SBI Research

VB-G RAM G: THE STEPPING STONE TOWARDS RESPONSIBLE & AGILE GRAM SWARAJ WITH A JAN BHAGIDARI LED MOMENTUM

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Executive Summary …..1/2

- The overhaul of the erstwhile MGNREGA through the VB-G RAM G aims to weave transformative practices and strategies factoring challenges of competitive project identification, productive asset creation, superior income generation and efficient monitoring mechanism…fixing structural weaknesses while enhancing employment, transparency, planning and accountability at all levels

- With increased budgetary commitment from Centre over years, but outcomes falling short of desired thresholds, MGNREGA needed the fresh breath of life, mostly a spirited and *jan bhagidari led* momentum through active participation of local governments viz. Gram Panchayats

- With the Central assistance vaulting to ~Rs 96,000 crore under proposed design in FY27, underscoring continued and substantial fiscal commitment of the Centre…states share will also rise but for the record, ~55% of gross tax revenue of Centre (devolution and grants) is also shared with states. States may need to reorient expenditure towards more productive purposes

- **Using a simulated scenario of normative assessment of (only Centre's share), with seven attributes/parameters spread across twin fulcrum of equity and efficiency, we estimate the States gain around ~Rs 17,000 crores when compared to average allocation of last 7 years, hinting at a scenario where most of the states will be net gainers based on the hypothetical weights and inter-se distribution**

Executive Summary….2/2

- Increase in nature of works under VB-G RAM G Act should increase average days of employment (stretch goal: 125 days) even when average number days of employment provided per household has gradually increased to 50.4 only from 45.9 (guaranteed days of employment: 100)

- Also, the aspirations, with states' active participation and robust penalty mechanism should ensure dissipating the persisting gap between work provided and work demanded (around 14% since FY20) as the scheme often engages in work misaligned with changing economic priorities

- Adequate compensation has always been the Achilles' heel of MGNREGA as the rise in compensation in both absolute as also real term has been patchy over the years, resulting in poor demand-supply equilibrium, expected to be aligned better now under the revised scheme

Major Upgrades in VB-G RAM G

Area	MGNREGA	VB–G RAM G
Increase in number of guaranteed days of employment	100 days	125 days
Fund sharing	Demand Based Centre: State - 90:10	Normative Allocation based on objective parameters Centre: State - 60:40 (ex-NE states, UTs and Himalayan states where it is still 90:10)
Pause on works during agricultural season	No pause window	60 days
Planning framework	Multiple and scattered categories	4 clearly defined categories: water security, core rural infrastructure, livelihood-related infrastructure and climate related infrastructure
Transparency & accountability	No robust structure	Biometric authentication, spatial technology–based planning, digital monitoring, weekly public disclosure and strengthened social audits
Governance Structure	Rural Development Ministry	Central and State Gramin Rozgar Guarantee Councils
National integration	No such provision	Viksit Gram Panchayat Plans integrated with PM Gati-Shakti
Notification of wages	Centre	Centre
Unemployment Allowance	Not implemented effectively	Mandatory payment if work is not provided within stipulated time; disentitlement clause removed

How MGNREGA has been transformed in the last decade

- Under MGNREGA, 266 works permissible, out of which 150 works are related to agriculture and allied, 58 are related to Natural Resource Management (NRM) and 58 works are that of Rural Infrastructure. During the FY21-FY26 (till Dec), on an average 55% of total expenditure has been done on Agri & Allied Works
- Various water related works such as check dams, farm ponds, community ponds, irrigation open wells, etc. are taken up under the Scheme. **Continued thrust by Government on water conservation has yielded remarkable results, evident in the form of significant reduction in the number of water-stressed rural blocks from 2264 to 1456 (35% reduction) in the last decade**
- Under Phase I of Mission Amrit Sarovar, over 68,000 Sarovar has been created in the country. Now, Phase II of Amrit Sarovar Mission is going on with a renewed focus on water availability with community participation, Jan Bhagidari, at its core
- **To upgrade the skill base of MGNREGS workers, the Government launched "Project UNNATI" in December 2019**, which aimed to enhance the livelihood opportunities of these workers by equipping them with skills that enable a transition from partial employment to full employment, either through self-employment or wage employment. A total of 90,894 candidates has been trained till 31st March 2025
- **Around 97.81% of fund transfer orders (FTOs) are being generated on time by the states/UTs ensuring timely wage payment by March 2025**

State wise performance under MGNREGA

Summary of Major States Performance on various Parameters under MGNREGA (FY26 so far)								
S. No.	States/Uts	Total Households Worked (In Lakh)	Share of women workers (In Lakh)	Average days of employment provided per Household	Total No of HHs completed 100 Days of Wage Employment	Average Wage rate per day per person	Persondays generated (In Lakh)	Individual asset creation (In Lakh)
1	Andhra Pradesh	41	37	39	95976	268	1610	1.1
2	Assam	13	10	31	2535	255	397	1.8
3	Bihar	46	29	37	8630	250	1704	5.5
4	Chhattisgarh	17	15	37	53908	245	615	5.5
6	Gujarat	6	4	38	3301	263	245	1.3
7	Haryana	3	2	23	153	389	63	0.0
8	Himachal Pradesh	5	4	35	13153	300	166	0.8
9	Jammu and Kashmir	6	3	47	6152	270	279	0.1
10	Jharkhand	20	12	42	58249	281	868	2.9
11	Karnataka	21	20	31	6621	342	664	2.2
12	Kerala	12	11	48	58965	366	566	0.6
13	Madhya Pradesh	36	24	41	29521	251	1468	3.8
14	Maharashtra	31	24	36	147831	303	1123	4.8
15	Odisha	21	15	42	83175	266	896	2.7
16	Punjab	7	6	27	4091	340	199	0.1
17	Rajasthan	42	35	36	36186	221	1514	1.5
18	Tamil Nadu	53	50	24	7288	267	1274	2.0
19	Telangana	20	18	28	6241	259	559	0.4
20	Uttar Pradesh	49	23	38	88565	251	1854	2.3
21	Uttarakhand	3	2	27	2881	251	69	0.1
22	North East States	23	2	44	24930	258	973	0.9
23	**Total**	**475**	**358**	**36**	**738753**	**267**	**17138**	**41**

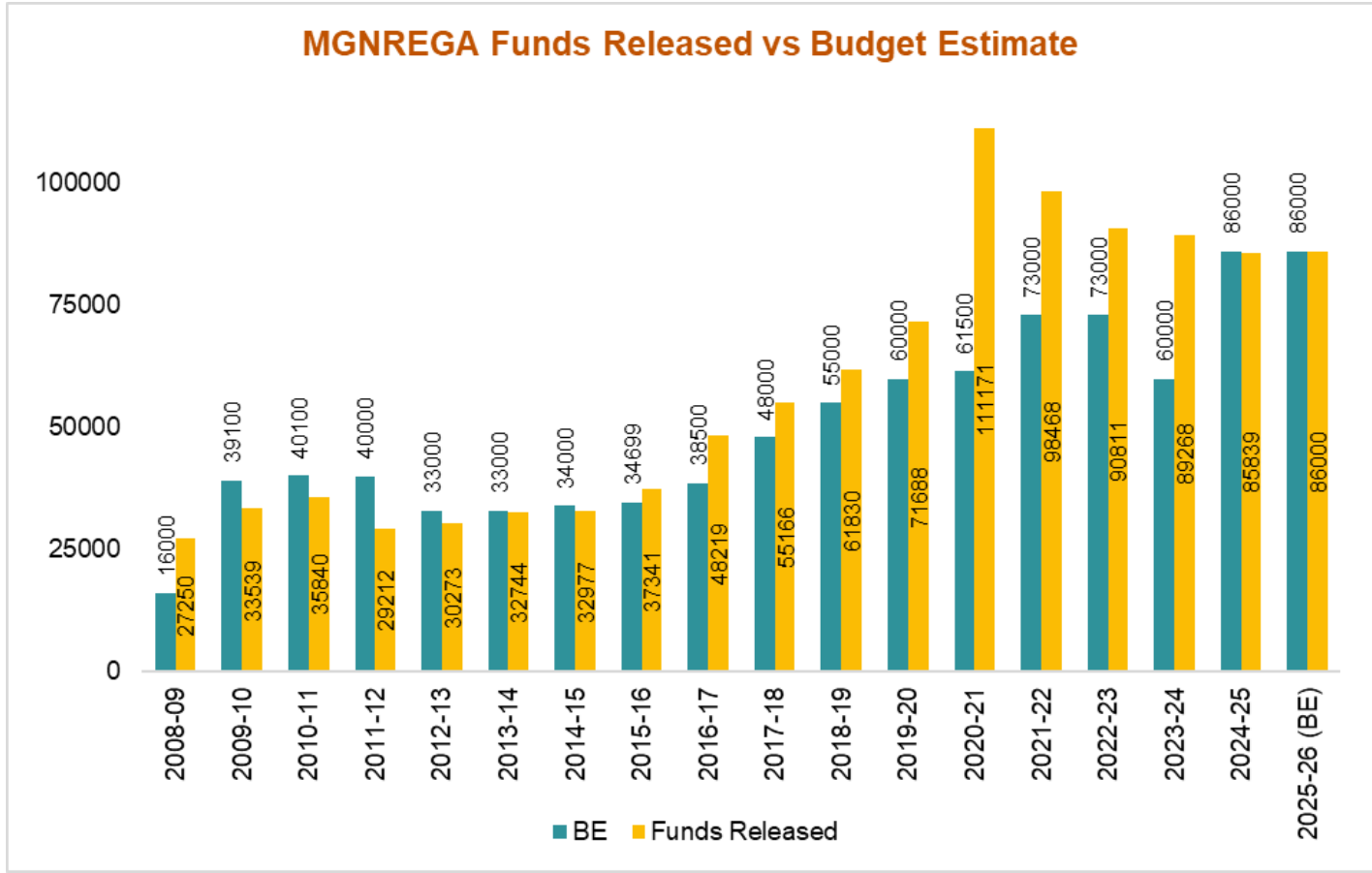
Source: https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

