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

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