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IMPACT OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MNREGA) ON INDIAN AGRICULTURE

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ABSTRACT----------
The Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), introduced in 2005, is a landmark social welfare program aimed at providing guaranteed wage employment to rural households in India. This paper examines the multifaceted impact of MNREGA on Indian agriculture, focusing on its influence on labour dynamics, agricultural productivity, and rural livelihoods. The study highlights how MNREGA has contributed to reducing rural unemployment and enhancing financial stability among marginal farmers and landless labourers. However, it also explores the challenges posed by the program, such as the diversion of agricultural labour towards MNREGA projects, resulting in labour shortages during peak farming seasons. The scheme's emphasis on sustainable development has led to the creation of rural infrastructure, such as irrigation facilities and water conservation structures, which have indirectly benefited agricultural productivity. This analysis underscores the dual role of MNREGA as both a welfare measure and a developmental intervention, providing critical insights into its role in transforming rural economies and addressing structural challenges in Indian agriculture. The present paper is descriptive in nature. Only secondary sources of data have been used. The secondary sources include the research paper, articles, newspapers, Websites, and project reports.
KEYWORDS: *Unemployment, Productivity, Labour, Agriculture----------*

INTRODUCTION

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), implemented in 2005, has emerged as one of India's most significant social welfare schemes aimed at providing livelihood security to rural households. The Act guarantees 100 days of wage employment per financial year to every rural household whose adult members volunteer to do unskilled manual work. While MGNREGA was primarily designed to alleviate poverty and reduce unemployment in rural areas, its impact on Indian agriculture has been profound and multifaceted. Agriculture, being the backbone of the Indian economy, employs much of the rural population, and any policy that affects rural labour has far-reaching consequences for the agricultural sector. MGNREGA has provided rural workers with a steady source of income, thereby reducing their dependency on traditional agricultural labour. This, in turn, has influenced the dynamics of labour supply in farming, agricultural productivity, and rural agricultural infrastructure. This paper seeks to explore the impact of MGNREGA on Indian agriculture, focusing on its effects on labour availability, rural income levels, agricultural productivity, and the rural economy. It will also examine the challenges and opportunities arising from this program, particularly its role in shaping the future of rural agricultural development in India. Through a comprehensive analysis, the study aims to provide a nuanced understanding of how MGNREGA has interacted with agricultural practices and policies, contributing both positive and negative outcomes to the rural landscape.

REVIEW OF LITERATURE

Kumar and Singh (2022) explored the role of MGNREGA in supporting agrarian reforms. They concluded that while MGNREGA has contributed to increasing the rural labor force and providing better wage rates, the lack of technical training and skill development has limited its impact on improving farming practices or increasing crop yield.

Kumar and Ramesh (2021) discussed the financial implications of MGNREGA for farmers. Their findings suggested that while MGNREGA provides immediate relief to farmers during off-seasons, it has not contributed significantly to long-term agricultural transformation. The study pointed out the necessity for policy alignment between MGNREGA and agricultural policies to ensure sustainable growth.

Satpathy (2019), MGNREGA has provided women with greater financial independence and a stronger voice in household decision-making. In many regions, women have participated actively in MGNREGA's infrastructure projects, such as road construction and water conservation, which has improved their socio-economic status and contributed to their empowerment.

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Rath and Sahu (2018) analysed the socio-economic effects of MGNREGA on agricultural activities. They observed that while the program has enhanced rural infrastructure through projects like irrigation channels and land development, its primary focus on unskilled labor has not contributed significantly to improving agricultural techniques or resource management.

Imran and Sharma (2016) focused on the influence of MGNREGA on agricultural labour markets. They concluded that the program has contributed to reducing rural poverty and migration, enabling farmers to hire labourers at competitive wages during critical agricultural periods.

Chakraborty and Ghosh (2014) explored the effect of MGNREGA on agricultural productivity, particularly in rural areas. They found that the act has had a positive effect by improving rural infrastructure and increasing the availability of labour for agricultural work, particularly during lean seasons.