Key features of VB-G RAM G vis-a-vis MGNREGA

Increased fiscal commitment by the Centre

Fiscal Outlay for MGNREGA has increased significantly over the years

- Over the years, the Budget allocation under Mahatma Gandhi NREGA (MGNREGA) has increased steadily. The budget allocation for the financial year 2006-07 was Rs 11,300 crore which increased to Rs 86,000 crore in 2025-26,which is the highest ever budgetary allocation as per BE
- **Interestingly, Revised fund /RE allocation has been consistently higher/nearly the same than BE from FY15 onwards (Rs 1.6 lakh crore additional amount has been disbursed over the BE) as opposed to before FY15** when RE was mostly lower than BE (**Rs 10,000 crore lower amount disbursed over BE**)
- **During the last 19-years (FY07-FY25), Government has spent Rs 9.95 lakh crore under MGNREGA, with 80% funds (Rs 7.8 lakh crore) released during FY15-FY25**
- In the current year 2025-26, Rs 45,783 crore has been already released
- Interestingly, during 2021-26 ~55% of gross tax revenue of Centre is supposed to be shared with states in lieu of tax devolution and grants



Source: Union Budget Documents, SBI Research

Further increase in Centre's allocation with manageable fiscal burden on States..1/2

- Since the introduction of Bill, there has been a significant hullaballoo specifically related to the shift in the financial burden to states
- One of the major criticisms of the Bill is the alteration of funding pattern where the Centre and States share has been revised to 60:40 (ex-NE states, UTs and Himalayan states), respectively…We believe that the fear of the revised ratio deteriorating the States' finances through increased borrowing is unfounded and stems from lack of understanding of state finances
- As per extant provisions, the yearly borrowing limit (fiscal deficit) of states are fixed to an annual limit of 3% of their Gross State Domestic Product (GSDP).. Hence there is zero scope of states deviating from their borrowing limits as has been argued by some because of the new 60/40 mechanism…Data shows that in fact a significant majority of the states (up to 20 out of 28) have under borrowed than the budgeted borrowing limits in the last couple of years….**What is important is reorientation of select state expenditures towards productive needs..as fiscal deficit is ~ revenue deficit + capital expenditure, it is important to anchor revenue deficit to fiscal deficit within manageable proportions.. so that capital expenditure is maintained at healthy levels and not crowded out by higher revenue deficits**

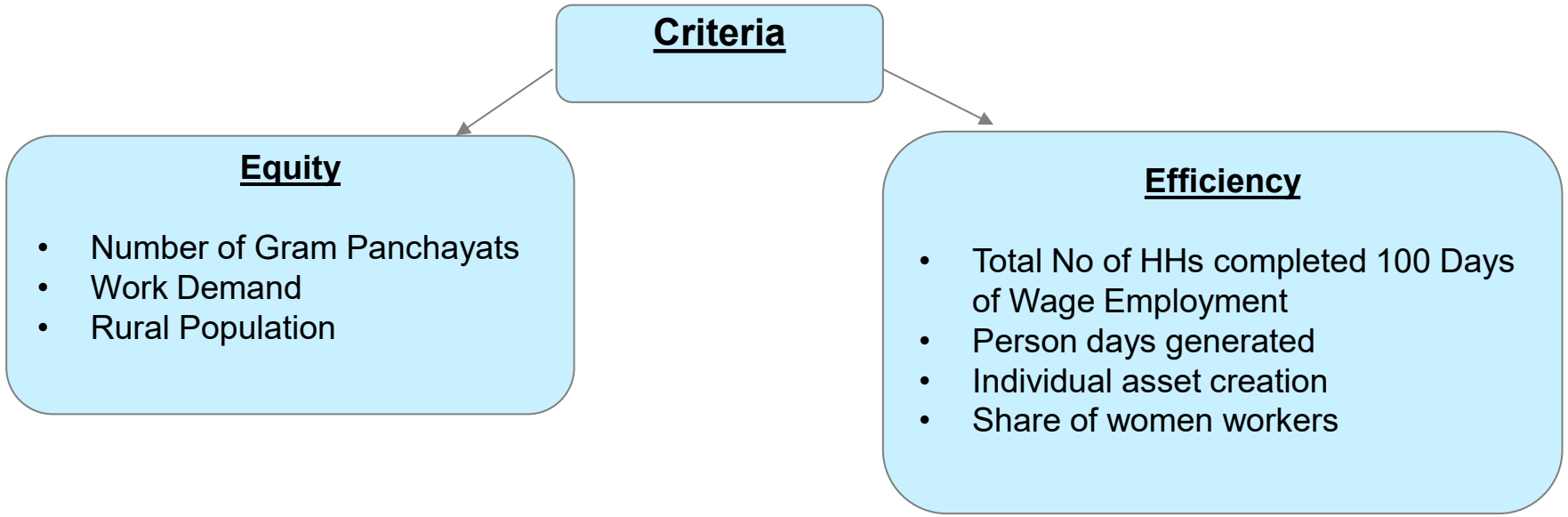
Further increase in Centre's allocation with manageable fiscal burden on States..2/2

- Under the MGNERGA States already used to bear unemployment allowance, 25% of the material costs and the State level administrative expenses. **It is estimated that if the legislation is implemented across the entire country, the annual requirement for wage, material and administrative components of Rs 1,51,282 crore, inclusive of the State share, the estimated Central share alone is Rs 95,692.31 crore (which is 63%). This is 11% higher than the total budget allocation to MGNREGA program in FY26 (Rs 86,000 crore), which clearly underscores the continued and substantial fiscal commitment of the Centre towards the scheme**
- However, by considering the increased scope of work, we believe States will increase / realign their rural development budget, in line with VB-G RAM G priorities that will clearly have a cascading impact on consumption

Normative distribution of Central Government Budget is likely to result in efficient allocation across states

Normative Allocation: A Hypothetical Scenario

- With the operationalization of VB-G RAM G, the architecture of the scheme is increasingly transitioning from a purely demand-driven framework towards one that emphasizes outcomes, accountability and responsiveness to local needs. In this context, the inter-State distribution of Centre's share under VB Gram G funds assumes critical importance
- **The fund sharing between the Centre and states under the new VB-G RAM G will be based on normative assessment. We have simulated a hypothetical scenario of normative assessment of only Centre's share ensuring balance between equity and efficiency**
- **The hypothetical allocation framework is premised on two core principles. First, equity, to ensure that States with higher structural need, greater rural workforce dependence and wider administrative spread are provided adequate fiscal space to meet employment demand. Second, efficiency, to recognise and incentivize States that translate financial outlays into sustained employment, durable asset creation and timely wage payments. We have taken seven criteria and divided them into equity and efficiency**



Criteria and Weights Assigned for the hypothetical scenario

- To simulate the hypothetical scenario, we take seven parameters and assign weights to balance both equity and efficiency

- The criteria and their associated weights are

VB-G RAM G Inter-se Allocation	
Parameters	Weights Assigned
Number of Gram Panchayats	15.00%
Share of women workers (In Lakh)	20.00%
Total No of HHs completed 100 Days of Wage Employment	8.00%
Person days generated (In Lakh)	15.00%
Work Demand	12.00%
Individual asset creation	15.00%
Rural Population	15.00%
Total	100.00%
Source: SBI Research	

Note: Rural population share has been taken from Ministry of Jal Shakti for FY25

Expected Outcome: States remain net gainers in fund sharing.. can be further scaled up by states

