



# ***Heavy Wait***

***Wage Payment Delays in NREGA by the  
Central Government across Caste and Pay-  
ment Type from April, 2021 to September, 2021***

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# About LibTech India

In 2012-13, during our work in Ghattu Mandal of Mahabubnagar district of undivided Andhra Pradesh, a worker told us that she had worked in NREGA many months ago and had not received her payment. We looked at the official data to discover that the state had released the payment but the intermediary had not paid her. We looked for other such cases in programme data and found hundreds of such cases. We found that payment intermediaries took 17 days on average for disbursed payments instead of 4 days as mandated and 13 percent of payments were hoarded for more than 45 days. Human interactions helped us see data in a new way, while data helped us understand the problem in a new light. Such conversations prompted us to study the NREGA wage payments process in depth.

Since then, LibTech India has been engaging with workers, civil society organisations, and the government on public services delivery at large, and the NREGA in particular. Inspired by the Right to Information (RTI) movement, LibTech is comprised of engineers, activists, and social scientists, and has been interested in improving transparency and accountability of public service delivery in India. Effective transparency is a difficult task, especially in this age of ever-increasing information. In our partnerships with different groups, we leverage digital technologies to improve how citizens obtain information about public programmes.

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We work closely with various civil society organisations in the states of Andhra Pradesh, Telangana, Jharkhand, Bihar, Odisha, Rajasthan among others. Working in the grassroots helps us understand the bottlenecks and issues faced by civilians in accessing their rights and entitlements. Very often the problems faced by individuals are of a systemic nature, and consequently it becomes important to identify the scale of such issues. To understand the scale of the issues faced, we crawl (electronically read and process data from a website) public data and use such dynamic transaction level data to identify implementation bottlenecks. Further, the resolution of such issues may require a variety of actions from every stakeholder - civilians, civil society groups and the government alike. For such actions to have a meaningful impact, just disseminating bits of information (soochna) might not be enough. What is required is actionable information (jaankari). Thus our efforts have been to work with people, identify the scale of issues, identify the relevant jaankari based on a combination of work on the ground and public data crawling/analysis and take it back to the people, to the partner civil society group, and to the government. It requires an understanding of concrete problems that people face in each context, a strategy on which issues could be reasonably tackled in a given context, and an assessment of the role information can play in this social process.

Our focus over the years has been on NREGA, although we have worked on an array of social security programs such as the National Food Security Act (NFSA), old age pensions, maternity entitlements, among others.

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# Executive Summary

- 1 The NREGA payment process consists of 2 Stages. After work is completed, a Funds Transfer Order (FTO) with worker details is digitally sent to the Central Government by panchayat/block. This is called Stage 1 and it's the state's responsibility. The Central government then processes the FTOs and transfers wages directly to the workers' accounts. This is called Stage 2 which is entirely the Central government's responsibility. As per the Act's guidelines, Stage 1 must be completed in 8 days and Stage 2 must be completed within 7 days after Stage 1. Workers are entitled to delay compensation for each day's delay beyond 15 days.
- 2 To analyse Stage 2 delays, we randomly sampled 10% of Funds Transfer Orders (FTOs) from 1 block per district per state for 10 states between April, 2021 and September, 2021. This adds up to 18 lakh transactions.
- 3 Stage 2 for **71%** of the transactions exceeded the mandated 7 day period. Stage 2 for **44%** of the transactions exceeded 15 days and Stage 2 for **14%** of the transactions was delayed beyond 30 days.
- 4 Some of the poorer states suffer higher delays. Stage 2 for nearly two-thirds transactions in Jharkhand exceeded 15 days. Stage 2 for half or more than half of the transactions of Madhya Pradesh, Chhattisgarh, and West Bengal exceeded 15 days.
- 5 In March 2021, the Central government segregated payment of wages based on the caste category of workers. While affirmative action is important, caste-based segregation of FTOs is not the answer. They are at odds with the universal nature of the programme. Caste based payments create very little protection for marginalised communities. On the contrary, it has increased the work of block officials and fractured communities across caste and religious lines.
- 6 Stage 2 for 46% of the wage payments to SCs was completed in the mandated 7 day period and Stage 2 for 80% of the wage payments to SCs was completed in 15 days. This was 37% and 63% for STs. For the 'Other' category, only 26% payments were completed in 7 days and only 51% payments were completed in 15 days.
- 7 The negative impact of the Circular on "Other" category of workers appears uniform across most states. In particular, it is severe in states with relatively higher ST population such as in Madhya Pradesh (MP), Jharkhand, Odisha and West Bengal. In MP, while the Stage 2 for nearly half



