



## **SDG 1, No Poverty: MGNREGA in India**

### **A Legal Guarantee of Employment**

Poverty in the Global South is overwhelmingly rural. In India, a country with over 1.4 billion people, nearly two-thirds of the population resides in rural areas, where agriculture remains the primary source of livelihood. However, agricultural labour is inherently seasonal. During the dry months between planting and harvesting, millions of landless labourers and smallholder farmers face severe ‘slack seasons’ with little to no income. This cyclical unemployment leads to extreme poverty and forced ‘distress migration’ – a phenomenon where whole families abandon their villages to live in urban slums, working in exploitative, informal conditions just to survive the season.

Traditional welfare systems often rely on one-off cash transfers or charity. While these provide immediate relief, they rarely address the root economic causes of unemployment or help build the local infrastructure that could permanently lift a community out of destitution. To truly tackle the ‘No Poverty’ goal in a highly populated, agrarian society, a structural macroeconomic intervention was required. India needed a mechanism that could provide a reliable financial safety net while simultaneously developing the rural economy to shield vulnerable populations from recurring economic shocks.

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) represents a radical paradigm shift in global poverty alleviation. Instead of treating the poor as passive recipients of state charity, MGNREGA empowers them with a legally enforceable right to work and earn a baseline income. The core premise of the program is simple yet unprecedented in its scale. The state guarantees at least 100 days of paid, unskilled manual labour in a financial year to every rural household whose adult members volunteer for it. If the government fails to provide employment within 15 days of a citizen applying for it, the applicant is legally entitled to a daily unemployment allowance paid by the state. This legal mechanism acts as an ultimate shield against extreme poverty.

Importantly, the work undertaken through MGNREGA is focused on creating durable, productive public assets. The vast majority of the projects involve digging irrigation canals, building check dams, and land levelling. By focusing on these specific areas, the program not only puts cash directly into the pockets of the poorest citizens but also improves the long-term agricultural productivity of the village, ensuring sustained income generation. The foundation



of this massive anti-poverty initiative is legislative, marking a departure from temporary governmental ‘schemes’ that can be easily scrapped due to budget cuts.

- 2005 – Legislative enactment. The Indian Parliament passed the Act in August 2005. It was a historic moment, codifying the ‘Right to Work’ into a statutory legal right specifically aimed at eradicating extreme rural poverty.
- 2006 – Phased rollout. The act officially came into force on February 2, 2006. It was initially implemented in the 200 most socio-economically backward districts of the country, targeting the poorest populations first.
- 2008 – Nationwide expansion. By April 2008, the program was expanded to cover all rural districts in India, effectively making it the largest public works anti-poverty program in human history.

A critical legal foundation of MGNREGA is its extreme decentralisation. The planning, execution, and monitoring of the works are managed by the Gram Panchayats (democratically elected village councils). The village assembly decides which projects are needed most to boost local economic output, ensuring that poverty-reduction strategies are locally relevant.

The socio-economic impacts of this program are strictly focused on building financial independence and eradicating poverty across multiple dimensions:

- Direct income support. For millions of landless workers, MGNREGA provides the only guaranteed source of cash income during the lean agricultural season. This prevents households from falling below the extreme poverty line and eliminates the need to take exploitative loans from local moneylenders, which often leads to generational debt traps.
- Financial inclusion. To eliminate middlemen and corruption, MGNREGA wages must be paid directly into the bank or post office accounts of the workers. This legal requirement forced the opening of millions of bank accounts for the rural poor, bringing them into the formal financial system for the first time and allowing them to securely save their earnings.
- Reduction of distress migration. By providing guaranteed work within a 5-kilometre radius of a worker’s village, the program allows families to maintain a steady income without the desperate need to migrate to overcrowded megacities, thereby preventing the expansion of urban extreme poverty.
- Protecting livelihoods against shocks. By building micro-irrigation structures and water conservation assets, the program helps vulnerable rural communities protect their



agricultural yields from droughts and erratic weather. This ensures that their primary source of income is secure, preventing a sudden slide back into destitution.

- **Market wage influence.** By setting a statutory minimum wage for MGNREGA work, the program has indirectly forced private agricultural landlords to raise the wages they pay to labourers, thereby increasing the overall rural wage baseline and reducing systemic poverty across the entire country.

Despite its transformative design, executing a poverty-eradication program of this magnitude brings monumental administrative and structural challenges. The most frequent criticism of MGNREGA is the chronic delay in wage payments. While the law mandates payment within 15 days, bureaucratic bottlenecks often lead to workers waiting months for their wages. For a family living in extreme poverty, delayed income defeats the purpose of an emergency safety net. The next are corruption and leakage issues, such as the creation of ‘ghost workers’ (fake job cards), and attendance records are still manipulated. Every stolen wage is a direct blow to the poverty-alleviation goals of the Act. The exclusion of technology is also a big challenge. The government recently mandated the Aadhaar Payment Bridge System (APBS), linking biometric IDs to bank accounts. While aimed at reducing fraud, technical glitches and a lack of Internet connectivity in remote, impoverished areas have led to millions of genuine workers being wrongfully deleted from the system and denied their rightful wages, pushing them back into severe financial hardship. The uneven performance of the states is another a huge problem. Poorer states with a higher demand for work and thus the greatest need for poverty alleviation often struggle to efficiently implement the program and utilise the funds due to weak administrative capacity.