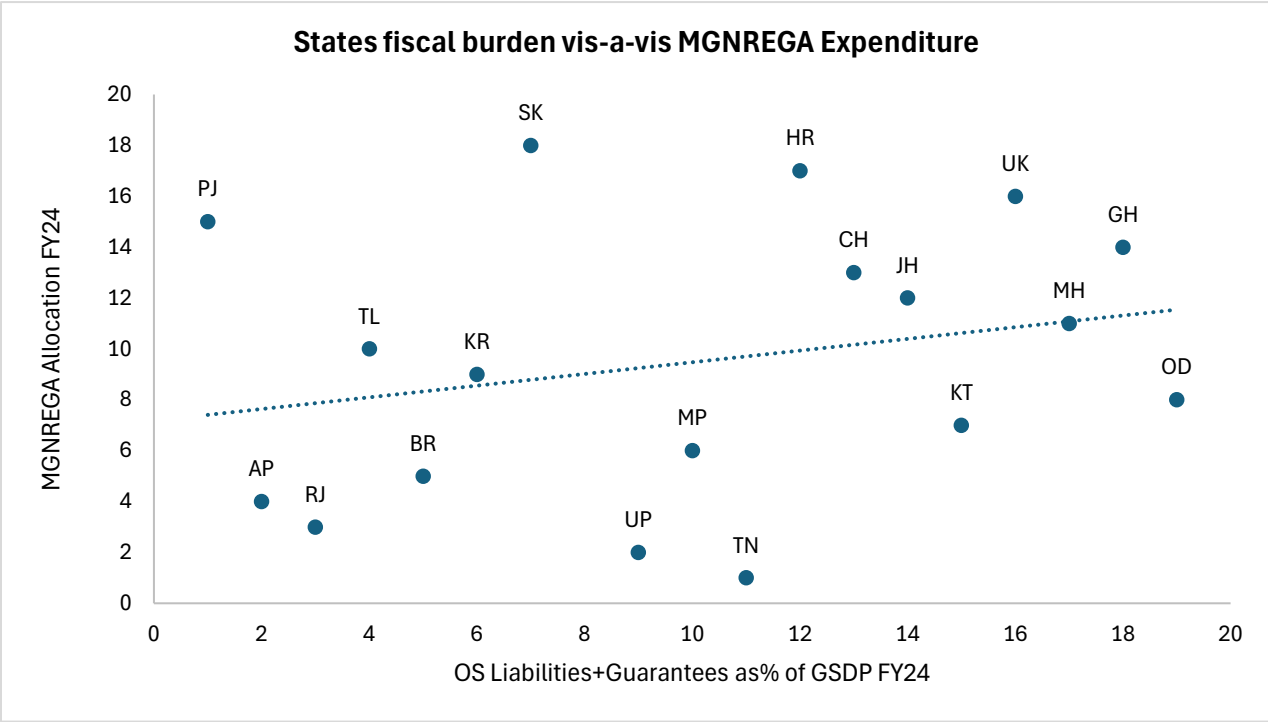
- We calculate the share of each state as a percentage of total of all states for each of the parameters
- We take the difference between Normative assessment using objective criteria compared to the Average allocation under MGNREGA over FY19-25 excluding 2020-2021
- **Overall, the states gain around Rs 17000 crores when compared to average allocation of last 7 years. Hence, overall, the states will be net gainers**
- **Based on the hypothetical weights and inter-se distribution, all states gain in our hypothetical scenario barring two states with almost minimal losses**
- In case of Tamil Nadu, if we remove the outlier in FY24 (29% rise in allocation compared to average of FY22 and FY23), the loss becomes negligible
- UP and Maharashtra emerge to be top gainers followed by Bihar, Chhattisgarh, Gujarat
- **Overall, we believe that using the objective criteria will lead to enhancement of devolution for both developed as well as laggard states by maintaining a balance between equity and efficiency**
- **States can further enhance the outcome through their 40% contribution**

States	Allocation Difference (Rs crore)- Normative vis-s-vis Average FY19-25 ex 20-21
Andhra Pradesh	-140
Bihar	1152
Chhattisgarh	1609
Gujarat	1336
Haryana	428
Jharkhand	800
Karnataka	622
Kerala	15
Madhya Pradesh	397
Maharashtra	4284
Odisha	583
Punjab	645
Rajasthan	222
Tamil Nadu	-909 (-63)
Telangana	333
Uttar Pradesh	5568
Total	16946

Note: This is a hypothetical scenario and the amount is liable to change as and when the criteria and weights change

….Our exercise shows that the fear of fiscal stress with select states is unfounded

- If we rank major states based on Outstanding liabilities + guarantees in FY24 vis-à-vis MGNREGA allocation for the same year….States with higher fiscal burden are ranked lower and similarly states with higher MGNREGA allocation are ranked lower
- **The positive trendline indicates that states which have higher fiscal burden (O/S Liabilities + Guarantees as % of GDP) have received higher allocation under MGNREGA thereby delineating that the fear that more fiscally stressed states will be impacted greater under new Act is factually incorrect**

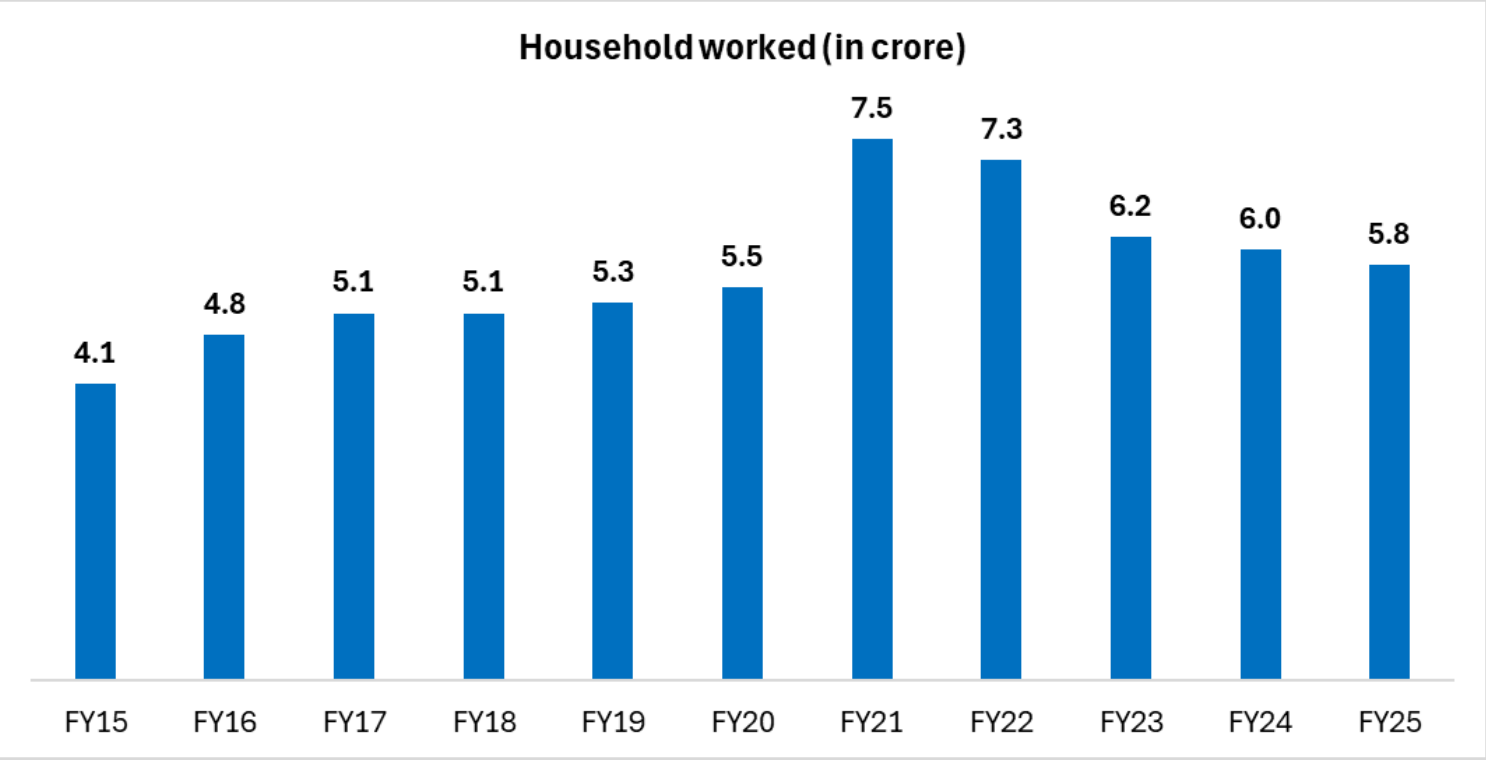


Source: MGNREGA, RBI, SBI Research

Will Boost Employment

Will bring more Households to work under the scheme from current 5.8 crores

- During FY25, 5.78 crore households worked under MGNREGA
- The number is aligning towards the pre-covid level when for an extended period on an average ~5.0 crore households worked under MGNREGA each fiscal