the SC/ST payments were completed in 7 days, only 7% of payments to the “Others” was completed in 7 days. While the Stage 2 for a little over one third of SC/ST payments were completed in Jharkhand within 7 days, it was only 16% for “Other” category workers.

ily due to the caste-based segregation of FTOs and not due to the choice of the payment type. In fact, the processing rate of wages between 7 and 15 days was identical (~27%) for both Aadhaar and Account based payments.

8 The difference in Stage 2 by caste was highest in September. In September, nearly 3 out of 4 SC/ST payments were completed in 15 days while only 1 out of 4 payments to ‘Other’ was completed in 15 days.

9 There are two payment types. Payment of wages to workers can be done using the Aadhaar Payment Bridge System (APBS) or using Account based systems. In this report, we call them Aadhaar based payments and Account based payments respectively.

10 There was no evident difference in Stage 2 between Aadhaar based payments and Account based payments. Stage 2 for 80% of SC payments was completed in 15 days for both Aadhaar based and Account based payments. This was 65% and 62% respectively for ST payments. The marginal difference in time to process was only for the ‘Other’ category of workers.

11 The difference in Stage 2 by the payment type (Aadhaar vs Account) is seen primar-

12 45% of the wage payments to West Bengal was pending as on October 13. No wage payments in West Bengal had been processed between August 15 and October 13.

13 Rejected payments are transactions that fail due to technical reasons. Over **Rs.4 crores** of wages are rejected in our sample, affecting nearly **35,000** jobcards.

14 For Aadhaar and Account based payments, the rejection rate is approximately the same ~3%. However, resolving Aadhaar related rejections is significantly harder, and often even bank/block officials do not know how to do it.

15 Chhattisgarh has the highest percentage of rejections (~ 11%) this year, affecting 21,537 jobcards.

16 The Central Government stands in contravention of the Act and Supreme Court orders by not paying the delay compensation payable to workers due to Stage 2 delays.





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# Introduction

There is a famous parable of the 13th century mystic Mullah Nasruddin. He was once spotted under a streetlight searching frantically for a key that he had lost. A passerby noticed the frazzled Nasruddin and stopped to help him in finding his lost key. After both of them spent a long time searching fruitlessly for the key, the exasperated passerby asked Nasruddin if he was sure that he had dropped his key here. Pointing to his house far away, Nasruddin responded saying that he had lost the key near his house. The passerby got agitated and shouted at Nasruddin “If you lost the key near your house, why are you wasting time searching for your key here?” To which, Nasruddin, with no sense of irony responded calmly “There is no light near my house but there is light here. So I am searching for the lost key here.”

This parable, in essence, captures the plight of wage payment delays in the Mahatma Gandhi National Rural Employment Guarantee Act (NREGA). There is ample evidence by now indicating that insufficient funds for the programme have a direct bearing on delays in wage payments. This was also evidenced in the financial year 2020-21 when funds allocation were the highest and wage payments were relatively timely. However, the allocation for the financial year 2021-22 is 34% lower than the funds allocated in 2020-21. Yet, instead of dealing with the biggest elephant

in the room, i.e., insufficient funds for NREGA, the Central government, i.e., Government of India (GoI) has repeatedly displayed a troubling tendency of tinkering with the payment process through arbitrary technical interventions.

Table 1 gives the wage payment process and the timelines of responsibilities between state government and Central government. The time taken by the Central government to transfer wages is called Stage 2 and as per guidelines of the Act, Stage 2 must be completed within 7 days.

