

Comparing the Indian Rural Livelihood Programmes: A Policy Review of MGNREGA and NRLM

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Abstract

This paper critically reviews two of India's most significant rural development programmes—the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the Deendayal Antyodaya Yojana–National Rural Livelihoods Mission (NRLM). Although both aim to alleviate poverty and improve rural livelihoods, they differ fundamentally in design and approach: MGNREGA guarantees wage employment through public works, whereas NRLM seeks to empower women and poor households through collective self-help and financial inclusion. Using a policy-analytic framework, this paper examines their objectives, institutional design, implementation mechanisms, and outcomes, drawing on government documents, programme evaluations, and academic research. The analysis finds that MGNREGA has substantially contributed to income security and rural asset creation, while NRLM has strengthened social capital and women's economic empowerment. However, challenges such as delays in wage payments and limited market linkages persist. The study argues that integrating MGNREGA's asset creation with NRLM's institutional empowerment could generate synergistic, long-term livelihood gains. Policy suggestions are provided to improve coordination, sustainability, and inclusive rural growth.

Keywords: MGNREGA, NRLM, rural livelihoods, SHGs, employment, empowerment, policy evaluation

1. Introduction

India's rural economy has long been characterized by structural poverty, underemployment, and dependence on agriculture. To address these challenges, successive governments have implemented a series of social protection and livelihood programmes. Among these, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) of 2005 and the National Rural Livelihoods Mission (NRLM), launched in 2011, stand out as transformative policy interventions. Both programmes target poverty and livelihood insecurity but differ in their fundamental design and theoretical underpinnings. MGNREGA seeks to guarantee employment as a legal right through public works, while NRLM focuses on institution-building and capacity enhancement through self-help groups (SHGs) and community-based federations.

MGNREGA operates on a rights-based approach to social protection. It guarantees every rural household up to 100 days of unskilled manual work per financial year, thereby ensuring minimum wage income and creating durable rural assets (Government of India, 2005). NRLM, on the other

Comparing the Indian Rural Livelihood Programmes: A Policy Review of MGNREGA and NRLM

Dr. Sona Jain

hand, represents a shift from welfare to empowerment. By organizing poor women into SHGs, it aims to promote savings, credit access, skill development, and microenterprise formation (Ministry of Rural Development [MoRD], 2013). Together, these two policies reflect India's evolving understanding of poverty — not merely as a lack of income, but as a multidimensional condition requiring both protection and empowerment.

While MGNREGA provides immediate wage-based support and public asset creation, NRLM focuses on building long-term capabilities and social capital. The comparative analysis of these two programmes provides valuable insights into the effectiveness of India's rural policy architecture and highlights the potential for convergence between employment-based and institution-based approaches to poverty reduction.

2. Objectives of the Study

1. To compare the policy design, institutional structure, and implementation processes of MGNREGA and NRLM.
2. To analyze the impact of these programmes on income generation, women's empowerment, and rural livelihood sustainability.
3. To evaluate complementarities and challenges in the concurrent implementation of both schemes and suggest policy reforms for improved outcomes.

3. Review of Literature

Academic and policy literature on MGNREGA and NRLM reflects their distinct theoretical and practical orientations. MGNREGA has been widely studied as one of the largest public works programmes in the world, guaranteeing employment as a legal right to rural households. Dreze and Khera (2009) highlight MGNREGA's potential to act as a safety net during agricultural lean seasons, reducing rural distress and enhancing labor bargaining power. Similarly, Imbert and Papp (2015) demonstrate through econometric analysis that MGNREGA raised rural wages and reduced migration in high-implementation regions. Dutta (2014) and Subrahmanyam (2013) emphasize that MGNREGA contributes to local infrastructure and water conservation assets, though its effectiveness varies across states depending on administrative capacity and political will.

By contrast, NRLM literature situates the programme within the global discourse on microfinance, empowerment, and participatory development. Drawing from the SHG movement pioneered in the 1990s, NRLM focuses on organizing women into groups to access credit, training, and markets. Studies by Pitt and Khandker (1998) and Swain and Wallentin (2009) establish the role of group-based credit in improving household welfare and women's decision-making. NABARD's (2014) reports indicate that SHG-bank linkage programmes increased access to formal credit and reduced dependence on informal lenders. NRLM builds on these insights by integrating financial inclusion with livelihoods promotion. However, Joshi (2017) and Sinha (2016) caution that many SHG-linked enterprises remain small-scale and face difficulties in accessing markets and scaling up operations.