The sheer scale of MGNREGA’s achievements in fighting poverty is staggering. In a typical financial year, the program provides employment to roughly 50 to 60 million households. During the 2023–2024 financial year, it generated over 3.1 billion person-days of employment, injecting massive amounts of capital directly into the poorest demographic. The true anti-poverty value of MGNREGA was proven during the COVID-19 pandemic (2020–2021). When millions of migrant workers lost their urban jobs overnight and walked hundreds of kilometres back to their villages with no savings, MGNREGA was their only source of income. Employment generation surged to nearly 3.9 billion person-days, directly preventing mass destitution and economic collapse. Also, since the inception of MGNREGA, the program has created tens of millions of rural assets, heavily contributing to the revival of agricultural productivity and the construction of rural roads, which are essential for farmers to sell their goods in broader markets.



As India's economy modernises, the role of MGNREGA as a tool to achieve SDG 1 is evolving. The success of the rural program has sparked intense debate among economists about the need for a similar 'Urban Employment Guarantee Act' to address the growing extreme poverty and underemployment among the urban poor. A major future challenge is ensuring that MGNREGA does not remain a permanent holding pattern for the poor. Policymakers are exploring ways to integrate the program with skill-development initiatives, allowing workers to 'graduate' from unskilled, minimum-wage earthwork to semi-skilled, higher-paying jobs in the formal economy, permanently lifting them out of poverty.

In conclusion, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a globally unprecedented social policy mechanism that proves that effective extreme poverty alleviation does not have to rely on charitable handouts. Transforming temporary financial aid into an enforceable citizen's right to paid work has fundamentally shifted the economic dynamics in rural India. On the one hand, MGNREGA creates a powerful safety net that protects tens of millions of the poorest families from slipping into extreme destitution during agricultural lean seasons and in the face of unforeseen economic shocks. This was starkly demonstrated during the pandemic, when the program saved multitudes of unemployed migrant workers returning from cities from starvation. Moreover, the statutory requirement to pay guaranteed wages directly into bank accounts has integrated previously excluded social groups into the formal financial system. This has given the poorest demographic a tool to safely accumulate savings, liberating them from local moneylenders and drastically reducing the multi-generational debt trap, which is a primary driver of poverty in the Global South. On the other hand, the Indian project demonstrates that funds allocated for poverty eradication can simultaneously stimulate the long-term economic development of entire regions. The manual labour performed under MGNREGA – such as building irrigation systems or rural water retention infrastructure – directly secures local agricultural production against collapse. Consequently, the poorest farmers gain income stability, which is a prerequisite for permanently escaping the poverty trap. Naturally, such a gigantic and decentralised system faces serious operational obstacles. Chronic delays in wage payments, local corruption, and unintended exclusion resulting from the implementation of mandatory biometric systems are real challenges that still undermine the initiative's effectiveness. Despite these barriers, MGNREGA remains the most compelling proof that state-sponsored guaranteed employment is a powerful, scalable solution to the problem of extreme poverty. For many other developing nations grappling with a massive lack of economic prospects in rural areas, the Indian model



provides an invaluable lesson on how to approach the full realisation of Sustainable Development Goal 1 in a systemic, empowering, and dignified manner.

### Questions

1. How does a 'rights-based approach' (a legal guarantee of income) to poverty alleviation differ fundamentally from traditional welfare handouts or charity?
2. In what ways does bringing the rural poor into the formal banking system (financial inclusion) help in permanently eradicating extreme poverty?
3. Critics argue that MGNREGA is an expensive burden on the state budget. How can this argument be countered by analysing the long-term economic benefits of keeping rural populations above the extreme poverty line?
4. How does the implementation of digital technologies (like biometric IDs) serve as a double-edged sword when trying to deliver wages to the most impoverished and isolated communities?
5. Could a similar 'Employment Guarantee Act' be successfully implemented in urban environments to combat city-based extreme poverty? What would be the main financial and administrative challenges?

### List of references

- Ministry of Rural Development, Government of India, 2024. *Annual Master Circulars on Mahatma Gandhi NREGA*, viewed 6 March 2026, <[https://mgnrega.karnataka.gov.in/uploads/mgnrega\\_1747392980.pdf](https://mgnrega.karnataka.gov.in/uploads/mgnrega_1747392980.pdf)>.
- Biswas S., BBC. *India's jobs guarantee scheme: A global model under threat?*, viewed 7 March 2026, <<https://www.bbc.com/news/articles/c11r980vvjpo>>.
- International Labour Office, *Mahatma Gandhi National Rural Employment Guarantee Scheme*, viewed 7 March 2026, <[https://researchrepository.ilo.org/view/pdfCoverPage?instCode=41ILO\\_INST&filePid=13114773320002676&download=true](https://researchrepository.ilo.org/view/pdfCoverPage?instCode=41ILO_INST&filePid=13114773320002676&download=true)>.
- NITI Aayog, *SDG India Index Baseline Report*, viewed 6 March 2026, <[https://www.niti.gov.in/sites/default/files/2020-07/SDX\\_Index\\_India\\_Baseline\\_Report\\_21-12-2018.pdf](https://www.niti.gov.in/sites/default/files/2020-07/SDX_Index_India_Baseline_Report_21-12-2018.pdf)>.



- Tianshu L., Sheetal S., 2020. *The Spillovers of Employment Guarantee Programs on Child Labor and Education*, *The World Bank Economic Review*, 34(1), viewed 7 March 2026, <<https://documents1.worldbank.org/curated/en/178581624519178924/pdf/The-Spillovers-of-Employment-Guarantee-Programs-on-Child-Labor-and-Education.pdf>>.
- UNDP. *Empowering Lives Through Mahatma Gandhi NREGA*, viewed 6 March 2026, <<https://www.undp.org/india/publications/empowering-lives-through-mahatma-gandhi-nrega-0>>.
- Charlton E., World Economic Forum. *Eradicating extreme poverty by 2050?*, viewed 8 March 2026, <<https://www.weforum.org/stories/2023/04/extreme-poverty-eradicated-growth-think-tank/>>.

Author: Tomasz Idzikowski  
tomasz.idzikowski@lazariski.edu.pl