Wage payment delays in NREGA has been a persistent issue. This was also argued in the Supreme Court in the [Swaraj Abhiyan v Union of India case](#)<sup>1</sup>. In 2018, the Supreme Court reprimanded the Central government and gave strong orders to pay wages on time. Since then there has been an improvement in the timely generation of the Fund Transfer Orders (FTOs) by various state governments but the Central government has given this matter relatively little attention. Another [recent study on NREGA wage payments in Andhra Pradesh](#)<sup>2</sup>, found that the Central government was taking 26 days on average to process NREGA wage payments. This is akin to writing a cheque on time but depositing it after a long delay.

In general, the programme is meant to be flushed

<sup>1</sup> Full judgement: <https://indiankanoon.org/doc/59849272/>

<sup>2</sup> [https://drive.google.com/file/d/1wlufav0yxOrkqQnRB0L5u\\_NHZyvcks/view](https://drive.google.com/file/d/1wlufav0yxOrkqQnRB0L5u_NHZyvcks/view)

with funds in the beginning of the year but such delays in the first half of the year are worrisome. This corroborates the imminent need to increase the budget allocation for the programme and increase administrative staff and capacity.

The Nasruddin parable appeared in a new avatar this year. Until February this year, every NREGA (FTO) consisted of transactions of workers across all caste categories. On March 2, 2021, the GoI issued [a circular](#)<sup>3</sup> to change the payment system so that payments would be made separately based on the caste of workers (SC, ST, and 'Others'). When questioned by the [media](#) about this move, the MoRD said that "For better accounting purposes, it has been decided, in consultation with the Department of Expenditure, to have a category-wise (SC, ST and others) wage payment system."<sup>4</sup>

Affirmative action is important and the purpose of knowing the amount of money accrued to SC/ST households is also useful. But it can easily be calculated after the wage payments are completed. As we found, not only has it created massive administrative hassle for computer operators but has also caused tension among workers along caste and religious lines. Such technical intervention has not created any social protection. Tinkering with the payment process without consultation and playing with the universality of the programme sends a concerning signal given that there is a precedence of attacking the universality of NREGA. For instance, in 2016, the then Joint Secretary of the MoRD had sent WhatsApp messages to field functionaries saying "While the Act does not distinguish between APL and BPL and vulnerable/non-vulnerable, we have to intelligently communicate to the district/

block/GP authorities to learn to target."<sup>5</sup>

The media report<sup>6</sup> indicated that the Central government is reconsidering the caste based segregation of FTOs. Rightly so. Such a move is urgently needed. However, as on date, there has been no official communication to rescind the caste based FTO segregation.

An earlier example of the Central government borrowing from the Nasruddin parable, was the hasty implementation of the Aadhaar Payment Bridge System (APBS) for NREGA wage payments. We refer to them as Aadhaar based payments. This was rolled out in the entire country with much force in a manner that Prof. JeanDrèze calls the "ultimatum method." In other words, workers were coerced to link their Aadhaar number with bank accounts, failing which they were denied work in NREGA. In contrast to Aadhaar based payments are the less flashy Account based payments. We analyse Stage 2 delays by these two payment types in this report.

Building on our earlier work, in this study based on **17.97 lakh FTO transactions** we analyse (a) delays in wage payments caused by the Central government in the first half of the financial year 2021-22 (b) the impact of the caste-based FTO segregation (c) wage payment delays by the payment type, i.e., whether it is an Aadhaar-based payment or an Account based payment. In our sample, 71% of the FTOs were delayed beyond the mandated 7 day period. Workers of the "Other" caste category have faced significantly more delays than workers belonging to SC/ST. The caste-based segregation appears to have had a negative impact on workers of the "Other" caste category to varying degrees across states with

<sup>3</sup>[https://drive.google.com/file/d/1IFRrwaLEW634MUmFC8Z\\_iLDeU-jfl-pb/view?usp=sharing](https://drive.google.com/file/d/1IFRrwaLEW634MUmFC8Z_iLDeU-jfl-pb/view?usp=sharing)

<sup>4</sup><https://theprint.in/india/governance/modi-govt-to-rethink-caste-based-payment-of-wages-under-mgnrega-says-aware-of-problems/747506/>

