



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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**RBI Working Paper Series No. 2:  
Implications of MGNREGS on Labour Market, Wages  
and Consumption Expenditure in Kerala**

Reserve Bank of India today placed on its website, a Working Paper titled "[Implications of MGNREGS on Labour Market, Wages and Consumption Expenditure in Kerala](#)" under the Reserve Bank of India Working Paper Series\*. This paper is written by V. Dhanya of Department of Economic and Policy Research, Reserve Bank of India.

This paper evaluates the implications of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in the labour short economy of Kerala by using NSSO unit level data and primary survey data. The analysis of NSSO data reflects the inter-state differences in implementation of the scheme with North-Eastern and Southern states performing better than its counterparts. The study found partial impact of MGNREGS on Kerala's labour market as nearly half of the workers were new entrants and the impact was largely limited to increase in consumption expenditure. Nevertheless, it resulted in an increase in wages among certain rural works carried out by female labour force. The study observes that for the existing workers, MGNREGS acted as a fall back option thereby smoothening consumption during the lean period. It also enhanced their capacity to borrow as lenders are assured of their repaying capacity. The paper also finds that an indirect benefit of MGNREGS was improvement in financial inclusiveness and health standards of the workers. The empirical evidence of the study shows that MGNREGS leads to an increase in consumption expenditure, particularly in case of food items.

*\* The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.*

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