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Evaluating the Performance of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)/VB-G RAM-G in India

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Abstract

India's rural labour market is marked by underemployment and income insecurity, making public employment schemes central to poverty reduction. MGNREGA - recently restructured as VB-G RAM-G (2025) -guarantees wage employment while emphasizing durable asset creation and decentralized governance. However, performance varies sharply across and within states in employment generation, wage payment and fund utilisation. This study constructs a Composite Index of MGNREGA Performance (CIMP) using household coverage, SC, ST and women's share of person-days, average days of employment, completion of 100 days, participation of persons with disabilities and the wage share of expenditure to rank state level performance, and separately examines trends in fund allocation and utilisation (2013-2025). Results show Mizoram, Kerala and Tamil Nadu outperforming on employment generation, women's participation and fund utilisation, while several states fall short of the 100 day employment target. The paper concludes with policy implications for VB-G RAM-G's revised cost-sharing and delivery design.

Keywords: MGNREGA, VB-G RAM-G, Fund Allocation and Fund Utilisation, GSDP, Composite Index Score.

Introduction and Background

Rural employment guarantee schemes have always formed the backbone of social welfare system of India since these are basically meant to provide livelihood security to rural families by offering them guaranteed wage employment. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is a demand-driven wage employment scheme (Khera, 2008). It ensures that every rural household receives up to 100 days of paid, unskilled manual labour in a fiscal year (Sharma, 2010). The objective of this research paper is to study the financial dimensions of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).It investigates the allocation and utilisation of public funds in India under the MGNREGA scheme and analyses the same at the sub-national level.

In rural areas characterised by extreme poverty, disguised unemployment, low skill levels and limited occupational diversity, public works programmes serve as an essential labour market and social assistance intervention. From the Maharashtra Employment

Guarantee Scheme (1972-73) to the national MGNREGA (2006-07) (Drèze and Rahul, 2025), India has implemented a series of labour-intensive public works projects, drawing on international experiences and development perspectives such as Nurkse's surplus-labour theory (Dev, 2016).[1]

Since the 1990s, India's economy has grown rapidly and steadily, averaging roughly 7 per cent per year between 1990 and 2000. Nevertheless, the gains from this growth have been uneven across social groups and income classes. Data indicate that economic expansion has exacerbated intra and inter-state disparities and sustained rural poverty, with 33.8 per cent of rural residents living below the poverty line in 2009-10 (Panagariya and Mukim, 2014; Patwardhan and Tasciotti, 2022).[2] Gunabhagya's[3] report, Performance Analysis of MGNREGA in Karnataka, offers an empirical assessment of the implementation effectiveness of MGNREGA across Karnataka's districts. The study evaluates district-level performance using specific indicators that represent the programme's overarching objectives. Its three main aims are to analyse trends and patterns in public spending on MGNREGA, assess inter-district differences in implementation results and provide evidence-based policy recommendations to increase programme effectiveness. The study finds that households receive only about half of the guaranteed employment days and that only a small proportion complete 100 days. Districts with lower performance levels also tend to spend proportionately more on material and administrative expenses than on wages, highlighting the need for improved planning, long-term initiatives and greater access and trust for vulnerable groups.

The Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin) Act (VB-G RAM-G, 2025), replacing the MGNREGA recently shows a significant change in the rural employment policy by reframing the design, funding structure and implementation methods under a modified statutory mandate. According to the VB-G RAM-G 2025, there would be guaranteed employment for the rural households for up to 100 to 125 days in a year and there would also be a shift in the cost-sharing pattern from 50:50 to 60:40. This will replace the earlier open ended approach towards labour budgeting with normative approach and allows suspension of employment in the peak agriculture season. All these changes can be attributed to the attempts to align the rural employment guarantee program with other national development objectives like Viksit Bharat@2047. Against this backdrop, this study aims to analyze the impact of the MGNREGA scheme in India.

Objectives

1) To measure the overall performance of the MGNREGA scheme in India using a composite index constructed from selected key indicators.

[1]S. Mahendra Dev, Impact of 10 Years of MGNREGA: An Overview, Indira Gandhi Institute of Development Research (IGIDR), Mumbai.

[2]Sharvari Patwardhan and Luca Tasciotti, "The Effect of the Mahatma Gandhi National Rural Employment Guarantee Act on the Size of Outstanding Debts in Rural India," Journal of Development Effectiveness, 15(4), 2022, pp. 353-372. https://doi.org/10.1080/19439342.2022.2103169.