OBJECTIVES OF THE STUDY

The primary objectives of this research are:

1. To assess the impact of MGNREGA on labour availability in the agricultural sector.
2. To examine how MGNREGA influences wage dynamics and labour costs for farmers.
3. To evaluate the role of MGNREGA in rural infrastructure development and its effects on agricultural productivity.
4. To understand the gender impact of MGNREGA on agricultural labour and rural livelihoods.

RESEAECH METHODOLOGY

This study employs a mixed-methods research approach to examine the impact of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on Indian agriculture. The methodology includes both qualitative and quantitative techniques to capture the comprehensive effects of MGNREGA on agricultural labor markets, productivity, and rural livelihoods. Secondary data is collected from government reports, academic journals, and policy documents to support and validate primary data. Sources include:

- Ministry of Rural Development (MGNREGA reports)
- National Sample Survey Office (NSSO) data on rural employment and wages
- Research studies and articles related to MGNREGA and its agricultural impact

Hypothesis Statement

1. Null Hypothesis (H_0): Implementation of the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) has no significant impact on agricultural productivity, labour availability, or rural livelihoods in India.
2. Alternative Hypothesis (H_1): Implementation of the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) has a significant impact on agricultural productivity, labour availability, and rural livelihoods in India.

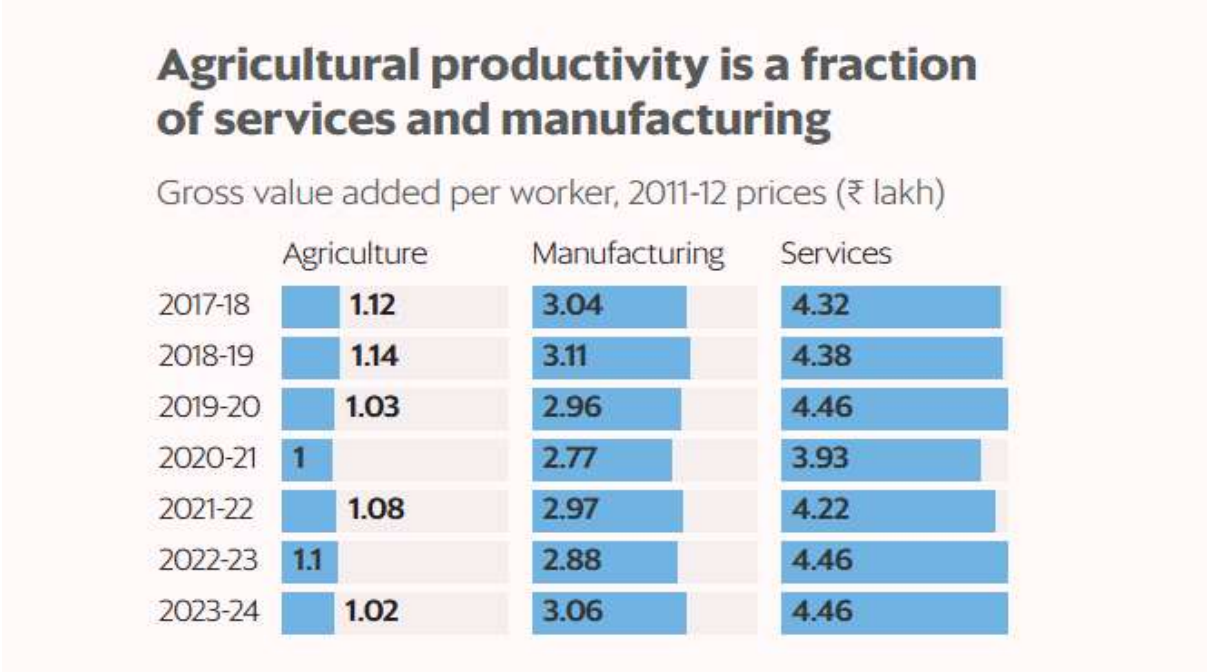
Impact of (MGNREGA) on Agricultural Productivity

The impact of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on agricultural productivity in India is a blend of both positive and negative outcomes, influenced by various regional and sectoral factors. On the positive side, MGNREGA has indirectly boosted agricultural productivity by investing in rural infrastructure, particularly irrigation and water conservation projects. These include the construction of farm ponds, check dams, and irrigation channels, which have enhanced water availability for farming, especially in water-scarce regions. Additionally, MGNREGA has supported soil conservation initiatives like land leveling and watershed management, improving soil health and reducing erosion, which has a direct impact on crop yields. The program has also contributed to better rural infrastructure, such as roads and storage facilities, improving market access for farmers, reducing transportation costs, and facilitating timely access to agricultural inputs like seeds and fertilizers.