<sup>5</sup>[https://www.business-standard.com/article/economy-policy/govt-uses-off-record-whatsapp-instructing-states-to-cut-back-work-for-mnrega-116102400673\\_1.html](https://www.business-standard.com/article/economy-policy/govt-uses-off-record-whatsapp-instructing-states-to-cut-back-work-for-mnrega-116102400673_1.html)

<sup>6</sup><https://theprint.in/india/governance/modi-govt-to-rethink-caste-based-payment-of-wages-under-mgnrega-says-aware-of-problems/747506/>



poorer states with a higher ST population such as Jharkhand, Madhya Pradesh (MP), Odisha and West Bengal bearing the brunt more. For instance, while stage 2 for nearly half the SC/ST payments in MP was completed in 7 days, only 7% percent of the payments for “Other” category was completed in 7 days.

Further, there is no evident difference in the time taken for Aadhaar based payments and Account based payments. In fact, when wage payments get rejected, the corrective mechanisms for rejections for account based payments are significantly simpler compared to rejections arising from Aadhaar-based payments. Misdirections in Aadhaar based payments are more likely than Account based payments. here is no additional cost incurred for Account based payments.

These raise at least two pertinent questions on (a) the massive expenditures made on the Aadhaar based infrastructure for cash transfer (b) the inordinate hardship faced by workers whose payments get rejected due to Aadhaar mapping issues.

What these minimally warrant are an independent assessment on the cost benefit analysis of Aadhaar based systems versus Account based systems and other decentralised, traditional payment methods.

In spite of the programme functioning at half its mandated capacity and despite numerous implementation challenges, it has had a far-reaching impact. Five broad positive aspects can be identified: (a) it is universal and not targeted<sup>7</sup>, (b) an increase in rural incomes<sup>8</sup> (c) improving women’s participation<sup>9</sup> (d) quality asset creation<sup>10</sup>,

and (e) community empowerment. The universal nature of the NREGA has meant that it has served as a lifeline for the poorest with one out of every three rural households having worked in the programme with 6.69 crore households demanding NREGA this financial year. These are merely a smattering of examples of the positives that NREGA can cause. It is, therefore, critical to ensure that the programme is made to function in letter and spirit.

While the hide and seek between funds allocation and technical tinkering by the Central government continues, one hopes that people and the Central government learn where to look for lost keys.

This study accompanies the NREGA performance tracker released by the People’s Action for Employment Guarantee (PAEG).

<sup>7</sup> [https://www.ncaer.org/publication\\_details.php?plD=256](https://www.ncaer.org/publication_details.php?plD=256)

<sup>8</sup> <https://www.nber.org/papers/w23838>

<sup>9</sup> <https://ftp.iza.org/dp6548.pdf>

<sup>10</sup> <https://www.ideasforindia.in/topics/poverty-inequality/mnrega-and-its-assets.html>



# Questions & Answers



## What does the Act say about Wage Payments and Delays?

As per the NREG Act, all the labour wages are to be paid by the Central government. Further, workers should get their wages within 15 days of completion of a muster roll of work [Section 1 (Chapter 2, Paragraph 3)]. For each day's delay beyond 15 days, workers are entitled to a delay compensation at 0.05% per day of the wages earned [Schedule II, Paragraph 29]<sup>11</sup>. A muster roll is like an attendance sheet with worker details.

*Suppose a muster roll of work is completed on 1st January and suppose the wages due to a worker are Rs 1000. As per the Act, Rs 1000 should be credited to the worker's account on or before January 15th.*

*If instead, the wages get credited to her account on 26th January, then she is eligible for a delay compensation for 10 days' delay amounting to  $(0.05/100) \times 1000 \times 10 = \text{Rs } 5$ . The total amount she would thus earn is Rs 1000 (wages) + Rs 5 (delay compensation) = Rs 1005.*

<sup>11</sup> [MGNREGA Act](#)



## For wage payments, what is meant by Stage 1 and Stage 2?

The NREGA payment process consists of 2 Stages. After work for a muster roll is completed, a Funds Transfer Order (FTO) with worker details is digitally sent to the Government of India (GoI) by the panchayat/block. This is called Stage 1 and it is the corresponding state government's responsibility. The GoI then processes the FTOs and transfers wages directly to the workers' accounts. This is called Stage 2 which is entirely the GoI's, i.e., the Central Government's responsibility. As per the Act's guidelines, Stage 1 must be completed in 8 days and **Stage 2 must be completed within 7 days after Stage 1**. The process is explained in detail in Table 1.