[3]Gunabhagya, Research Report on Performance Analysis of MGNREGA in Karnataka, Research Report No. 4/2023-24, Government of Karnataka Fiscal Policy Institute, Bengaluru.

2) To examine the growth and trends in fund allocation and fund utilisation under the scheme across Indian states.

Data and Methodology

The analysis employs secondary data about the implementation of MGNREGA in selected states from 2013-14 through 2025-26 from the Management Information System of the program (nrega.dord.gov.in; Ministry of Rural Development, 2025). The demographic base that helps describe the outcomes of the program is obtained from the 2011 Census of India and includes the total number of rural households and SC/ST population. The number of households availing of the employment, average days of employment availed of by each household, participation of women and SC/ST employees, and number of households meeting the complete requirement of 100 days stipulated by the Act are the main indicators examined.

This study has also used an index method to analyze the efficiency of the MGNREGA scheme in India. The Index includes eight criteria where each one is related to the different objectives of the MGNREGA Act. These objectives include: Household Employment Coverage (households employing as a proportion of rural households), Share of women among person days, SC share of person-days, ST share of person-days, Average number of days of employment for each household, Share of households completing 100 days, Participation of persons with disabilities, Proportion of wages to total expenditure.We adopt the dimension index approach of Mishra and Nathan (2008) and Sarma (2010).

Composite Index of MGNREGA Performance (CIMP):

$$CIMP = 1 - \frac{\sqrt{\begin{array}{l}(W_1 - d_{HHAE})^2 + (W_2 - d_{SC})^2 + (W_3 - d_{ST})^2 + (W_4 - d_{Women})^2 \\ + (W_5 - d_{ADE})^2 + (W_6 - d_{HC100D})^2 + (W_7 - d_{NDP})^2 + (W_8 - d_{WE})^2\end{array}}}{\sqrt{W_1^2 + W_2^2 + W_3^2 + W_4^2 + W_5^2 + W_6^2 + W_7^2 + W_8^2}} \quad (1)$$

Whereas,

dHHAE = dimension value of percentage of households availed employment under the programme, out of total number of households in the state. dSC, dST and dWomen = dimension values of percentage of SC, ST and Women person-days out of total person days of employment·

dADE = dimension value of average days of employment provided per household ·

dHC100D = dimension value of percentage of households that completed 100 days of employment out of total households that availed employment ·

dNDP =dimension value of percentage of disabled person-days out of total person-days of employment ·

dWE = dimension value of percentage of wage out of total expenditure.

In order to compile these values for constructing an index, dimension values for each indicator were computed, which represent a state's performance on a certain dimension of MGNREGA. Weights were assigned to these indicators based on their importance, with weights believed to vary inversely with indicators' variance, based on the Iyengar & Sudarshan (1982) study. On these grounds, those indicators with smaller regional variations are assigned greater weights, with the weights normalised through a constant c so that they sum to one, as shown above. After deriving a composite, states are grouped into three categories - better, moderate and poor performing - based on the quartile method, to accommodate for skewed distributions of values. States above the third quartile are regarded as better performers, with those between the second and third quartile and those below the second quartile defined as moderate and poor performers, respectively. The CIMP is estimated for a sample of 21 major and selected North-Eastern states. An illustration of state-wise performance of MGNREGA is presented through a geo-map created with R software.

Results and Discussion

Performance of MGNREGA Programme in India.

The Table 1 indicate that MGNREGA created approximately 1.51 billion person-days of work in the fiscal year 2025-26. About 45 million households benefited from the programme and more than 120 million workers were actively engaged.

Person-days and households-benefitted figures for Lakshadweep and West Bengal could not be ascertained from the MGNREGA portal for this period; the reason for non-reporting could not be established from available sources and these two entries are therefore excluded from the state-wise averages discussed below. Households had an average of 33 days of employment and workers averaged 5 days in the scheme. Uttar Pradesh, Bihar and Andhra Pradesh are the top three states in terms of total person days generated. This is primarily due to the fact that these states have large rural populations which translates to more demand for jobs.

But in terms of active workers relative to registered workers, smaller states such as Mizoram, Tripura, Arunachal Pradesh and Nagaland are doing better, with Mizoram recording the highest share of active workers (almost 86 per cent), followed by Tripura, Tamil Nadu and Andhra Pradesh. Although the share of active workers in Bihar was low (36 per cent), Bihar and Uttar Pradesh generated the largest number of person-days of work.