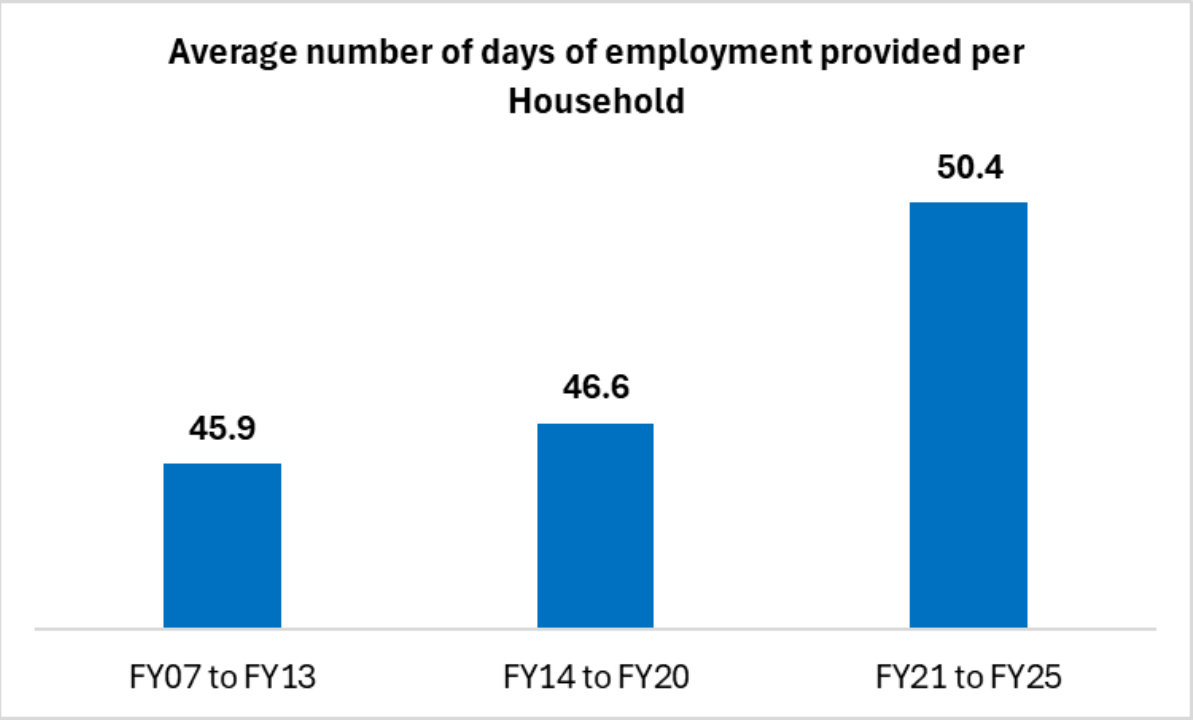


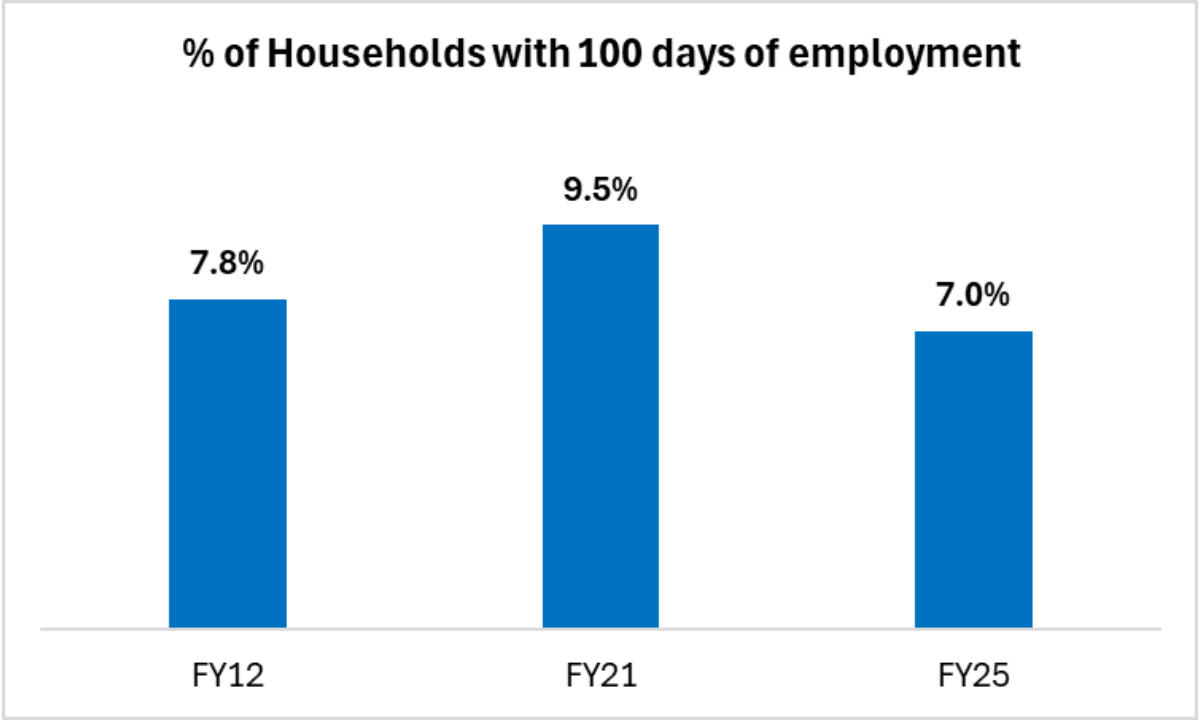
Source: https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

Average Days of employment likely to increase with more works defined under VB-G RAM G

- Average number days of employment provided per household has been gradually increased from 45.9 during FY07-13 to 50.4 during FY21-25 against the guaranteed 100 days of employment

- Increase in nature of work under VB G RAM G Act is likely to increase average days of employment

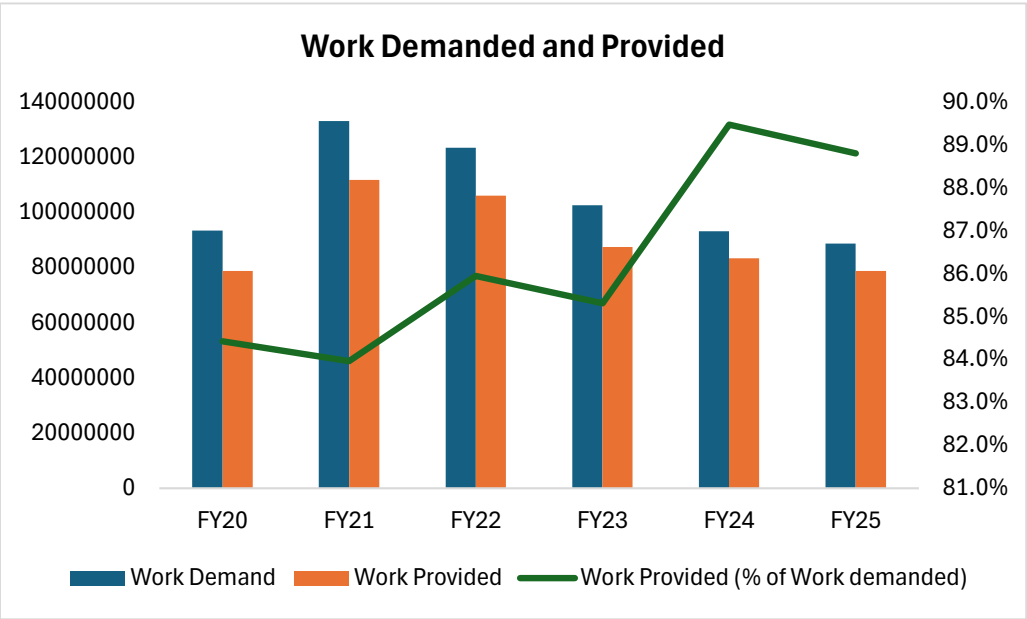




Source: https://nrega.dord.gov.in/MGNREGA_new/Nrega_home.aspx, Reddy D Narasimha, Reddy A Amarender, Nagaraj N and Bantilan Cynthia (2014)

Gap Between work demanded and work likely to be brought down

- There has always been a gap between work provided and work demanded as the scheme often engages in work that are misaligned with changing economic priorities.. On an average the gap has been around 14% since FY20
- The Centrally Sponsored Scheme (CSS) structure, with works focused across four interwoven broader areas of water security, rural infrastructure, livelihood infrastructure and climate resilience, wherein assets are aggregated and geo tagged into the Viksit Bharat National Rural Infrastructure Stack, eventually spatially integrating with national systems such as PM Gati Shakti could ensure harnessing optimal benefits



Source: https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

Will bring down Inefficiency which led to loss of employment to 1.22 crore HHs under MGNREGA

- During FY25, 5.78 crore Households/HHs worked under MGNREGA against the Centre release of Rs 85,334 crore. This translates into an expenditure of Rs 14,755 per household with wide variation amongst States

- We have done an analysis of 18 major States (5.46 crore HHs worked) and by juxtaposing the average expenditure done by four efficient states per household (HH), we found that with the given Centre release, total 6.64 crore households could have got employed

- Inefficiency among states, structural weakness and misappropriation of amount lead to loss of employment to 1.22 crore HHs under MGNREGA in a single fiscal year only

- Biometric authentication, spatial technology–based planning, digital monitoring, weekly public disclosure and strengthened social audits will bring efficiency and transparency under the new Act

Estimation of Households (HHs) as per Efficiency of Expenditure

Major States	HHs Employed (in lakh)	Average Wage rate per day per person	Total centre release (in crore)	Exp per HH (in Rs)	Estimated HHs Employed (in lakh)*	Loss in HHs Employment (in lakh)
Andhra Pradesh	46.9	256	7707	16420	64.2	-17.3
Assam	19.1	248	1930	10082	16.1	-
Bihar	51.1	239	6716	13139	56.0	-4.9
Chhattisgarh	25.6	220	3355	13099	28.0	-2.3
Gujarat	9.1	249	1541	16979	12.8	-3.8
Himachal Pradesh	7.2	272	1203	16758	10.0	-2.8
J & K	7.3	257	1151	15723	9.6	-2.3
Jharkhand	20.2	272	2706	13380	22.5	-2.3
Karnataka	29.1	329	5710	19613	47.6	-18.5
Kerala	13.7	344	3136	22867	26.1	-12.4
Madhya Pradesh	38.6	228	6252	16196	52.1	-13.5
Maharashtra	30.1	283	4420	14702	36.8	-6.8
Odisha	23.4	270	3764	16097	31.4	-8.0
Punjab	8.3	317	1332	15958	11.1	-2.8
Rajasthan	58.9	207	7582	12881	63.2	-4.3
Tamil Nadu	65.3	275	7585	11612	63.2	-
Telangana	26.7	213	3825	14333	31.9	-5.2
Uttar Pradesh	65.3	236	9721	14896	81.0	-15.7
Total 18 States	**546.0**	**-**	**79637**	**14586**	**663.6**	**-122.8**
All India	578.32	253	85334	14755	-	

Source: MGNREGA; SBI Research; Estimated using average per HHs expenditure of 4 most efficient states

Will Boost Consumption through better alignment of wages

Notified vis-à-vis Actual Daily Wage has a stark gap….

