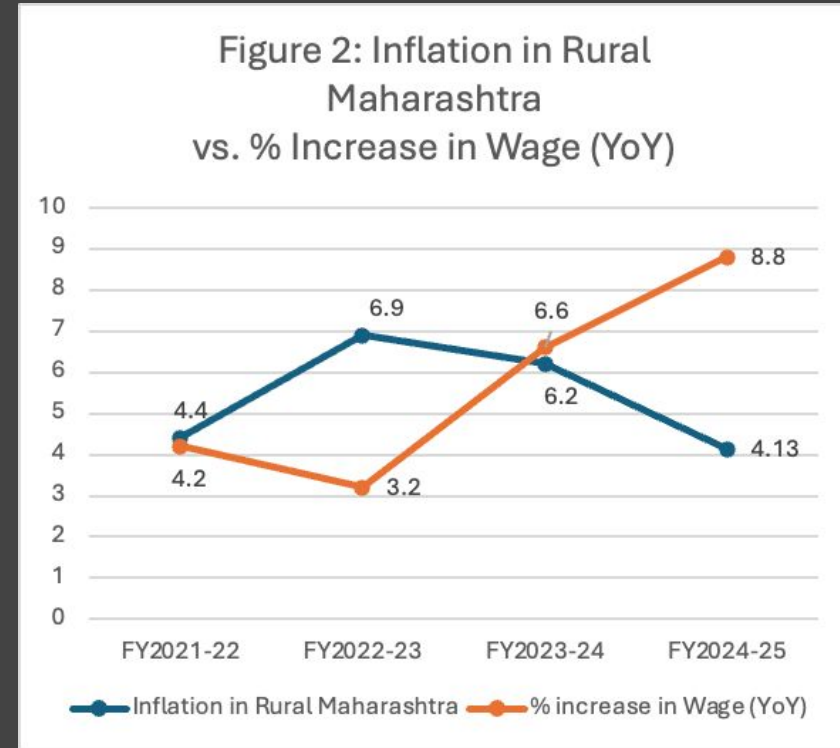


Results - 2022

In 2022, the War in Ukraine lead to a rise in prices of wheat and other foodgrains, with *rural inflation* in Maharashtra peaking at 6.9%. Simultaneously, *real wages* increased YoY only by 3.2%, eroding the purchasing power of MGNREGA workers. (Fig. 2)

There was a 16.27% decrease from 2021 to 2022 in number of person days worked, (Fig. 5) and average workdays per household fell by 5 days as well. (Fig. 3) With the price of necessities like foodstuff and cooking oil increasing, the loss of workdays along with lower *real* income were particularly harmful to rural citizens. 2022 thus exposes a harsh shortcoming of MGNREGA in its failure prevent distress to rural citizens.

It is likely that the combination of higher prices for agricultural products (due to the war) as well as the reduced real income received through MGNREGA incentivised more workers to undertake farm jobs.



Results - 2023

In 2023, real wages of MGNREGA workers increased marginally (by 0.4%; Fig. 2) and the Central Government slashed the MGNREGA budget to ₹60,000 Crore. As no. of households saw the steepest decline of 22.5% (Fig. 4) no. of persondays worked decreased by 19.7% as well (Fig. 5). Thus, it is important to note that the 3.6% increase in average workdays per household (Fig. 3) is not a reflection of more persondays worked as a whole, but instead number of households decreasing more rapidly than persondays.

Figure 3: Average Workdays Per Household in Nagpur

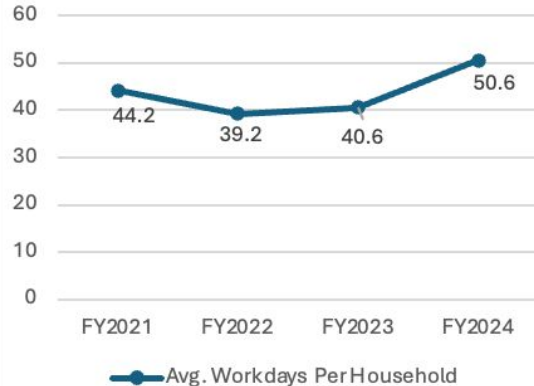


Figure 4: No. of Households reached in Nagpur District

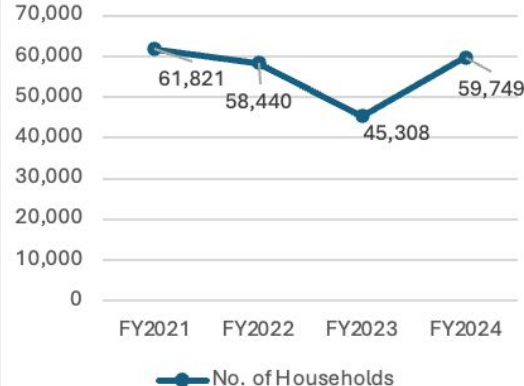
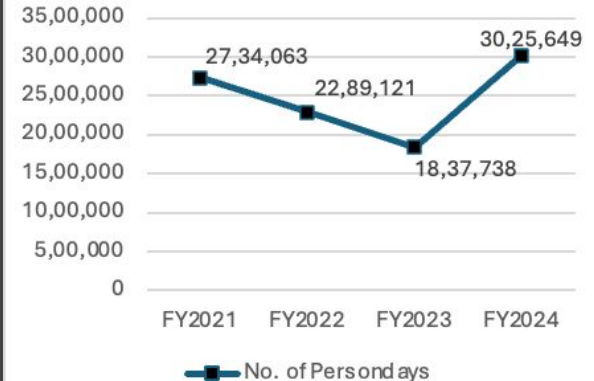