Growth of public expenditure on MGNREGA in India (2013-2025)

At the national level, the total fund allocation was Rs. 32,74,626.75 lakhs in FY 2013-14 and increased to Rs. 1,09,81,068 lakhs in 2020-21. Further, it declined to Rs. 63,35,919 lakhs in FY 2025-26.

Table 1. MGNREGA implementation across States/UTs (Financial Year 2025–26)

Sl. No.	State/UT	Active workers	Total workers	Per cent	Person-days generated	Households benefited
1	Andaman and Nicobar	9561	58227	16.42	25613	1115
2	Andhra Pradesh	9094540	11404749	79.74	157068168	4090705
3	Arunachal Pradesh	363691	473485	76.81	8056362	251044
4	Assam	5145808	11587884	44.41	37514624	1218305
5	Bihar	9910495	27367161	36.21	159019349	4488400
6	Chhattisgarh	6223610	8351870	74.52	55681008	1575252
7	DN Haveli and DD	14878	44917	33.12	97765	2587
8	Goa	6534	52286	12.5	47488	2200
9	Gujarat	2510708	9900627	25.36	21853826	599093
10	Haryana	804271	2647847	30.37	5932970	263707
11	Himachal Pradesh	1391345	2884771	48.23	14026748	441573
12	Jammu and Kashmir	1535770	2422398	63.4	19457905	441493
13	Jharkhand	3967252	10627034	37.33	76072347	1943014
14	Karnataka	7535752	18518617	40.69	60312939	2046724
15	Kerala	2288622	5977102	38.29	45519570	1147707
16	Ladakh	37888	50955	74.36	1005401	26982
17	Lakshadweep	164	16499	0.99	–	–
18	Madhya Pradesh	10050634	19189592	52.38	133449209	3437488
19	Maharashtra	8779802	33413097	26.28	98985820	2838018
20	Manipur	680946	934212	72.89	11405739	456046
21	Meghalaya	833127	1260637	66.09	13407087	382246
22	Mizoram	212077	247866	85.56	11039232	212781
23	Nagaland	471014	643718	73.17	7015212	249726
24	Odisha	6673828	11017719	60.57	73616869	1898389
25	Puducherry	69795	116929	59.69	1142431	47447
26	Punjab	1503344	3062520	49.09	18185441	732363
27	Rajasthan	11692488	23498197	49.76	139763584	4048375
28	Sikkim	91028	136986	66.45	2042150	51909
29	Tamil Nadu	8893658	11053169	80.46	100262028	4988877
30	Telangana	5476648	10877742	50.35	54827226	1999043
31	Tripura	1029642	1247113	82.56	18409228	552215
32	Uttar Pradesh	11873121	23572989	50.37	163264031	4651317
33	Uttarakhand	941265	1638577	57.44	5185450	206717
34	West Bengal	1846862	25705294	7.18	–	–
	Total	**121960168**	**280002786**	**–**	**1513692820**	**45292858**

Source: MGNREGA, Ministry of Rural Development, GoI. – Data not available.

Table 2. Growth of public expenditure on MGNREGA in India

Year	Central release (Rs. lakh)	Per household allocation (Rs.)
2013-14	32,74,626.75	6831.39
2014-15	32,13,910	7767.20
2015-16	35,97,464	7473.85
2016-17	47,41,172	9255.76
2017-18	55,65,993	10879.79
2018-19	62,12,507	11788.44
2019-20	71,02,035	12959.92
2020-21	1,09,81,068	14544.46
2021-22	96,81,225	13353.41
2022-23	88,29,043	14286.48
2023-24	88,21,729	14727.43
2024-25	85,64,055	14816.70
2025-26	63,35,919	13864.16
CAGR	5.65%	6.08%
AAGR	7.51%	6.49%

Source: Author estimate, MGNREGA, Ministry of Rural Development, GoI.