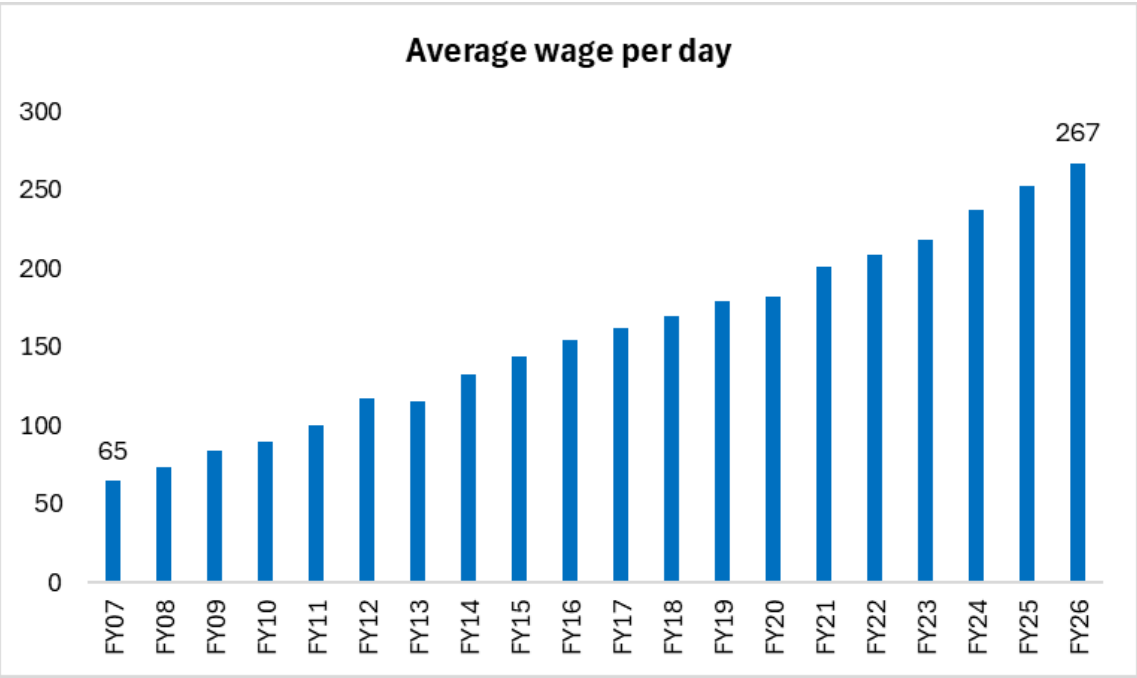
- Every year at the starting of fiscal, Government notified state-wise wage rate for unskilled manual workers under MGNREGA
- We have analyzed data for 2024-25 and found that while most of the states successfully provided the notified wage, in some of the states the difference is quite substantial (Telangana, Rajasthan, Andhra Pradesh, etc.)
- And this is one of the reasons why there is low demand of work under MGNREGA

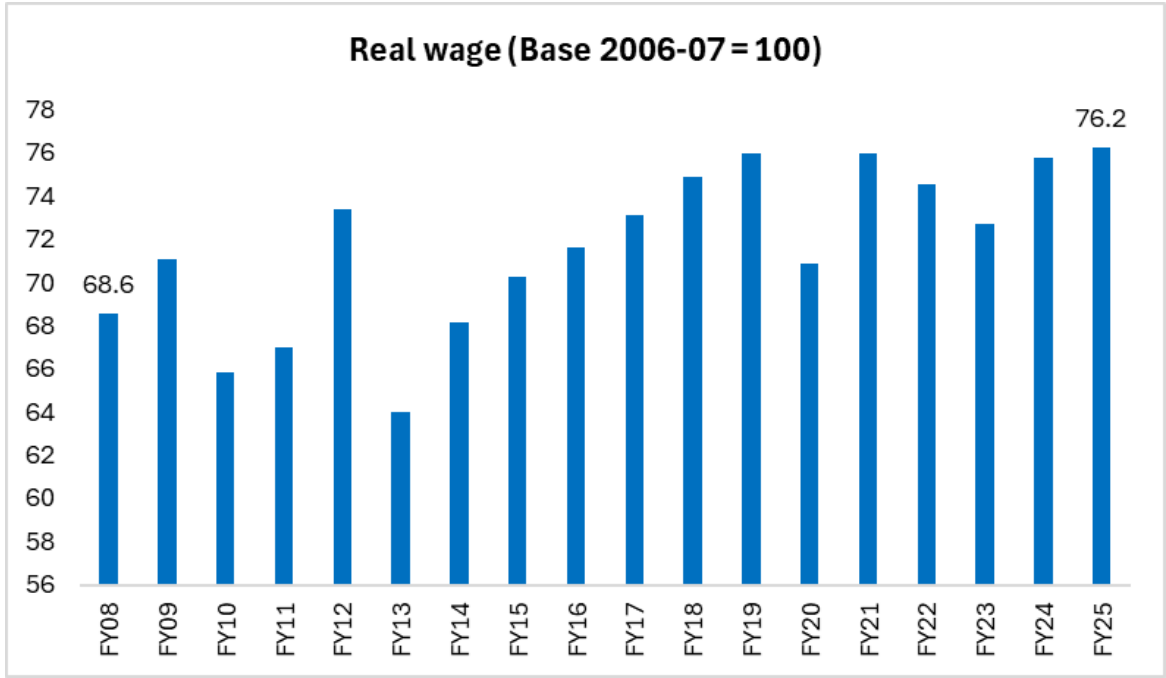
State	Daily Wage (Rs) - FY25			Notified Wage - FY26
	Notified	Paid	Difference	
Andhra Pradesh	300	256	-44	307
Arunachal Pradesh	234	234	0	241
Assam	249	248	-1	256
Bihar	245	239	-6	255
Chhattisgarh	243	220	-23	261
Goa	356	356	0	378
Gujarat	280	249	-31	288
Haryana	374	364	-10	400
Himachal Pradesh	295	272	-23	309
Jammu And Kashmir	259	257	-2	272
Jharkhand	245	272	27	255
Karnataka	349	329	-20	370
Kerala	346	344	-2	369
Madhya Pradesh	243	228	-15	261
Maharashtra	297	283	-14	312
Manipur	272	272	0	284
Meghalaya	254	254	0	272
Mizoram	266	266	0	281
Nagaland	234	234	0	241
Odisha	254	270	16	273
Punjab	322	317	-5	346
Rajasthan	266	207	-59	281
Sikkim	249	250	1	259
Tamil Nadu	319	275	-44	336
Telangana	300	213	-87	307
Tripura	242	218	-24	256
Uttar Pradesh	237	236	-1	252
Uttarakhand	237	237	0	252

Source: MGNREGA

…Hence not much increase in nominal and real wage under MGNREGA

- The average wage per person per day has increased from an average of Rs 88 during FY07-FY12 to currently around Rs 267
- However, if we see in real terms the wage has not increased much. The average wage per person has increased by 10% in FY25 compared to what it was during FY08-FY12
- A Centrally Sponsored Scheme /CSS is expected to usher in better compensation for workers that along with current low inflation will help in better realization of real wages



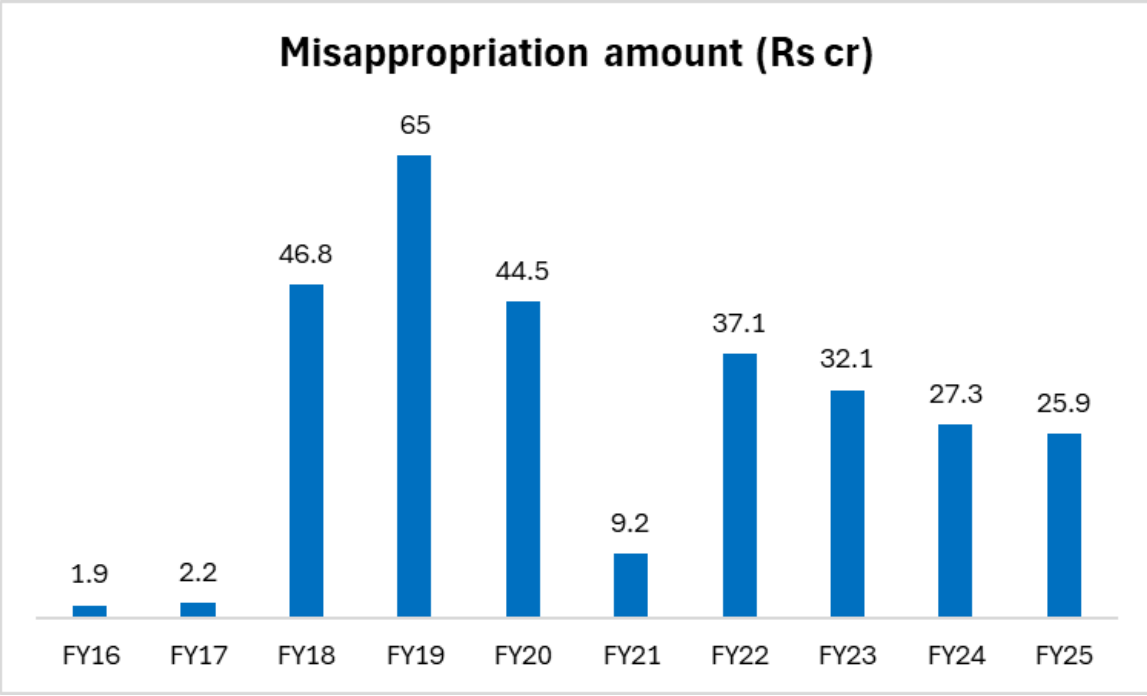


Source: https://nrega.dord.gov.in/MGNREGA_new/Nrega_home.aspx, Reddy D Narasimha, Reddy A Amarender, Nagaraj N and Bantilan Cynthia (2014)