Comparing the Indian Rural Livelihood Programmes: A Policy Review of MGNREGA and NRLM

Dr. Sona Jain

A small body of literature has compared or attempted to link these two programmes. The Planning Commission (2011) and the World Bank (2013) proposed the convergence of MGNREGA and NRLM to ensure that public works assets created under MGNREGA could be productively utilized by NRLM groups for sustainable livelihoods. Nair, Satyasai, and Raghavan (2015) found that coordination challenges — differing timelines, financing mechanisms, and monitoring indicators — hindered effective convergence. This paper builds on such comparative literature to evaluate how the two flagship programmes complement or diverge in addressing rural poverty and empowerment.

4. Methodology

The present study adopts a qualitative and interpretive methodology based on secondary data sources. It synthesizes evidence from government publications, research articles, policy evaluations, and institutional reports up to 2017. The analysis is structured along three dimensions: programme design and institutional mechanisms, implementation performance and outcomes, and potential areas of convergence. By using thematic analysis, the study identifies recurring patterns in administrative performance, gender outcomes, and income effects across different states. The methodological framework also includes a comparative table summarizing design and operational features, drawn from primary policy documents such as the MGNREGA Act (2005) and NRLM Guidelines (2013).

The study does not rely on primary data collection but instead offers an analytical synthesis that draws conclusions from the accumulated body of empirical and evaluative evidence. This approach allows for a macro-level understanding of how India's rural livelihood policies have evolved and interacted over time.

5. Comparative Analysis of Policy Design and Implementation

MGNREGA and NRLM differ significantly in their policy design, though both target rural poverty reduction. MGNREGA is a demand-driven, rights-based programme, ensuring guaranteed wage employment to rural households that seek work. It focuses on immediate livelihood security through wage payments and public works such as water harvesting, soil conservation, and rural road construction. Its implementation is decentralized through Panchayati Raj Institutions (PRIs), with strong statutory provisions for transparency, including social audits and online Management Information Systems (MIS) for monitoring.

NRLM, in contrast, follows a mission-based approach that is supply-driven in its initial stages but seeks to create sustainable demand for financial and livelihood services. It operates through community institutions — SHGs, village organizations, and cluster-level federations — to mobilize poor women into collectives that can negotiate with financial institutions, access training, and engage with markets. Unlike MGNREGA's universal employment guarantee, NRLM targets poor households based on participatory identification of the poor and seeks to graduate them from consumption loans to livelihood investment credit. Its monitoring emphasizes social capital formation, credit flow, and enterprise outcomes rather than wage days or asset creation.

Comparing the Indian Rural Livelihood Programmes: A Policy Review of MGNREGA and NRLM

Dr. Sona Jain

In terms of financing, MGNREGA is centrally funded with defined state shares for materials, whereas NRLM operates on a cost-sharing model between the center and states, supplemented by bank credit. The administrative structures also differ: MGNREGA's operational machinery is embedded in local governance institutions, while NRLM has dedicated professional staff through State Rural Livelihood Missions (SRLMs). Both programmes, however, face challenges of coordination across administrative levels, capacity constraints at the grassroots, and variability in implementation across states.

A comparative summary of the two programmes is presented below.

Table 1 Comparative Overview of MGNREGA and NRLM

Feature	MGNREGA	NRLM
Year of Launch	2005	2011
Core Objective	Provide guaranteed wage employment and create rural assets	Empower rural poor, especially women, through SHGs and livelihoods promotion
Target Group	All rural households seeking work	Rural poor households, primarily women
Approach	Rights-based, demand-driven public works	Institution-building, capacity enhancement, and market linkage
Implementing Agency	Panchayati Raj Institutions (PRIs), Rural Development Departments	State Rural Livelihood Missions (SRLMs), community institutions
Funding Pattern	Centrally sponsored, demand-based allocation	Centrally sponsored, cost-shared with states
Monitoring Mechanism	Social audits, Management Information System (MIS)	Mission monitoring, community-based evaluation
Key Outcomes	Income security, asset creation, rural infrastructure	Women's empowerment, financial inclusion, microenterprise promotion
Major Challenges	Wage delays, poor asset maintenance, leakage risks	Limited market access, weak credit absorption, capacity gaps

