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A Study on the Economic Impact of MGNREGS Works in North Karnataka

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ABSTRACT:

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has affected the economy in Hullur village, which is part of Rattihalli taluk in Haveri district, in North Karnataka. A survey of about one-third of the households shows that MGNREGS has made a big difference in the income of people who take part in the program and how they spend their money. The study finds that for every extra day someone works under MGNREGS, their family spends more than 47% of the extra money they earn on grains, around 9% on milk, over 11% on sugar, and more than 18% on things like books and pens, assuming other things stay the same. However, the program doesn't seem to help families get more things like furniture or appliances, which means it mainly helps with basic needs rather than helping people move up in life. These results match Engel's Law, which says that poorer families spend a bigger part of their money on things they need to survive. Overall, the scheme does what it was meant to do: help the poorest families by making their budgets stronger.

Keywords: MGNREGS, Covid-19, Household’s, Employment.

Introduction:

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has drawn considerable attention in international policy and academic circles for its role in demonstrating how a welfare state can mitigate poverty and its associated challenges. It also functions as a major automatic stabilizer at the macroeconomic level, particularly during times of economic shocks—such as the recent Covid-19 pandemic. Over the past decade, the scope of the scheme has expanded significantly, with an increase in the types of permissible works through convergence programs, the number of registered participants, and the annual funds allocated to meet growing demand. This expansion has been accompanied by greater academic interest in evaluating the scheme’s performance to ensure that the considerable financial and administrative resources committed to it are generating the anticipated benefits. Enacted in 2005, the MGNREGS aims to provide a guaranteed 100 days of unskilled manual work per household per year to any adult above 18 years of age, irrespective of caste, gender, or religion. The scheme encompasses a wide range of work categories, including road construction, pond and bund development, irrigation, plantation, forestry, compost pits, cattle sheds, tree plantations, wall construction, and desilting of open wells and tanks. According to the guidelines, work must be located within a five-kilometre radius of the applicant's residence, or within the same administrative block if farther away, in which case travel allowances are provided. Additional provisions, such as timely payment of wages, unemployment benefits if work is unavailable, and facilities at worksites, ensure that the scheme effectively reduces economic vulnerability. Recently, in response to crisis conditions, the maximum number of workdays per household was temporarily increased from 100 to 150. Hullur village, situated near the Ranebennur city and approximately 39 minutes from the main highway to PB Road, serves as the focal point of this study. The village has two wards and a population of about 4,800, according to the 2011 Census of India. It was selected for this case study by the Rural Development and Panchayati Raj Department of the Government of Karnataka. The selection is notable because the village lies adjacent to land acquired by the state government nearly eight years ago for a proposed thermal power plant. Although construction has yet to commence, local farmers who previously owned the land continue to cultivate toor dal. As part of the MGNREGS, the boundaries of the proposed power plant site have been developed into a green belt, with saplings supplied by the Forestry Department being planted in systematic rows as a natural border. Existing literature highlights numerous positive outcomes from MGNREGS participation for rural households, both in the short and long term. Studies have found that the scheme significantly increases monthly per capita expenditure on food and non-food consumables, leading to improved food security and a noticeable reduction in the frequency of meals foregone by households each week.

Also, the scheme seemed to raise the probability among the beneficiaries of holding savings and reduced the incidence of emotional anxiety (Ravi & Engler 2015). This reduction in anxiety can go a long way in securing the economic positions of the households and therefore reducing the various vulnerabilities that they may otherwise face. There are also strong positive effects of the MGNREGS on female decision-making power related to the pattern of consumption of nutritious foods, children's education, and female labour supply (Tagat 2020). These can go a long way in ensuring intra-household equality in resource allocation – something that is not easy to achieve without targeted interventions because of the deeply socially embedded nature of these practices (Williamson 2000). The spill-over effects of MGNREGS participation on education for young children are potentially large as it has been observed that improved financial security for the household results in increased schooling and improved opportunities for young children. That said, there also instances of perverse effects on education, where older children spend less time in school, and more time in the labour market, at least partly due to the higher wages induced by the scheme (Islam & Sivasankaran 2014). Trivedi and Aswal (2011) seem to suggest that there might be reduced reliance on the scheme in Assam – which is exactly what is intended. Our interviews with the higher-level department officials did indicate that they wish for more people to not have to rely on the scheme. The scheme may apply to a fluid set of beneficiaries, and hopefully no single family will continue to rely on the scheme for too many years in a row. Once their financial position stabilises, they may bring their participation in the scheme down to just one or two days to keep their registration alive for any future exigencies. A hint of this practice has in fact been observed during the primary survey for the current project: several of our interviewees had only a token one or two days on record under the scheme, because of which their registration was alive. The scheme has given the authority to the local bodies to generate work by sustaining the local resources and creating irrigation, agricultural asset base within the village set up itself, but these rights are too often not being utilised to check out-migration, one of the major aims of the scheme (IAMR 2008). An on-going project granted by the same government department to the same team of researchers finds, in the preliminary stages of the project, that participation in the scheme does in fact reduce distress migration: one extra day of work undertaken by the household per year reduces outmigration by anywhere between one and seven days for an average sized family. This result is based on a single village – a similar project for five North Karnataka districts is on-going.