Empowering of Gram Panchayats

Greater Role of Gram Panchayats expected to reduce misappropriation

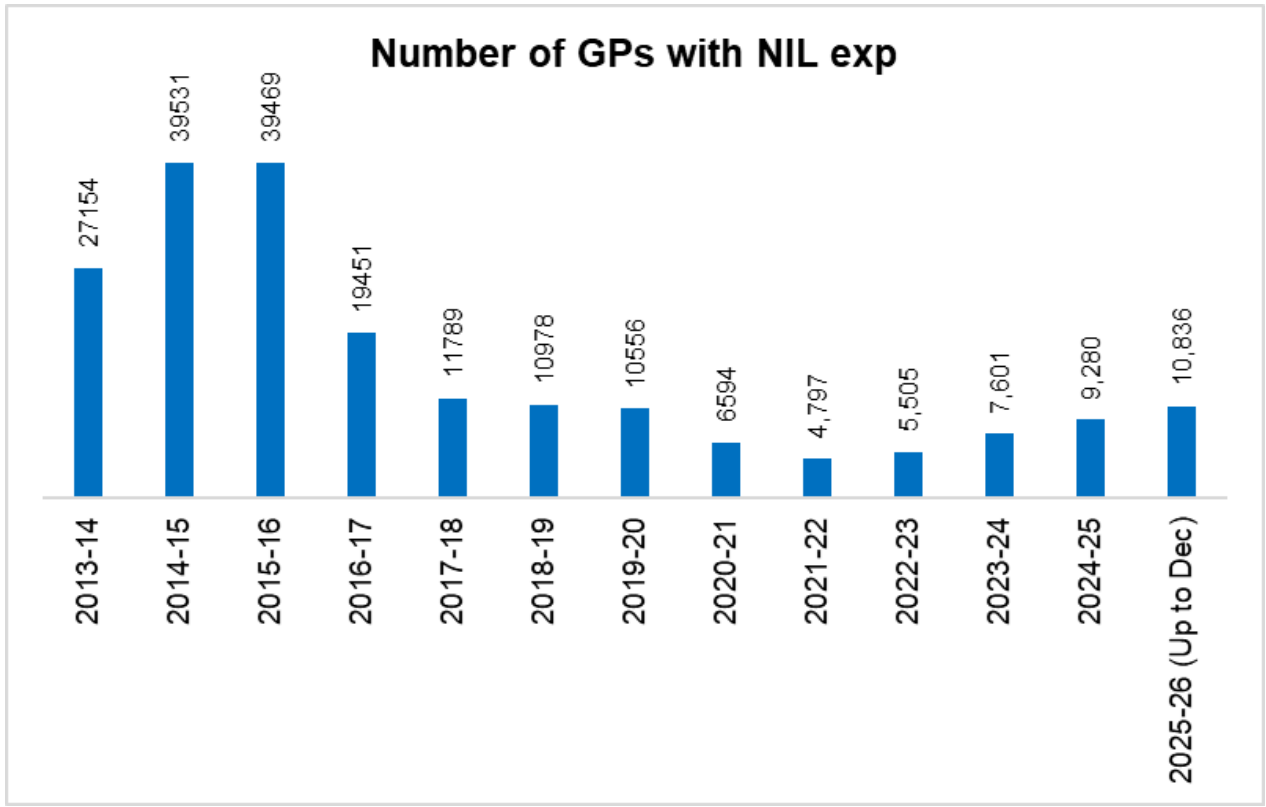
- The new bill requires greater role of Gram Panchayats that become the centre of planning, implementation, and monitoring which enables works to be tailored to local and regional conditions. Stronger oversight will enable reduced losses from misappropriation
- The misappropriation amounted to Rs 292 crore across states since FY16. By making the scheme Centrally Sponsored Scheme /CSS States now share financial responsibility as well as implementation accountability
- **Social audit helps to reduce mis-appropriation of funds and brings transparency in the implementation of the scheme**



Source: https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

Aims to reduce Panchayats with NIL Expenditure

- The number of Gram Panchayats (GPs) with no expenditures has declined significantly, from 39,531 in FY15 to 4797 in FY22 but thereafter it is increasing and stood at 9280 number of GPs in FY26 so far
- Under VB-G RAM G, the scheme follows bottom-up approach, we hope GPs will take initiatives to fulfill the dream of VB and take-up works for their panchayats

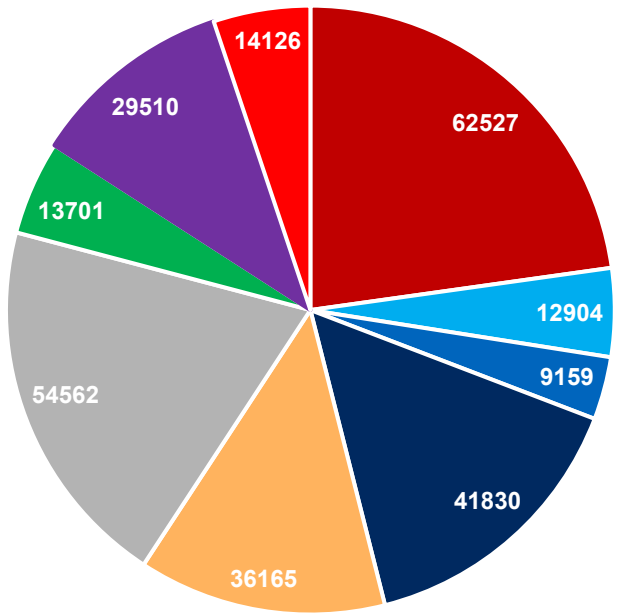


Source: https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

Synchronization with Gram Panchayats Sankalp

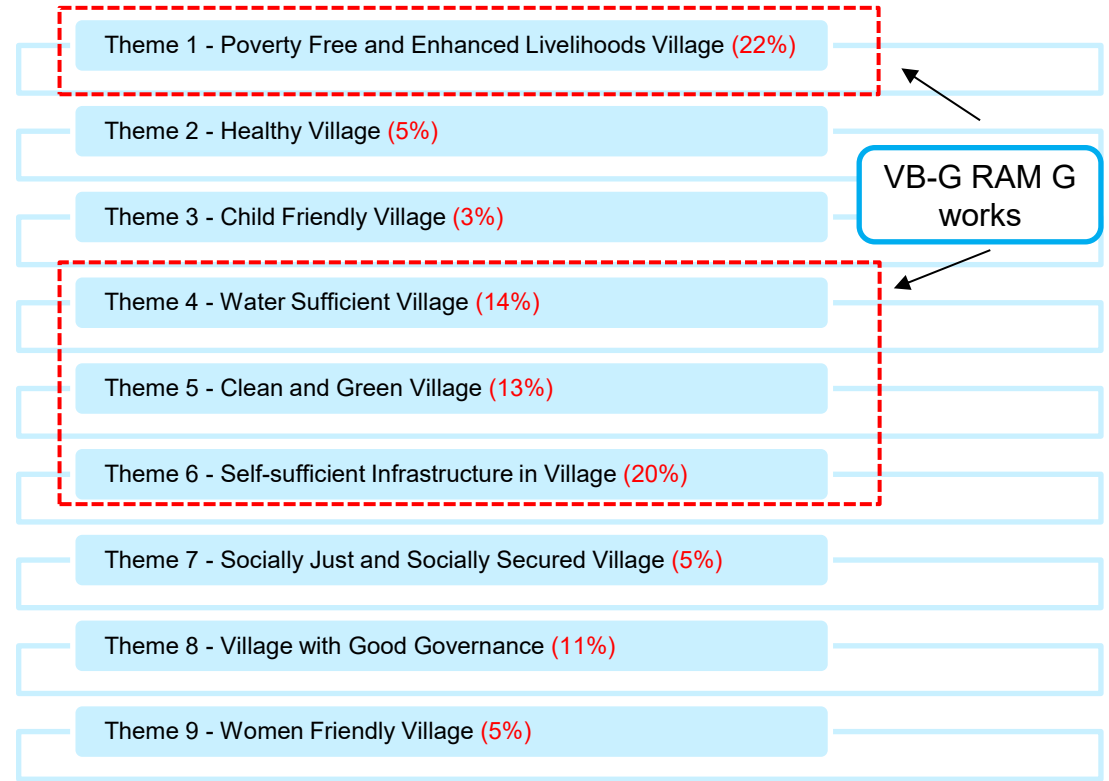
- Another interesting fact is of the 2.79 lakhs Gram panchayats 2.56 lakh Gram Panchayats have already taken Sankalp to work on 9 themes based on 17 SDGs and the four categories of work defined under VB G RAM G Act cover as much as 70% of the Gram Panchayats Sankalp

