Macro-Economic Impact of MGNREGA in India: An Analysis in CGE Modeling Framework

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The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is one of the flagship programmes of the Government of India. The programme aims to deal with rural poverty and unemployment by assuring economic security to the rural poor, by providing guaranteed wage employment when other employment alternatives are scarce or inadequate. This study aims to evaluate the macroeconomic impacts of the MGNREGA on the Indian economy by running counterfactual simulations with the aid of PEP-1-1 CGE model. The findings indicate that MGNREGA has increased the real GDP of the economy as well as household income and real consumption budget. The increase in household income is higher for the bottom quintile classes in comparison to the richer households. If the MGNREGA expenditure is reallocated to educational services, medical services, and public administration, the GDP of the economy as well as household income will decline.