The Compound Annual Growth Rate (CAGR) for fund allocation has been 5.65% over the period, reflecting consistent growth in the total funds allocated by the government. Conversely, the Average Annual Growth Rate (AAGR) for fund allocation is higher at 7.51%. Regarding per-household allocation, the CAGR indicates a growth rate of 6.08%, while the AAGR shows a slightly higher average growth rate of 6.49%. The increase in the amount of money allotted to each household under the MGNREGA scheme in India over the 12 years is reflected in this growth in the per-household allocation.

iii) State wise per household allocation under MGNREGA

The allocation of funds per household under MGNREGA varies significantly across states, with Mizoram, Meghalaya, Kerala, Karnataka, Tripura, Andhra Pradesh and Gujarat emerging as the highest allocating states, while West Bengal, Assam, Tamil Nadu, Bihar and Rajasthan receive comparatively lower allocations (Figure 1). This graphic pattern supports the quantitative variations in allocation by highlighting the differences in fund distribution between states. Allocations per household worked are typically higher in high income states[4] (Gujarat, Karnataka) indicating better fiscal capacity and implementation efficiency. The allocations are also comparatively high in the middle-income states of Kerala, Andhra Pradesh, Maharashtra, Odisha and Punjab. However, the per household allocations in many low-income states such as West Bengal and Bihar are significantly lower. There is a significant difference in Tamil Nadu, where the per household

[4]Note: Classification based on GSDP per capita 2023-24 of states.

distribution of MGNREGA funds in 2024-2025 is relatively low, even though the state has a high GSDP per capita. This pattern highlights regional differences in fund distribution and program implementation efficiency.

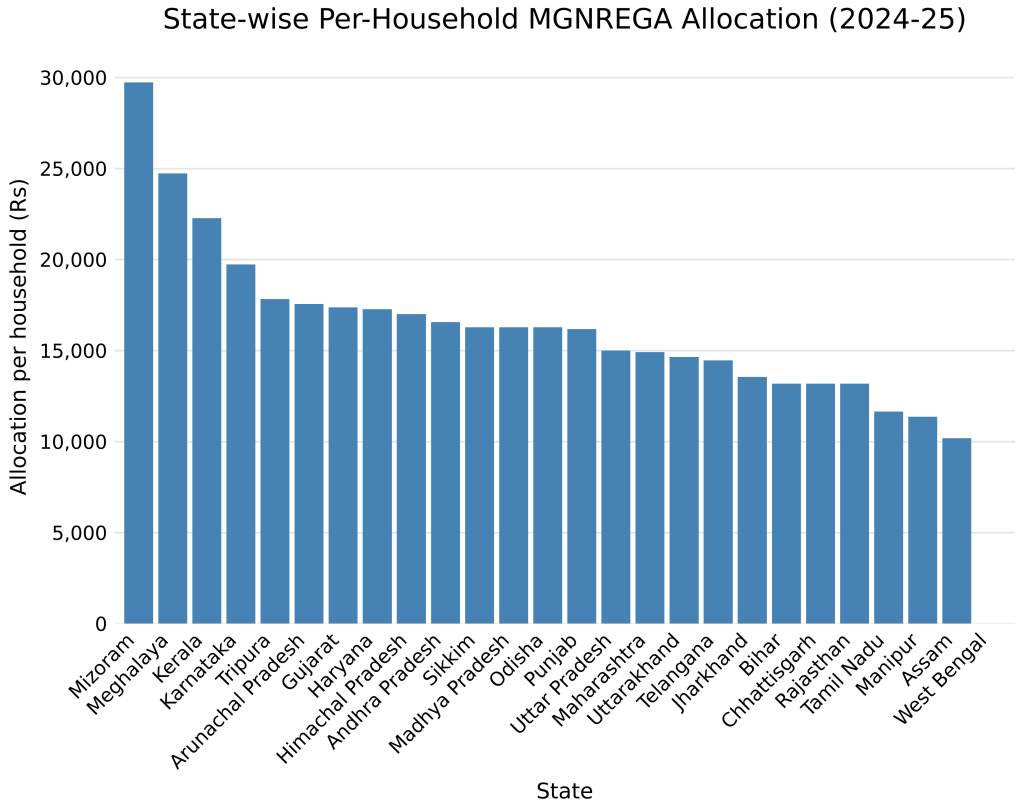


Figure 1. State-wise per household allocation under MGNREGA
Source: Author estimate, MGNREGA, Ministry of Rural Development, GoI.

iv). MGNREGA Fund allocation and fund utilisation in India

For finding the fund utilisation, fund allocation to MGNREGA to states for the year 2024-25 was collected from the MGNREGA web portal.