Both programmes share the common aim of livelihood enhancement but differ in instruments—MGNREGA offers direct income transfers through labor, while NRLM builds social and economic capital. MGNREGA's decentralized structure ensures broad reach but also exposes it to administrative weaknesses. NRLM's professional mission mode enhances efficiency but can be less inclusive in initial

Comparing the Indian Rural Livelihood Programmes: A Policy Review of MGNREGA and NRLM

Dr. Sona Jain

stages. Their complementarities suggest a sequential relationship—MGNREGA can provide immediate relief, while NRLM can sustain long-term economic advancement.

6. Discussion

The comparative evidence suggests that both MGNREGA and NRLM contribute to poverty alleviation, though in different temporal and structural dimensions. MGNREGA primarily serves as an income stabilizer. Studies report increased household income, reduced dependence on informal credit, and higher consumption levels among beneficiaries. By injecting liquidity into rural economies, MGNREGA stimulates demand for goods and services, indirectly supporting local enterprises.

NRLM, on the other hand, emphasizes capability enhancement and social transformation. Women's participation in SHGs has been linked to greater control over income, improved mobility, and collective bargaining. Over time, this institutional empowerment contributes to sustained improvements in household well-being and social status. However, NRLM's economic outcomes depend heavily on the quality of training, credit availability, and market integration—factors that vary widely across states.

Integrating the two programmes could yield stronger development outcomes. For instance, MGNREGA's infrastructure—such as irrigation tanks, rural roads, or plantations—can be leveraged by NRLM's SHG enterprises for value addition in agriculture, dairy, or crafts. Such convergence requires joint planning, shared databases, and coordinated funding between line departments and mission units. Moreover, engaging SHGs in MGNREGA's asset maintenance could enhance sustainability and community ownership, creating a virtuous cycle between employment and empowerment.

7. Policy Implications and Recommendations

The findings underscore the need for a multi-dimensional approach to rural development that combines the immediacy of income support with the sustainability of institutional empowerment. MGNREGA and NRLM should not function in isolation but should be integrated through coordinated planning, shared data systems, and complementary objectives. Policy convergence can be achieved by aligning work planning under MGNREGA with the livelihood plans of NRLM's SHG federations. Such integration would ensure that public investments in rural assets directly benefit organized women's collectives and small producers.

Improving MGNREGA's asset quality requires technical support and community participation. NRLM's SHGs and village organizations could be engaged in the maintenance of MGNREGA-created assets, generating both income and ownership. On the NRLM side, there is a need for enhanced financial linkages and market access for SHG enterprises. The government should facilitate partnerships with private sector entities and social enterprises to scale up production and marketing activities. Finally, both schemes require robust monitoring and impact evaluation frameworks to assess long-term outcomes beyond output indicators such as number of SHGs formed or person-days generated.

Comparing the Indian Rural Livelihood Programmes: A Policy Review of MGNREGA and NRLM

Dr. Sona Jain

8. Conclusion

The comparative review of MGNREGA and NRLM highlights the evolution of India's rural policy from welfare-based interventions to empowerment-driven strategies. MGNREGA, by providing wage employment and public assets, has contributed significantly to rural income security and labor market stabilization. NRLM, through its SHG-based institutional model, has fostered financial inclusion and women's empowerment. Yet, both programmes operate within distinct silos, and their full potential remains unrealized due to fragmented planning and administrative compartmentalization.

Effective convergence of these programmes can create a synergistic model that addresses both the symptoms and causes of rural poverty. Employment guarantees can provide immediate relief, while SHG-based livelihoods can ensure sustainability. The future of India's rural development lies in integrating these two paradigms—linking public investment with community empowerment to create resilient, inclusive, and self-sustaining rural economies.

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Comparing the Indian Rural Livelihood Programmes: A Policy Review of MGNREGA and NRLM

Dr. Sona Jain

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