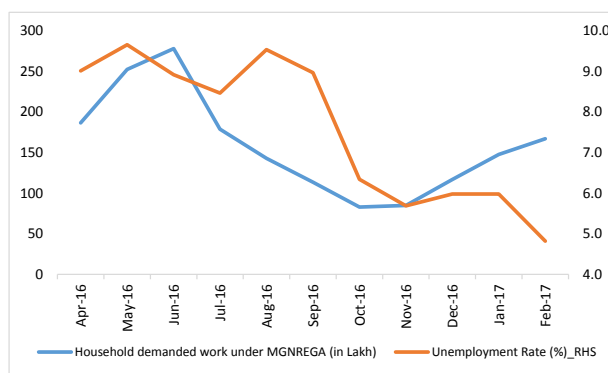




UNEMPLOYMENT RATE FALLS AS MGNREGA PERKS UP RURAL INFRASTRUCTURE

- ◆ Contrary to market perception, India's unemployment rate (estimated by BSE and CMIE from data collected regarding the employment/unemployment status of all members of 15 years and more of a sample of randomly selected households) declined sharply and consistently from 9.5% in Aug'16 to merely 4.8% in Feb'17. Among major States, during the same period, sharp decline was registered in Uttar Pradesh (17.1% to 2.9%), Madhya Pradesh (10.0% to 2.7%), Jharkhand (9.5% to 3.1%), Odisha (10.2% to 2.9%) and Bihar (13.0% to 3.7%).
- ◆ We believe this decline is primarily due to Government's efforts in providing new employment opportunities in rural areas. This decline is also explained by household demanded/allocated work under MGNREGA, which increased from 83 lakh households in Oct'16 to 167 lakh households in Feb'17. Hence on the one hand the unemployment rate has halved, on the other hand work demanded has doubled.
- ◆ Further, the number of works completed under MGNREGA increased by a whopping 40% to 50.5 lakh in FY17 compared to 36.0 lakh in FY16. Notable increase was registered in the works of Anganwadi (166%), Drought Proofing (158%), Rural Drinking Water (698%) and Water Conservation & Harvesting (142%). This is a welcome trend and will contribute greatly for developing rural infrastructure a *sine qua non* for sustained agri growth.
- ◆ In Union Budget FY18, MGNREGA scheme has been allocated a budgetary resource of Rs 48,000 crore. During FY18, another 5 lakh farm ponds will be taken up, compared to expected 10 lakh farm ponds during FY17. This single measure will contribute greatly to drought proofing of gram panchayats.

Graph 1: Unemployment Rate & Household demanded work under MGNREGA



Source: SBI Research

Table 1: Number of Works Completed during FY17 & FY16 under MGNREGA			
Category of Work	FY16	FY17	% growth
Anganwadi/Other Rural Infrastructure	2295	6115	166
Bharat Nirman Rajeev Gandhi Sewa Kendra	5790	8769	51
Coastal Areas	271	439	62
Drought Proofing	269106	694565	158
Fisheries	4498	2581	-43
Flood Control and Protection	103561	74719	-28
Food Grain	326	518	59
Land Development	320257	398622	24
Micro Irrigation Works	107637	119922	11
Other Works	94605	84871	-10
Play Ground	1671	1627	-3
Renovation of traditional water bodies	261405	276293	6
Rural Connectivity	463064	388148	-16
Rural Drinking Water	11671	93086	698
Rural Sanitation	826087	914178	11
Water Conservation and Water Harvesting	281270	680841	142
Works on Individuals Land	848457	1306507	54
Total	3601971	5051801	40

Source: Ministry of Rural Development; SBI Research

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