However, the program's impact on agricultural productivity is not without challenges. The most significant drawback is the labour shortage created during peak agricultural seasons. MGNREGA has offered rural workers an alternative source of employment with guaranteed wages, leading to reduced availability of agricultural labour during critical periods like sowing and harvest. This shortage has been particularly problematic in labour-intensive sectors, such as paddy and sugarcane farming, where timely labour is crucial for maintaining optimal crop yields. In regions with high MGNREGA participation, farmers have reported difficulty hiring workers, leading to delays in farm operations or, in some cases, the abandonment of crops. Additionally, the rise in rural wages due to MGNREGA has increased labour costs for farmers, which can be burdensome, especially for small and marginal farmers who are already facing financial constraints. While larger farmers may benefit from the increased

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purchasing power of rural labourers, smaller ones m ay find it harder to cope with the higher costs, impacting their profitability and overall productivity. Therefore, while MGNREGA has undoubtedly contributed to some improvements in agricultural productivity through better infrastructure and sustainable farming practices, it has also posed challenges in terms of labour supply and rising costs, which require careful management to ensure that the benefits outweigh the drawbacks.



This table presents data on **Gross Value Added (GVA) per worker** across three sectors: **Agriculture**, **Manufacturing**, and **Services**, measured in **₹ lakh** at **2011-12 constant prices**.

The table illustrates the **Gross Value Added (GVA) per worker** across three key sectors — **Agriculture**, **Manufacturing**, and **Services** — measured in constant 2011-12 prices (₹ lakh) from **2017-18 to 2023-24**. The data reveals that agricultural productivity consistently lags behind both manufacturing and services. While agricultural GVA per worker fluctuates around ₹1 lakh, manufacturing productivity ranges between ₹2.77 lakh and ₹3.11 lakh, and services consistently surpass ₹4 lakh. Notably, in 2020-21, all sectors saw a dip in productivity, likely due to pandemic-related disruptions. Despite this, services maintained the highest productivity, reflecting its resilience. The persistent gap highlights India's structural economic imbalance, where a substantial portion of the workforce remains in agriculture despite its low output per worker. Enhancing agricultural productivity through mechanization, improved irrigation, and skill development could help bridge this gap. Meanwhile, strengthening the manufacturing sector and leveraging the high productivity in services may drive overall economic growth.

Comparative Analysis

- **Agriculture's productivity** is significantly lower than both manufacturing and services. For example, in 2023-24, agriculture's GVA per worker (₹1.02 lakh) is roughly **one-third** of manufacturing (₹3.06 lakh) and **one-fourth** of services (₹4.46 lakh).
- **Services** have the highest productivity across all years, showing better resilience and growth.

Implications

- **Structural imbalance**: The data highlights India's long-standing issue — a significant portion of the workforce remains in agriculture despite its low productivity.
- **Policy Focus**: Strategies aimed at improving agricultural productivity, enhancing manufacturing efficiency, and leveraging the high productivity of the services sector are essential for balanced economic growth.

Labor Availability and Migration under MGNREGA

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has had a profound impact on labour availability and migration patterns in rural India, particularly in the agricultural sector. By guaranteeing 100 days of wage employment to rural households, MGNREGA has provided an alternative to distress migration, a common phenomenon in many rural areas where agricultural work is seasonal and unreliable. Before the

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implementation of MGNREGA, many rural labourers migrated to urban centers for employment during the off-seasons, leaving behind labour shortages during crucial farming periods. MGNREGA has helped reduce this seasonal migration by providing consistent income opportunities within local communities, particularly in drought-prone or economically backward regions, thus helping families stay in their villages. This has led to a more stable rural workforce and has reduced the reliance on migration to cities for work.