Figure 5: No. of Workdays Availed in Nagpur District

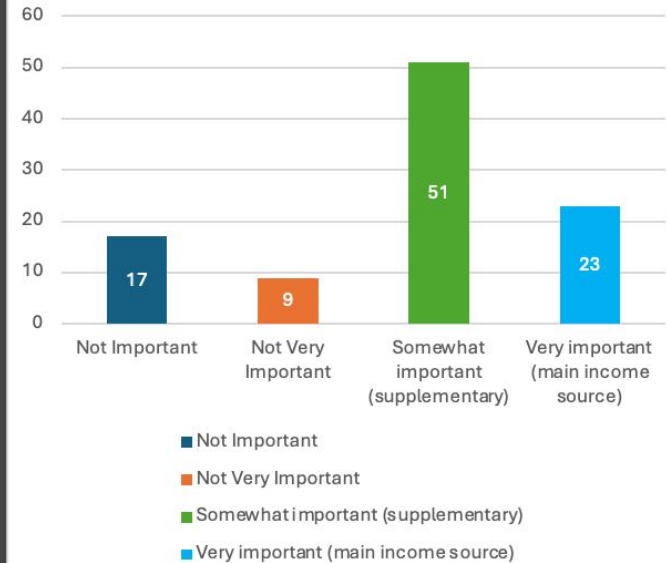


Results - 2024

In 2024, there was a dynamic shift in the scale of employment offered to the citizens of Nagpur through MGNREGA: no. of persondays availed shattered the COVID-19 set record, increasing by an astounding 64.5% YoY. As a result, average workdays per household reached the historic high of 50 workdays. Although, this is low compared to the statutory-100-day requirement, it is of huge relief to the rural population, evidenced by the fact that >70% of respondents considered income from MGNREGA to form an *important* part of their household budget.

This dramatic increase in MGNREGA employment is likely due to 3 main reasons. Firstly, drought and other natural factors reduced agriculture yield across Maharashtra, prompting farmers and other labourers to adopt MGNREGA work. Secondly, Maharashtra, with a 53.4% rural population, held State Elections in 2024, likely a strong incentive for ₹26,000 Crore increase for the MGNREGA Allocation from the Government Budget, increasing the ability to provide work. Lastly, the 4.7% increase in real wages also contributed to increasing average workdays.

Figure 6: How important is MGNREGA income to your household budget?

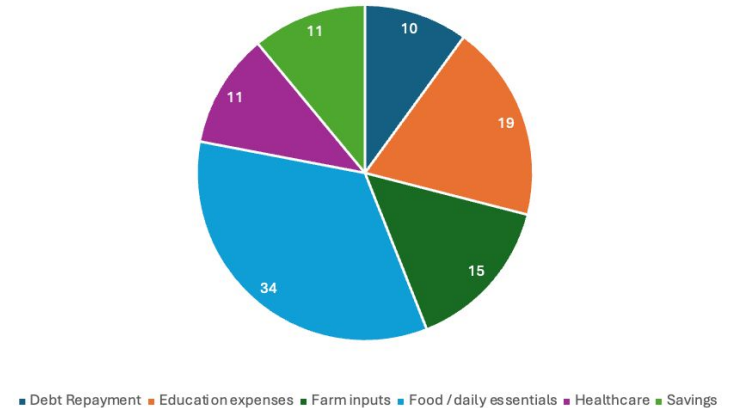


Conclusion

Real wages (wages adjusted for inflation: Fig. 2) underscore the effectiveness of MGNREGA wages in poverty alleviation and improving quality of life. As explored, in 2022, there was a -3.7% change in real income earned through MGNREGA, illustrating the inability of this income to outpace inflation - resulting in vulnerability higher priced cooking, agriculture, and other inputs. On the other hand, the +4.7% growth in real income in 2024 represents increased purchasing power for these rural citizens, increasing their likelihood of breaking the poverty trap. Further, higher MGNREGA wages (₹297 by 2024) resulted in higher wages in the informal sector for rural households by effectively setting a mandatory minimum- leading to widespread social benefit.

The ₹11,000-₹15,000 (Fig. 1) earned serves as vital income, enabling households to afford essentials such as food, medicine, and school fees (Fig. 7). Thus, it is concluded that both in 2021 during the COVID-19 Pandemic and in 2024 post drought-caused devastation among farmers, MGNREGA was able to fulfil its role of a economic shock-absorber - protecting vulnerable rural citizens from complete income insecurity.

Figure 7: What did you primarily use MGNREGA income for?



Conclusion

Averaging at around 11.1%, Yearly Unmet Demand (Fig. 9) highlights the inability of MGNREGA to fully achieve its goal of eradicating rural unemployment. Further, despite households being eligible by law to the statutory 100-work day minimum, <65% of households reported receiving less than 100-workdays of employment in 2025 (Fig. 8). Thus, while MGNREGA was relatively successful in providing employment to citizens of rural Nagpur, its structural shortcomings measured through **underemployment and unmet demand for work impedes MGNREGA in its long-term goal of increasing quality of life.**

Figure 8: How many days of work did you actually receive under MGNREGA?

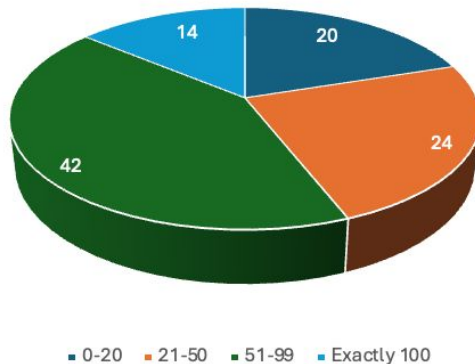


Figure 9: Yearly Unmet Demand for Employment (%)

