

## MGNREGA Fund Crunch

### Why in news?

The Centre's flagship employment scheme, the MGNREGA, has run out of funds halfway through the financial year 2021-22.

### What is the MGNREGA's present financial state?

The MGNREGA is a demand-driven scheme, guaranteeing 100 days of unskilled work to any rural household that wants it.

The scheme currently (October 2021-end) shows a negative net balance of ₹8,686 crore.

- During 2020 COVID-19 lockdown, the scheme was given its highest budget of ₹1.11 lakh crore and provided a critical lifeline for a record 11 crore workers.
- However, the scheme's 2021-22 budget was set at just ₹73,000 crore.
- This amounted only to 2.1% of the Budget expenditure, the lowest outlay in those terms in the last 6 years.
- The Centre assured that supplementary budgetary allocations would be available if money ran out.
- As on October 2021 end, the total expenditure including payments due had already reached ₹79,810 crore, pushing the scheme into the red.
- Already, 21 States show a negative net balance with Andhra Pradesh, Tamil Nadu and West Bengal faring the worst.
- The negative balance means that the payments for MGNREGA workers as well as material costs will be delayed, unless States provide temporary funds out of their own kitty.

### What is the contention in this regard?

- **Centre's stance** - Centre is accusing many States of "artificially creating demand" for work on the ground.
- The nature of the scheme is that once people turn up and demand jobs, the demand is provided.
- But the States are using it not as a demand-driven scheme, but as a supply-led scheme.
- **Ground reality** - Activists say the exact opposite is happening on the ground.
- MGNREGA data shows that 13% of households who demanded work under the scheme were not provided work.
- Even these are underestimates, as many workers are simply turned away by officials when they demand work, without their demand being registered at all.
- The Centre is condemning workers to "forced labour" by delaying wage payments at a time of economic distress.
- And now, when there is no money, State governments tend to stop generating work, thereby artificially squeezing demand.

- Delays in wage payments could also result in a decline in rural consumption, which plays a vital role in stimulating the economy.

## How significant is the MGNREGS?

- An effective substitute in the absence of crop and weather insurance in aiding poor farm households; provides wages during agrarian crises.
- An avenue for rural employment during the economic crisis induced by the pandemic and a life-saver for the poor, especially migrant labourers.
- Helps improve rural infrastructure and rural development in the long-term.

By October 2021-end, Kerala, Tamil Nadu, AP and HP had utilised more than 130% of their respective allocations for the scheme. This indicates the extent to which rural workers depend on the scheme even in relatively better-off States.

## What should be done?

- The Union Government must ensure that the allocation for the scheme is adequate.
- This is crucial for wage payments to be done and for demand to be met in the remaining months of this financial year.

### Reference

<https://www.thehindu.com/opinion/editorial/underestimated-utility-the-hindu-editorial-on-mahatma-gandhi-rural-employment-guarantee-rural-jobs-scheme-fund-crunch/article37274455.ece>

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