Objectives and Methodology

While the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has demonstrated beneficial impacts across various contexts, the extent of these impacts often differs by region and local conditions. This study seeks to assess the economic and social impacts of MGNREGS in a Hullur village in North Karnataka. Given the standardized implementation framework of the scheme across India, the findings from this study may also serve as indicative of outcomes in other rural regions of the country. The specific objectives of this project are divided into two parts:

OBJECTIVES

The primary objectives of this study are as follows: 1. To determine whether the plantation works implemented under MGNREGS are functioning in compliance with the prescribed rules, specifically by examining: a. Eligibility of beneficiaries b. Number of days of work provided c. Caste-wise distribution of beneficiaries d. Timeliness of wage payments 2. To assess whether these plantation works have produced the anticipated positive outcomes, specifically: a. Increase in household consumption b. Growth in ownership of durable assets c. Improvement in these parameters among underprivileged groups Conceptual Framework The framework for this study is straightforward: participation in MGNREGS is expected to enhance household income, which may in turn lead to increased expenditure on food and non-food items, as well as long-term investments in durable assets. The number of days of productive employment is also viewed as a desirable outcome, owing to the psychological benefits of gainful work and self-reliance (Schumacher, 2011; Raworth, 2017). Due to measurement challenges, intangible benefits such as psychological well-being are not addressed in this study. Instead, the focus is on two measurable economic outcomes—ownership of durable assets and expenditure patterns—linked to the duration of employment provided under the scheme. Literature Review A review of related literature supports using consumption and asset ownership as key indicators to measure economic impact, with employment duration serving as the primary input. - **Kumar and Kharkwal (2015)** evaluated MGNREGS in Udham Singh Nagar district, Uttarakhand over six years (2007–08 to 2013–14), collecting detailed beneficiary profiles and data on expenditure, land holdings, livestock, other assets, and employment. They concluded that the scheme improved purchasing power, asset possession, and spending on health and education. - **Sarkar and Kumar (2011)** conducted a similar study in Burdwan district, West Bengal, assessing expenditure on food and non-food items, and the value of productive assets. While beneficiaries were socio-economically worse off than other rural households, gradual improvements were observed. - **Ahuja et al. (2011)** examined MGNREGS in Mewat and Karnal districts of Haryana, focusing on asset ownership and employment duration to assess impacts on migration and socio-economic status. Although consumption data was unavailable, results indicated that migration persisted due to higher market wages. - **Xavier and Mari (2014)** studied the scheme's impact on women's empowerment in Sivagangai district, Tamil Nadu, analyzing income, expenditure, and health issues faced by women. They found that the program met the food requirements of most families. Ganeriwala (2010) extensively evaluates the impact of MGNREGS on beneficiaries in six districts of Sikkim, using consumption expenditure as the primary measure. Collectively, the studies reviewed confirm that the economic impact of the scheme can be effectively assessed using the two specified variables—household consumption and ownership of durable assets. A key observation from this study is that households registering for MGNREGS and engaging in paid unskilled work tend to increase their overall expenditure. More importantly, it is insightful to examine the allocation of this additional income—whether it is directed more towards food or non-food items. If a larger portion is spent on food, this would suggest that the households were previously at a severe level of poverty, with incomes barely sufficient to meet basic nutritional needs. In such cases, MGNREGS plays a critical role in enabling families to meet the minimum consumption requirements essential for survival. Conversely, if the increase is more pronounced in non-food expenditure, it could indicate that the scheme is helping families who have already secured their basic needs to live more comfortably by investing in durable assets and other non-essential items. Therefore, if participation in MGNREGS is consistently associated with an increase—rather than a decrease—in expenditure on either food or non-food items, the contribution of the scheme to uplifting rural livelihoods can be regarded as significant and commendable.