Table 3. State-wise MGNREGA fund allocation and fund utilisation, 2024–25

State	Fund allocation (Rs. lakh)	Fund utilisation (Rs. lakh)	Utilisation (%)
Andhra Pradesh	831289.55	849255.72	102.16
Bihar	735126.67	847365.3	115.27
Gujarat	183032.25	172020.26	93.98
Himachal Pradesh	145044.21	153149.23	105.59
Karnataka	611818.1	640667.28	104.72
Kerala	348810.42	401159.2	115.01
Madhya Pradesh	703036.71	691965.9	98.43
Odisha	448996.24	463697.83	103.27
Rajasthan	840437.12	944463.77	112.38
Tamil Nadu	858839.18	1074472.22	125.11
Uttar Pradesh	1066658.02	1198078.26	112.32
West Bengal	19195	19196.33	100.01
Mizoram	63628.56	61451.19	96.58
Meghalaya	133003.53	151874.04	114.19
Telangana	464550.7	434107.69	93.45
Sikkim	10600.17	11372.52	107.29
Arunachal Pradesh	59902.24	66915.56	111.71
Chhattisgarh	383706.25	430280.58	112.14
Assam	225877.34	228144.47	101
Haryana	65134.84	69531.49	106.75
Jharkhand	316931.52	325458.52	102.69
Manipur	65098.86	91386.56	140.38
Punjab	150895.39	138867.97	92.03
Tripura	119798.24	115403.22	96.33
Uttarakhand	69105.62	67998.74	98.4

Source: Author estimate, MGNREGA, Ministry of Rural Development, GoI.

Significant differences in performance are found when comparing the allocation and use of MGNREGA funds across states. Kerala (115.01%), Tamil Nadu (125.11%) and Manipur (140.38%) have all used their allotted funds to the fullest. This indicates either high demand or carryover expenditures. Conversely, a few states underutilized their allotments, such as Telangana (93.45%), Mizoram (96.58%), Tripura (96.33%) and Punjab (92.03%). Although MGNREGA generally satisfies demand, efficiency and implementation differ greatly by sub national levels, as evidenced by the wide variations in fund usage across states, which range from 92% to 140%.

v) Composite Index of MGNREGA Performance (CIMP)

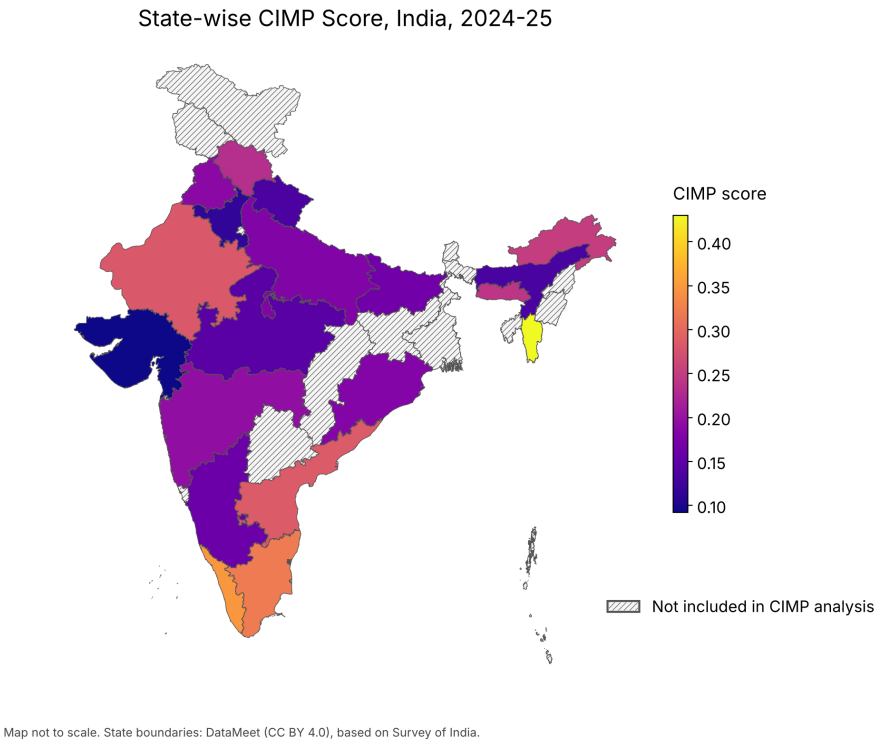


Figure 2. State-wise CIMP score, India, 2024–25
Source: Author estimation, MGNREGA.
Note: CIMP estimated for 19 states. Hatched states were not included in the CIMP sample; West Bengal (no reported employment in 2024–25) and Telangana (no 2011 Census rural household base) were excluded.