Total Number of GPs = 279048



2,56,566 GPs have taken Sankalp Remaining : 22,682 yet to take Sankalp

Theme 1 Theme 2 Theme 3 Theme 4 Theme 5
Theme 6 Theme 7 Theme 8 Theme 9

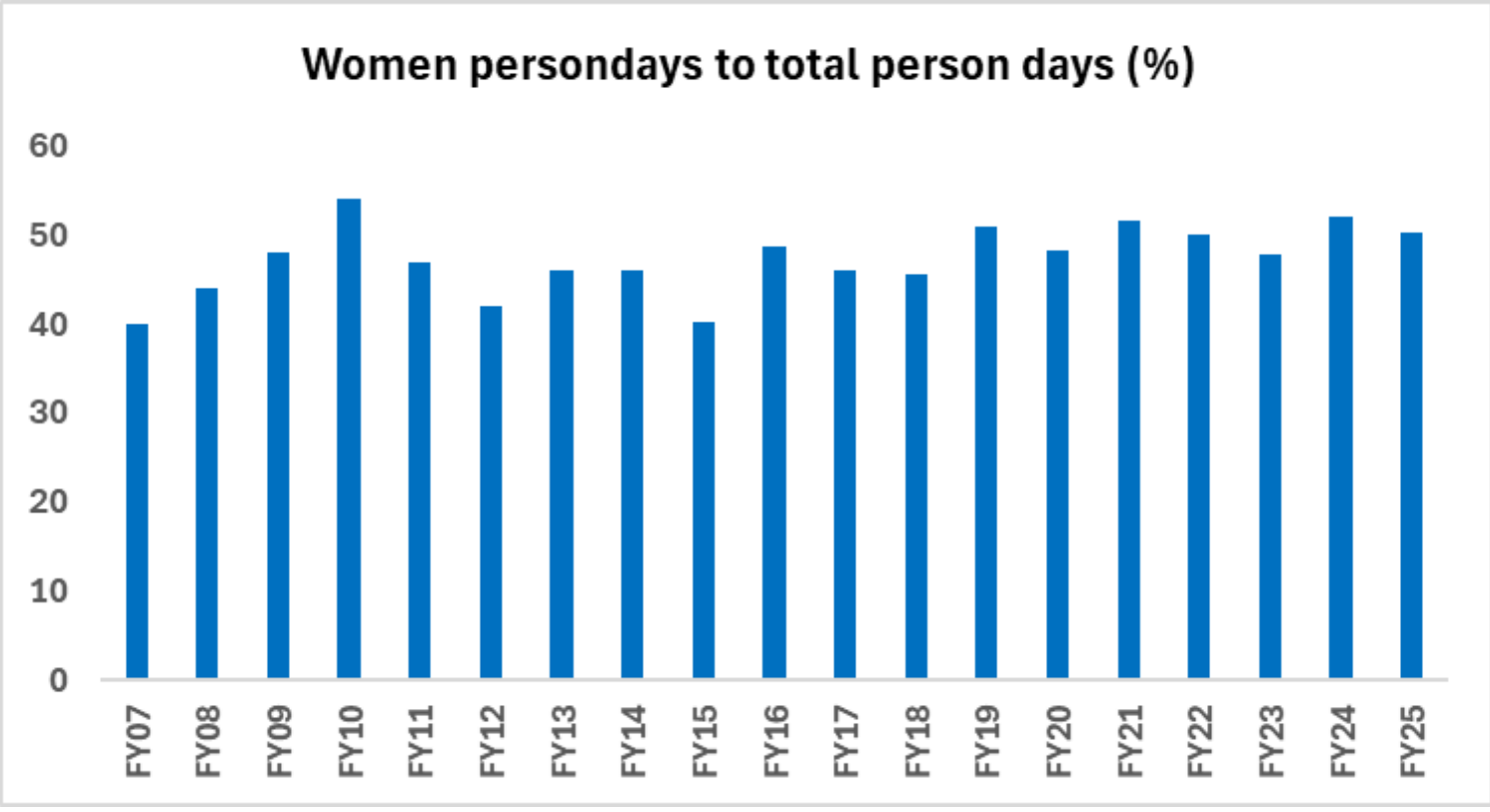


Source: Lok Sabha Question †3817, answered on 12.08.2025

Empowering Social Strata

Women participation has been increasing gradually to 58% in FY25: VB G RAM G will take this further up with increased scope of work

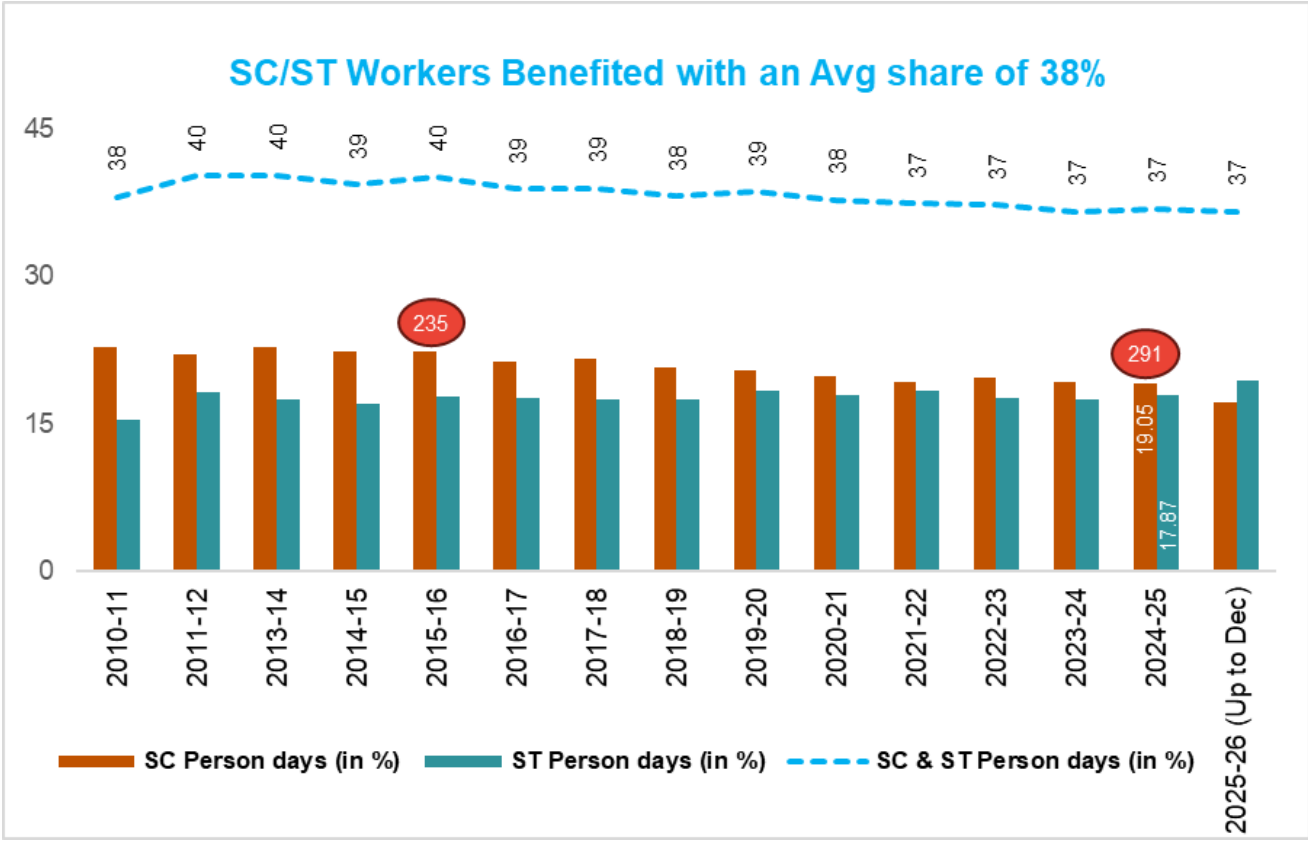
- Women participation (women person days as % of total person days) in the scheme has increased from an average of 46.6% during FY07-FY12 to currently around 58% in FY25
- This indicates MGNREGA's critical role in promoting women's empowerment and economic inclusion in rural areas



Source: https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

Empowering Vulnerable Group

- **Over the years, under MGNREGA, the person days has increased to 291 crore in FY25 from 235 crore in FY16, while SC & ST worker person days has increased to 107 crore in FY25 from 94 crore in FY16**
- If we look the SC/ST person days % as of total person days, it has remained stable and average is around 38% during FY11-25
- If we look the households (HHs) who have completed 100-days of employment (41 lakh households), the share of SC & ST stands at 41% (17 lakh HHs)