Steps	Processes	Period	Responsibility
	<b>Stage 1</b>	T+8	State Gov
1	Last date of muster roll as per e-muster	T	
2	Date entry of attendance into MIS	T+2	
3	Measurement of the work and entering the same in NREGASoft	T+5	
4	Generation of wage list	T+6	
5	Generation of FTOs (First signatory)	T+7	
6	Approval of FTO for payment (Second signatory)	T+8	
	<b>Stage 2</b>	T+9 to T+15	Central Gov
7	Signing off pay orders by MoRD (in Ne-FMS State/UTs)	T+9 to T+11	
8	Crediting into bank accounts of beneficiary by payment agency	T+10 to T+15	

**Table 1:** Stage 1 and Stage 2 Timelines and Responsibilities

## What are processed, pending, and rejected payments?

Once an FTO is sent to the Central government, its status can be one of the following:

**Pending:** The Central government is yet to transfer the wages as per the FTO to the workers.

**Processed:** Transactions for which wages have been successfully credited to the workers' accounts.

**Rejected:** Failed transactions owing to technical errors such as incorrect account numbers, errors in mapping workers' Aadhaar number etc.

## Has the Gol been respecting the Act and compensating the workers for delays in wage payments?

As of October 27, 2021, the Gol only calculates the delay compensation for Stage 1 delays only if Stage 1 exceeds 15 days. Out of which, as the tracker by PAEG demonstrates, only 3.76% of this under-calculated delay compensation has been paid. Delay compensation payable to workers due to Stage 2 delays continues to not even be calculated in the NREGA software, let alone paid.

## Has the Gol been respecting the Supreme Court (SC) Orders concerning delays in wage payments?<sup>12</sup>

LibTech India had conducted a study on delays in wage payments by analysing 90 lakh transactions across 10 states for the financial year 2016-17<sup>13</sup>. As per this study, it was found that Stage 2 alone was taking more than 50 days on average. These delays were not even getting calculated and hence not paid to workers. Taking cognizance of these findings, the [Ministry of Finance issued a memorandum](#) admitting that the principal reasons for payment delays were “infrastructural bottlenecks, (un)availability of funds and lack of administrative compliance.”<sup>14</sup>

*The SC said “We also cannot countenance the view advanced by the Central Government that it has no responsibility after the second signature is placed on the FTO. The wages due to the worker in terms of Stage II above must be transferred immediately and the payment made to the worker forthwith failing which the prescribed compensation would have to be paid. The Central Government cannot be seen to shy away from its responsibility...”*

**Three years hence, the Gol continues to violate the Act and the SC orders.**

<sup>12</sup> Swaraj Abhiyan vs Union Of India on 18 May, 2018; [full judgement](#).

<sup>13</sup> [Analysis of Payment Delays and Delay Compensation in MGNREGA: Findings Across Ten States for Financial Year 2016-2017](#)

<sup>14</sup> [MoF Memorandum](#)



559843/Ad.1  
28/8/17

**Government of India**  
**Ministry of Finance, Department of Expenditure**  
**167 B, North Block, New Delhi**

21 August 2017

**Subject: Note on Delay in Payments of MGNREGA**

Reference: Instructions from Ad. Secretary (Department of Expenditure) dated 10 August 2017

**1. Background**

1.1. An article titled "MGNREGA payout delays under-estimated" was published in Business Standard on 8<sup>th</sup> August, 2017 reporting the preliminary findings of a research, based on publically available record. A random sample of 3446 Panchayat across 10 states had been drawn and 90 Lakh records have been analysed on

**Image 1:** Memorandum issued by the Ministry of Finance that we mention

2.4. On an average day, 10 – 15 Lakh Pay Orders are issued by Under Secretary to Government of India, Department of Rural Development. These orders contain FTOs of various states & union territories as per their demand, subject to them meeting financial and administrative requirements. It was found that the delay in payments to states mentioned in the newspaper articles were mainly due to infrastructural bottlenecks, availability of funds & lack of administrative compliance.

