

Cutting of the NREGA budget

What could be the calculation behind the Budget step? Rural wages growth and domestic tractor sales have displayed a rising trend. Govt seems to believe the post-Covid recovery is complete, and its thrust has moved from transfers to investment — as is suggested by the budgets for Jal Jeevan Mission and PMAY



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THE NARENDRA Modi government has slashed the budget for the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme to Rs 60,000 crore in 2023-24.

This, after record outlays during 2020-21 to 2022-23, which also saw a significant step-up in employment under the scheme that guarantees a minimum 100 days of unskilled manual wage work in a financial year (April-March) to every rural household on demand.

The Rs 60,000 crore provided for the programme, launched in February 2006 by the previous United Progressive Alliance (UPA) regime, would be the lowest since 2017-18 (see table).

The Ministry of Rural Development has, however, clarified that MGNREGA “is a demand driven scheme”, and “the generation of person days depends upon the demand for the works”. The original budget estimates (BE) for the programme were only Rs 61,500 crore, Rs 73,000 crore, and Rs 73,000 crore respectively in 2020-21, 2021-22, and 2022-23; the monies eventually spent were much more.

“Actual releases to the States have been much higher than that provided for at the BE level... Whenever additional fund is required, [the] Ministry of Finance is requested to provide the funds,” an official release said on February 3.

It still raises the question: Why has the MGNREGA budget been reduced so sharply, to a six-year-low?

Over the last three years, India’s economy suffered massive disruptions, initially from the Covid-induced lockdowns and then, the war in Ukraine that gave a shock to global commodity markets comparable to the oil and food price hikes of the 1970s and 2008-09.

The job and real income losses these entailed necessitated special ameliorative interventions for the country’s vulnerable sections.

There were two major social safety nets that the Modi government deployed.

The first was the public distribution system. Sales of rice and wheat under government schemes totaled 92.9 million tonnes (mt) in 2020-21, 105.6 mt in 2021-22 and 71.2 mt in April-December 2022, as against an average annual offtake of 62.5 mt during 2013-14 to 2019-20.

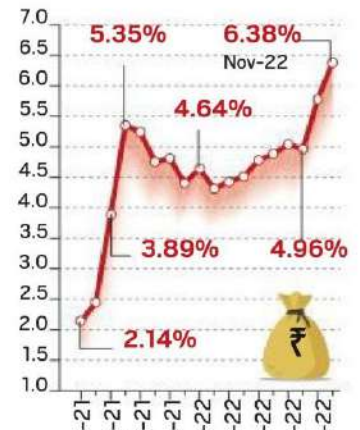
More than 81 crore ration cardholders

SPENDING UNDER FLAGSHIP RURAL SCHEMES (₹ crore)

	MGNREGA		PMAY	Jal Jeevan Mission	PM-Kisan
	Outlay	Work done*			
2012-13	30,274.72	230.46	7,868.77	10,489.91	
2013-14	32,994.12	220.37	12,981.65	9,691.29	-
2014-15	32,463.4	166.21	11,096.15	9,190.43	-
2015-16	37,340.71	235.15	11,603.45	4,369.55	-
2016-17	48,214.95	235.65	20,951.69	5,980.02	-
2017-18	55,166.04	233.74	31,163.6	7,037.96	-
2018-19	61,815.09	267.96	25,442.56	5,484.15	1,241.13
2019-20	71,686.7	265.35	24,963.65	10,030.42	48,713.84
2020-21	1,11,169.53	389.09	40,259.84	10,998.22	60,989.9
2021-22	98,467.85	363.24	90,019.91	63,125.7	66,825.11
2022-23**	89,400	290-300@@	77,130.01	55,000	60,000
2023-24@	60,000	NA	79,590.03	70,000	60,000

*In crore person-days employment generated; **Revised Estimates; @Budget Estimates; @@Projected; PMAY and Jal Jeevan Mission were till 2014-15 and 2018-19 called National Rural Drinking Water Programme and Indira Awas Yojana respectively.