The evaluation of MGNREGA performance in the states of India during 2024-25 shows that Mizoram (0.43) and Kerala (0.35) record the highest CIMP scores, followed by Tamil Nadu (0.32); these states, along with Andhra Pradesh and Rajasthan, lie above the third quartile and are classified as better performers. Such states have a high level of implementation of the program and many households have gained employment benefits from the program. The mean number of days for which households get employed is high. Moreover, there are many households which have been able to get 100 days of employment. Another feature of the good implementation of the scheme is the allocation of expenditure towards wages rather than administrative and other costs, thereby ensuring that most of the expenditure is spent for providing employment to people. Gujarat, Haryana and Assam record the lowest CIMP scores and Bihar is also among the poor performers; Bihar and Assam in particular show weak outcomes in MGNREGA implementation.

The state wise pattern of performance derived using the Composite Index of MGNREGA Performance is in general agreement with the literature that identifies the states of Kerala, Tamil Nadu and several North Eastern states as good performers in the sense that these states have been able to implement the program effectively and generate more employment and participate in larger number of households in the process (Narayanan

and Das, 2014) . In contrast, states like Bihar and Assam have shown weaker outcomes. However, some states like Uttar Pradesh, Punjab and Odisha do not feature in the same position as they did in some of the earlier studies and this demonstrates the dependency of performance evaluation on the indicators used the weighting scheme and the reference year chosen.

Such variations indicate more underlying reasons such as those related to administration and political economy than just the adequacy of funds (Jha et al., 2009). The success achieved by Kerala is associated with the decentralised implementation capacity that has been built up based on the grama panchayats and Kudumbashree in Kerala. On the other hand, the poor performance of Bihar and Assam arises mainly from low average days of employment and very few households completing 100 days (about one per cent in each), which limits the employment effects of the programme despite adequate fund allocation. This is similar to Gunabhagya's (2023) finding for low performing districts in Karnataka, where households receive only part of the guaranteed employment. Such observations indicate that the differences in the MGNREGA achievements across states may be explained in terms of quality of governance and administrative capacity at the panchayat level as much as by fiscal capacity itself. This implies that variations in the functioning of the scheme between states can be attributed equally to good governance and administrative capabilities at the panchayat level as compared to fiscal capacity itself, reflecting the same findings related to the implementation gaps found in Liu et al (2018). The debt reduction effects of MGNREGA participation identified by Patwardhan and Tasciotti (2022) also appear more consistent with the utilisation pattern observed in states such as Kerala and Tamil Nadu, where wage expenditure and fund utilisation are both high, than in states where a larger share of spending is diverted to non-wage costs. This unevenness qualifies the more optimistic, nationally aggregated picture in Ravi and Engler (2015), who use nationally representative NSS rounds to show that NREGS participation significantly reduced consumption poverty and vulnerability to poverty; the present state level evidence suggests that such welfare gains are conditional on implementation capacity and are unlikely to be realised uniformly in states where administrative delivery is weaker.

Conclusion

MGNREGA is a vital livelihood protection tool, ensuring 100 days of wage employment for rural households, despite significant interstate variations. At the interstate level, governance quality, efficient administration, and fund utilization drive performance, with Kerala standing out for its decentralized strength. Micro-level findings highlight income stability for women and elderly, supported by timely payments and transparency (Khera and Nayak, 2009).Nevertheless, challenges like wage delays, limited work diversification, and low youth participation must be addressed. The shift from a 50:50 to a 60:40 central-state cost sharing pattern will need to be accompanied by faster state level fund release if wage delays are to be reduced rather than worsened. The extended 100-125 day guarantee offers an opportunity to design skill linked and seasonally diversified works that could improve youth participation while the provision to suspend employment in the peak agri-

cultural season will need to be balanced carefully against the risk of reduced access for the most vulnerable households. By strengthening these aspects, MGNREGA/VB-G RAM-G can better foster inclusive, sustainable rural development. Future research should examine how VB-G RAM-G's revised cost sharing pattern and normative labour budgeting affect fund utilisation and employment outcomes at the state level and how the scheme's implementation aligns with the broader Viksit Bharat@2047 development agenda.

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