However, MGNREGA has also introduced some unintended challenges, particularly in the agricultural sector. While it has reduced migration, it has also created labor shortages during peak agricultural seasons, such as sowing and harvest periods. As MGNREGA guarantees relatively higher wages compared to agricultural work, many laborers prefer working on public projects instead of engaging in farm activities, leading to reduced availability of agricultural labor during critical times. This has been particularly problematic for small and marginal farmers, who struggle to compete with the wages offered by MGNREGA. The shift in labor preferences has sometimes led to delays in sowing and harvesting, adversely affecting crop yields and productivity. Additionally, while MGNREGA has empowered rural workers, especially women, by providing stable income and reducing gender-based employment disparities, it has also contributed to the diversion of labor from agriculture, potentially undermining long-term agricultural sustainability. Thus, while MGNREGA has helped stabilize rural livelihoods by curbing migration, its impact on agricultural labor availability requires careful management to ensure it does not hinder agricultural productivity.

Impact of MGNREGA on Agricultural Labour and Rural Livelihoods

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), launched in 2005, is a transformative policy designed to enhance rural livelihoods by guaranteeing wage employment. By providing a safety net during lean agricultural seasons, it has significantly impacted the rural labor market and socio-economic conditions. MGNREGA influences labor availability, wage dynamics, and rural development, offering both opportunities and challenges for communities and the agricultural sector.

One major impact of MGNREGA is its effect on labor supply dynamics in agriculture. By guaranteeing 100 days of employment with a fixed wage, it creates competition for labor during peak farming seasons, sometimes leading to seasonal labor shortages. However, the program's flexibility to schedule work during lean periods mitigates this challenge, offering rural workers an alternative income source and reducing reliance on exploitative practices in agricultural labor.

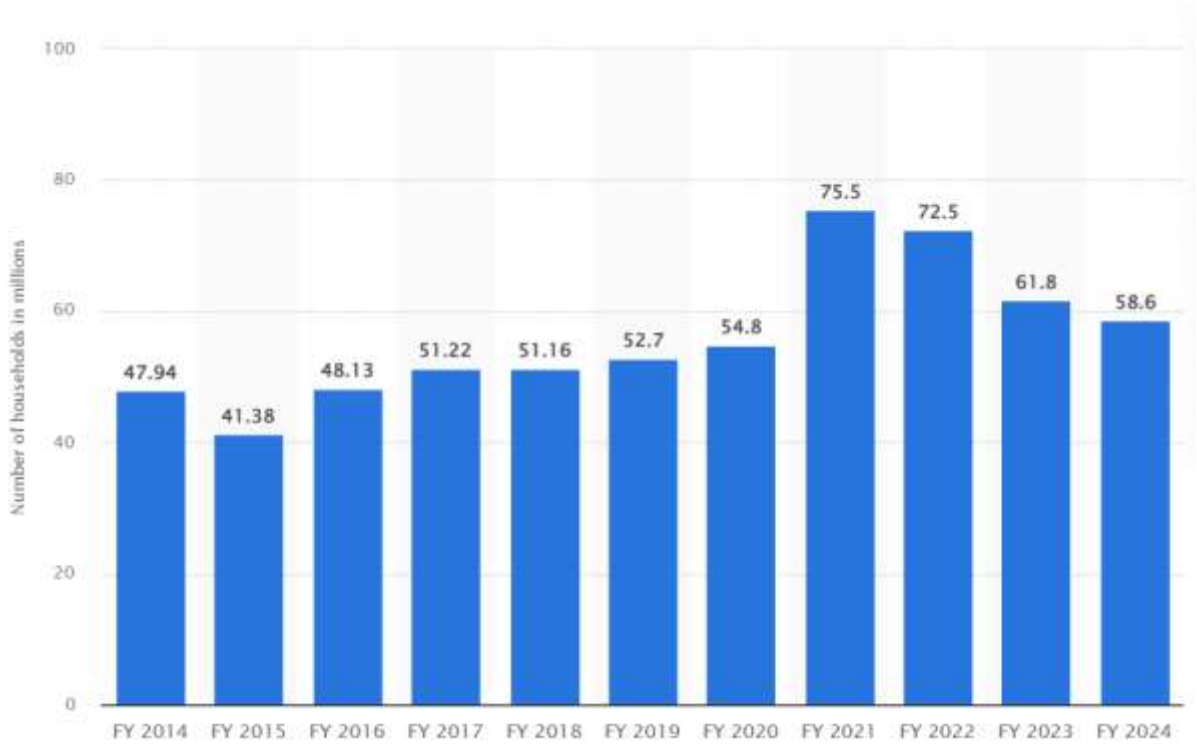
Wage dynamics in rural areas have been reshaped by the program. MGNREGA's minimum wage has set a benchmark, curbing exploitative wages and empowering workers to negotiate better pay and conditions. This has led to higher agricultural wages, particularly for casual labor, but also increased labor costs for small and marginal farmers. Despite these challenges, the program has enhanced economic resilience by providing rural households with stable income, reducing distress migration, and improving access to essential needs such as food, education, and healthcare.