NOMINAL RURAL WAGES GROWTH (% YEAR-ON-YEAR)



Wages are all-India average for rural male labourers across agri and non-agri occupations

were given 5 kg of grain per month free of cost, in addition to their regular 5-kg entitlement at Rs 2/kg for wheat and Rs 3/kg for rice.

The second was MGNREGA, which generated an all-time-high 389 crore person-days of employment in 2020-21 and 363 crore in 2021-22. Even the current fiscal’s projected 290-300 person-days will exceed the 265 crore-plus generated in 2019-20 and 2018-19, and the average 235 crore in the preceding three years.

The lower outlays for both MGNREGA and food subsidy (the BE in 2023-24 is Rs 197,350 crore, as against the previous three years’ spend of Rs 287,194 crore, Rs 288,969 crore, and Rs 541,330 crore) are predicated on a simple assumption: The economy has fully emerged from the pandemic and also overcome the war’s challenges, which aren’t as threatening as in 2022.

If 2023-24 turns out to be a “normal” year, the need for extraordinary distress mitigation diminishes correspondingly. Some idea of the government’s present thinking can be had from its pre-Budget *Economic Survey*, whose opening chapter is titled ‘Recovery Complete’.

How realistic is that assessment?

One indicator could be rural wages growth, which has displayed a rising trend in nominal (inflation-unadjusted) terms since mid-2022. The 6.38% average year-on-year increase in November (see chart) was higher than the rural consumer price inflation of 6.09% for the same month, implying wage growth in real terms as well.

A second gauge is domestic tractor sales. These, according to the Tractor and Mechanization Association’s data, fell from 8.99 lakh units in 2020-21 to 8.42 lakh units in 2021-22. But sales during April-December 2022 were 10.5% up over April-December 2021, with the actual growth happening from September 2022.

The main reason for both rural wages and growth in tractor sales picking up might be a decent post-monsoon *kharif* crop that didn’t suffer much damage from excess rainfall at the time of harvesting, unlike in 2021-22.

Incidentally, tractor sales did well in 2020-21 too, which also posted high nominal wage growth rates (7.92% in June, 7.62% in July, and 6.38% in August 2020). And 2020-21 was an excellent year for Indian agriculture, when the rest of the economy contracted.

The rural economy’s prospects in the coming months depend on the *rabi* winter-spring crop. It looks to be in good shape for now, but is due for harvesting only from March-end.

If the next southwest monsoon (June-September) is also normal and the non-farm economy truly recovers — to generate adequate labour demand in manufacturing, construction, and contact-based services such as trade, hotels, and transport — MGNREGA may not require any additional funding in 2023-24.

MGNREGA and food subsidy aside, have budgets been cut — or hiked — for other flagship rural schemes?

The allocation for the Pradhan Mantri Kisan Samman Nidhi or PM-Kisan in 2023-

24 has been maintained at the current fiscal’s level of Rs 60,000 crore.

It was expected that the Rs 6,000-per-year direct benefit transfer under the scheme, made to over 11 crore landholding farmer families, will be raised to Rs 7,500 or even Rs 9,000. That might still happen, perhaps closer to the Lok Sabha elections scheduled early next year.

The Modi government’s thrust, even in rural programmes, has now clearly shifted from transfers to investment. This is borne out by two schemes: Jal Jeevan Mission (JJM) and Pradhan Mantri Awas Yojana (PMAY).

The budget for JJM — which aims to provide functional tap connections to every rural household by 2024, on the lines of the government’s earlier programmes for ensuring universal access to LPG (Ujjwala), electricity (Saubhagya), toilets (Swachh Bharat) and bank accounts (Jan Dhan) — has been increased to an unprecedented Rs 70,000 crore.

PMAY, which seeks to build/provide pucca homes with basic amenities for all rural and urban households, again by 2024, has also received enhanced budget support from 2021-22.

In a post-Budget interview to *The Indian Express*, Finance Minister Nirmala Sitharaman expressed confidence that JJM and PMAY would themselves create sufficient labour demand, benefiting the very people seeking MGNREGA work. The government would also be hoping that the two programmes will deliver electoral dividends in 2024, like Ujjwala, Saubhagya, and PM-Kisan did in 2019.