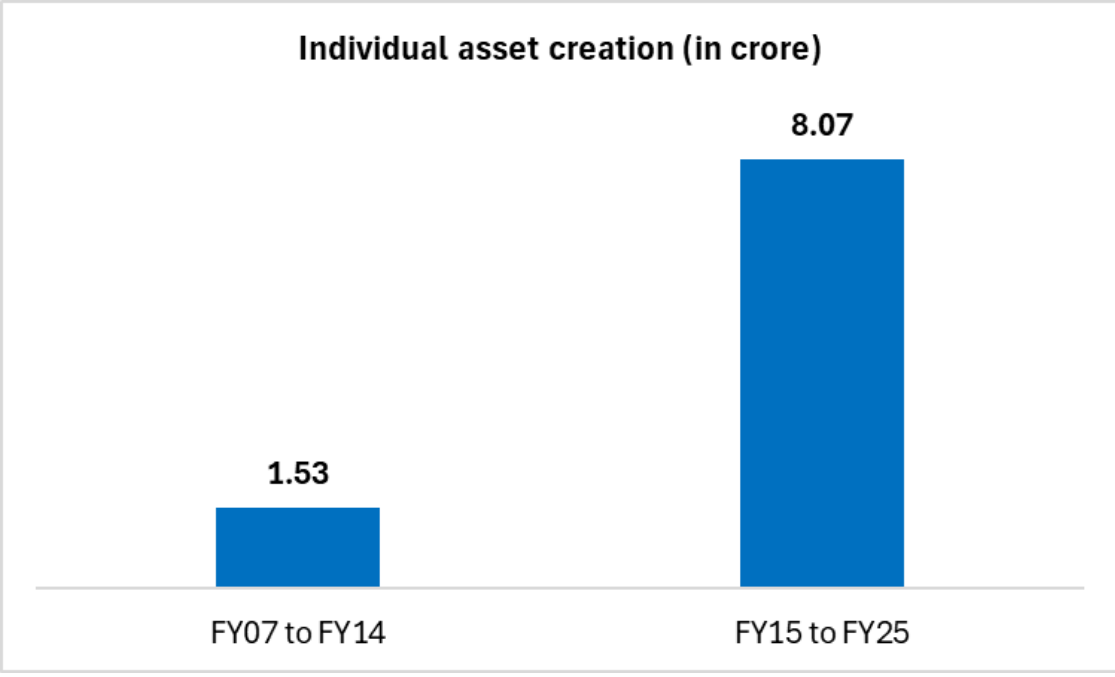


Source: https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

Improving Efficiency

Asset Creation will get boost due to focus on four thematic domains

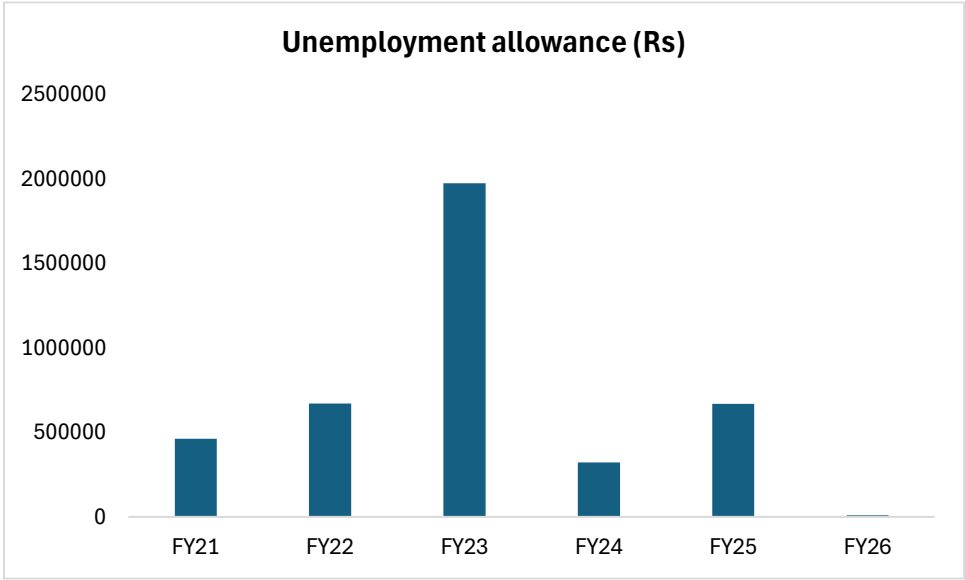
- Since inception year FY07, 9.6 crore rural assets has been created. Out of which 8.07 crore rural assets created during the last decade (FY15-25), which indicate Government's efforts have led to a remarkable increase in the creation of rural assets which are geotagged and of better quality
- The new Act will emphasis on four domains: water security, core rural infrastructure, livelihood-related infrastructure and climate resilience, which will lead to better asset creation…and geo tagged into the Viksit Bharat National Rural Infrastructure Stack, spatially integrating with national systems such as PM Gati Shakti could ensure harnessing optimal benefits



Source https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

Reforms in Unemployment Allowance

- Unemployment allowance exists in the MGNREGA Act but it has not been implemented effectively as can be seen by the amount of unemployment allowance given in FY21 to FY25 is only Rs 41 lakh and the amount for FY26 so far is only Rs 8621
- The VB-G RAM G Act is expected to resolve this by removing the disentitlement clause and anchoring unemployment allowance within a time-bound, multi-tier grievance redressal mechanism under Section 25. Failure to provide work, non-payment of wages, or non-payment of unemployment allowance are now explicitly recognised grievances with mandatory disposal timelines

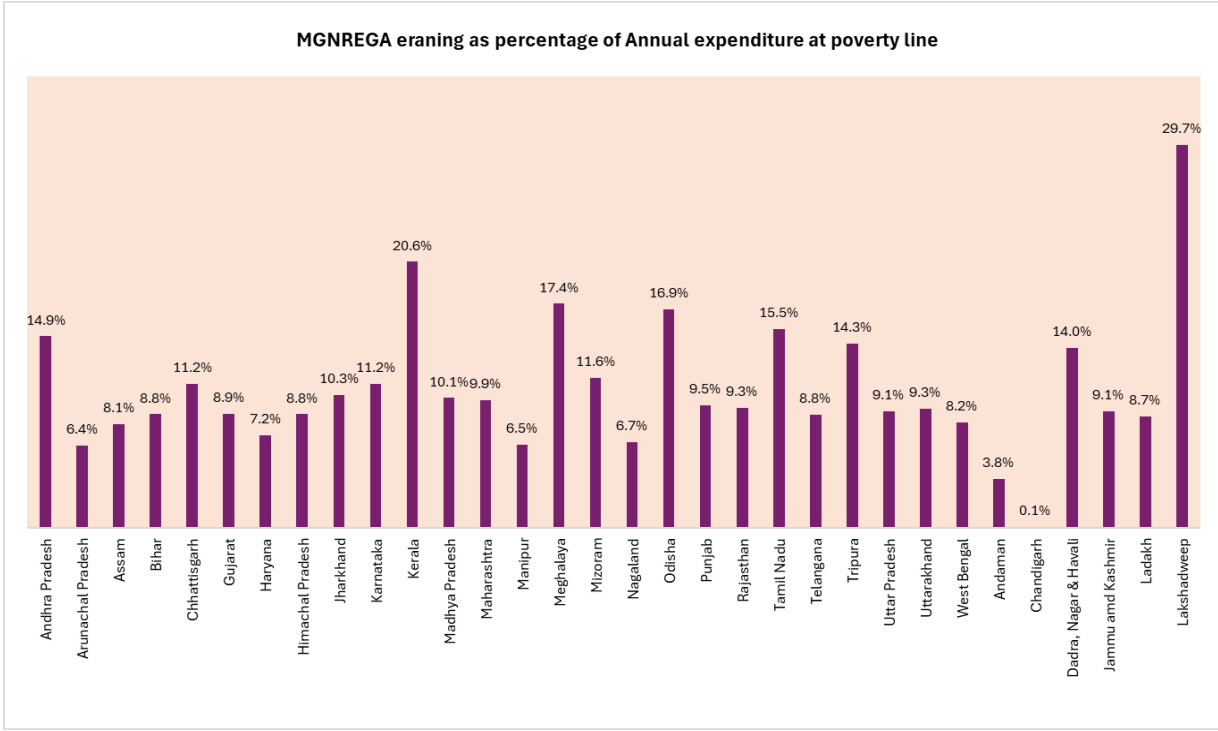


Source: https://nrega.dord.gov.in/MGNREGA_new/home_nrega_new.aspx

The impact of MGNREGA on rural poverty is now almost nonexistent with a dramatic decline in rural poverty in last decade

Impact of MGNREGA on rural poverty insignificant, NREGA wages covered ~10% of expenditure

- The impact of MGNREGA on poverty was insignificant at country level although there were regional variations in 2023
- Based on state level poverty line estimates using HCE 2023, annual expenditure per household (HH) at poverty line was estimated
- Total earnings per HH assuming one-person availed benefit was estimated using average days employment per HH and average wage rates
- **The share of MGNREGA as an annual expenditure at overall poverty line on an overall basis across states is minimal and is at~10%**



Source: NSS Report No. 589: Multiple Indicator Survey in India, EPW Vol LX No.10 pg 38, Household Consumption Expenditure Survey 2023-24, MGNREGA Dashboard . Lakshadweep is at 29.7%..

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