The program's contributions extend to rural infrastructure development, with projects like irrigation facilities, water conservation, and rural roads benefiting agriculture and productivity. These assets reduce soil erosion, enhance water resource access, and facilitate the transport of produce, fostering long-term agricultural growth. Furthermore, MGNREGA has been instrumental in empowering rural women by providing safe, local employment opportunities, increasing their financial independence, and promoting gender equity. Despite its successes, MGNREGA faces challenges, including labor diversion from farming activities, delayed wage payments, corruption, and inadequate monitoring. Addressing these issues through improved governance, timely disbursements, and integration with rural development schemes is essential for maximizing its impact.

In summary, MGNREGA has significantly enhanced rural livelihoods by improving income stability, wage standards, and infrastructure. While it poses challenges like labor shortages and increased wage costs for farmers, its benefits in poverty alleviation and rural development are profound. To sustain its positive outcomes, the program must evolve with a balanced approach that supports both rural workers and the agricultural economy.

Number of households provided employment under the Mahatma Gandhi National Rural Employment Guarantee Act in India from financial year 2013 to 2024

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The bar chart illustrates the number of households (in millions) that participated in the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) from FY 2014 to FY 2024. Participation shows fluctuations over the years, reflecting various economic and policy factors. Starting at 47.94 million households in FY 2014, there was a decline to 41.38 million in FY 2015. From FY 2016 onward, participation gradually increased, reaching 54.8 million households by FY 2020. A notable spike occurred in FY 2021, with participation surging to 75.5 million households, attributed to the COVID-19 pandemic, during which rural households relied heavily on MNREGA for income. Post-pandemic, the numbers started to decline, reducing to 72.5 million in FY 2022, 61.8 million in FY 2023, and 58.6 million in FY 2024. This decline reflects economic recovery, reduced pandemic disruptions, and possibly changes in MNREGA funding or rural labour dynamics. The chart underscores MNREGA's critical role as a rural safety net during economic crises.

CONCLUSION

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has had a significant influence on Indian agriculture, bringing both benefits and challenges. On the positive side, MGNREGA has improved rural infrastructure through initiatives like irrigation projects, soil conservation efforts, and water management systems, which have boosted agricultural productivity and promoted sustainable farming practices. The scheme has also contributed to stabilizing rural incomes, reducing migration, and enhancing the socio-economic conditions of marginalized groups. However, the program has posed some challenges as well. The redirection of agricultural labor to MGNREGA projects has led to seasonal labor shortages, particularly during key agricultural periods such as sowing and harvesting. This has been especially difficult for small and marginal farmers, who often face challenges in meeting the higher wages influenced by MGNREGA wage standards. Consequently, rising labor costs have, in some instances, affected farm profitability and productivity. Despite these issues, the long-term benefits of MGNREGA in promoting sustainable rural development outweigh its limitations. By strengthening rural infrastructure, the program has enhanced farm efficiency, improved water resource management, and reduced drought vulnerability, ultimately supporting agricultural resilience. Additionally, MGNREGA has empowered rural women by increasing their financial independence and encouraging their active participation in economic activities.

To optimize MGNREGA’s benefits while minimizing its adverse effects on agriculture, policymakers should consider better alignment of the scheme with farming cycles. Strategies such as scheduling MGNREGA projects during non-peak farming periods, introducing skill development programs for agricultural labourers, and improving wage disbursement systems can help maximize positive outcomes.

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