DATA AND SUMMARY STATISTICS

Hullur is a small village surrounded by vast expanses of land primarily cultivated with toor dal. The centre of the village is distinguished by a petrol pump, an open field, and a well-staffed MGNREGS office. It is evident that MGNREGS activities in Hullur play a vital role in shaping the social and economic fabric of the local community. Notably, the proposed thermal power plant site nearby is encircled by trees planted under the MGNREGS initiative as part of the [translate:laksha vruksha] (a hundred thousand trees) campaign intended to form a green boundary around the site. While MGNREGS participants in Hullur have been engaged in various types of work, plantation activities constitute a significant proportion—over 30 percent of all person-days recorded among the 321 sampled households. The random sample of 321 households represents slightly more than 30 percent of the total households in the village. Key observations based on the summary statistics presented in Table 1 include: - Approximately 45 percent of the sampled households are headed by women, which is notably high. - Educational attainment in Hullur remains low, with only 26 household heads having received any formal education. Among those who have attended school, the average years of schooling are 6.31. - Out of the 321 households surveyed, 161 include members who have completed the 10th grade. Of these, 77 households have members who have completed the 12th grade, 10 households have members with undergraduate degrees, and only one household includes a member with a postgraduate qualification.

Discussion

Linking the findings back to our conceptual framework and standard microeconomic theory, the evidence strongly supports the conclusion that participation in MGNREGS is associated with increased expenditure in both food and non-food categories. Approximately 40 percent of newly earned income is allocated to grains, reflecting the tendency of poorer households to exhibit a higher marginal propensity to consume, particularly in relation to essential food items. Among the statistically significant results, more than half of the additional income is directed toward food purchases. Notably, around 10 percent is spent on reading materials, an encouraging indicator of investment in educational resources. The empirical evidence is reinforced by observations of scheme implementation in Hullur, which reveal that MGNREGS enjoys strong beneficiary trust and confidence. This is exemplified by the fact that over three-fourths of new job card applications are typically approved within one week, and nearly 90 percent of job card holders report receiving timely electronic wage payments. Among the 45 respondents who did not participate in MGNREGS work between April 2021 and March 2022, 32 voluntarily chose not to seek work, while only 13 sought work but were unable to obtain it during that period. More than two-thirds of job card holders reported being assigned work within a 5-kilometre radius of their residence, in compliance with the provisions of the Act. For the remaining workers, it is plausible that transport arrangements were made to the thermal power plant site, with access facilitated by a tractor personally owned by the MGNREGS field assistant. This is consistent with the observation that approximately 30 percent of all person-days in the sampled households were generated through work at the thermal power plant site. A noteworthy factor contributing to the scheme's success in Hullur appears to be the dedication of the MGNREGS field assistant, who has taken personal initiative to ensure the effective implementation of various projects, particularly the tree plantation initiative. His efforts—ranging from assisting families in completing registration requirements to ensuring prompt wage disbursement—have markedly enhanced the scheme's overall impact in the village.

CONCLUSION

As noted in the introduction, numerous studies have highlighted the positive effects of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) on various dimensions of beneficiaries' lives. This paper adds to that body of literature by examining the economic impact of MGNREGS in Hullur village. The findings suggest that participating households exhibit higher expenditures on key food items such as grains, milk, and sweeteners, as well as on stationery among non-food items. Given the village's relative isolation from major urban influences, and with household-level characteristics controlled for, it is reasonable to attribute these increased expenditures to participation in the scheme itself. Using primary survey data from 321 households—documenting socio-demographic characteristics, scheme participation, and expenditure across multiple categories—a simple Ordinary Least Squares (OLS) model is employed to analyze the impact of MGNREGS on household consumption and ownership of durable assets. The scope of "economic impact" is limited to these measurable variables. The summary statistics reveal a pervasive level of poverty within the village: none of the surveyed households own televisions or motorized vehicles; roughly one-third own electric fans or mobile phones; and fewer than one-quarter own any land, with an average holding of 2.8 acres among those who do. These findings confirm that the scheme primarily benefits economically vulnerable groups—households with little or no education and minimal asset ownership—precisely the population it aims to support during periods of economic distress. The results demonstrate that MGNREGS is performing effectively across key parameters. Participation is inclusive across social groups; work opportunities remained available during the pandemic-induced lockdowns when alternative income sources were scarce; and wage payments are being credited accurately and promptly to beneficiaries' bank accounts. In terms of impact, approximately half of the additional earnings from an extra day of MGNREGS work are spent on essential food items such as grains, dairy, and sweeteners. This outcome aligns with established microeconomic theory regarding the high marginal propensity to consume among low-income families, indicating that the scheme enables participants to meet their basic nutritional needs. The only notable non-food expenditure category showing positive effects is on reading materials such as stationery and newspapers, suggesting minor improvements in access to educational and informational resources. However, no significant effect was found on the ownership of durable assets, implying that MGNREGS serves primarily as a short-term income stabilization mechanism rather than a tool for asset accumulation. This aligns closely with the intended purpose of the scheme—to provide economic relief and livelihood security to vulnerable rural households, particularly during times of crisis.

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