Delay in Payments – MGNREGA

Page 3

**Image 2:** The specific part of the Memorandum that says delays are due to insufficient funds



## What is the recent caste based segregation of FTOs?

Until recently, every NREGA FTO consisted of multiple transactions of workers across all caste categories. On March 2, 2021, the GoI issued a circular to change the payment system so that payments can be made separately based on the caste category of workers (SC, ST and 'Others'). While we were privy to this circular through informal/unofficial sources, the GoI did not provide a copy of [this circular](#)<sup>15</sup> despite our RTI query to access it.<sup>16</sup>

Across states, there are reports that the caste-based segregation of FTOs has led to increased work for government functionaries in blocks, increased friction amongst different castes, and even led to communal tensions in areas where the 'Other' population is predominantly Muslim<sup>17</sup>. A [recent news report](#) discusses that the MoRD is rethinking the order after [the inconvenience caused to the workers was brought to their attention](#).<sup>18</sup>

## How does an Aadhaar Based Payment happen?

In Aadhaar based payments, the Aadhaar number of the individual becomes her financial address. There are at least 3 steps for an Aadhaar-based payment to be successful. First, a worker's Aadhaar number must be seeded to her job card. Second, her Aadhaar must be seeded to her bank account. Third, the Aadhaar number must be mapped correctly with a mapper created by the National Payments Corporation of India (NPCI). Error in any of these steps results in the payment being rejected or misdirected. A significant component of rejected payments are due to Aadhaar-mapping failures with NPCI which get arbitrarily labelled as "Inactive Aadhaar". If a person has multiple bank accounts then the wages get routed to the last account to which the Aadhaar were seeded to.

<sup>15</sup> [Letter to State for SC&ST](#)

<sup>16</sup> The response to the RTI we filed to obtain a copy of the official circular and pertinent communications can be seen [here](#). It does not provide the information requested.

<sup>17</sup> [Karnataka: Caste-based wage disbursal at MGNREGA sites slammed](#), *Times of India*, 23 August 2021.

<sup>18</sup> [Modi govt to rethink caste-based payment of wages under MGNREGA, says aware of problems](#), *The Print*, 8 October 2021.

## What are some key problems with Aadhaar Based Payments?

Since 2014, there has been a hasty push to seed Aadhaar numbers with bank accounts that has led to a lot of incorrect mapping when one person's Aadhaar gets mapped to somebody else's bank account. On paper the transaction would show as completed but in reality, the money would have been deposited in somebody else's account. These are nearly impossible to detect and correct as [this case study highlights](#).<sup>19</sup> Further, in contravention of SC orders, while migrating to the APBS, [consent norms were frequently violated](#).<sup>20</sup> The APBS architecture is opaque. It has made it nearly impossible for workers to track which account their payment has been deposited in. The local administration is often unaware or not equipped to rectify errors that are often extremely technical and difficult to decode. Consequently, when payments have been misdirected into the wrong account of some other worker, the rectification is nearly impossible, pushing the [already vulnerable into a deeper crisis](#).<sup>21</sup>



<sup>19</sup> <https://www.epw.in/engage/article/namesake-human-costs-digital-identities>

<sup>20</sup> <https://www.ideasforindia.in/topics/governance/consent-to-nothing-aadhaar-based-payment-systems-in-welfare.html>

<sup>21</sup> <https://www.telegraphindia.com/opinion/done-by-aadhaar/cid/1467855>

627354/2021/RE-V

**Minutes of State Review Meeting held on 12<sup>th</sup> March 2021**

A virtual meeting held on 12<sup>th</sup> March 2021 under the Chairpersonship of Shri Rohit Kumar, Joint Secretary (RE) to review the progress of the States on separate provisions for SC/ST/Others wage payment for the next FY 2021-22 and other issues. The List of Participant is annexed.

2. At the outset, Joint Secretary (RE) welcomed the participants. In his opening remarks he has highlighted the objective of the meeting.

3. After the opening remarks, Director(Mahatma Gandhi NREGA)shared the details on the agenda points:

**1. Preparation regarding separate wage payment for SC/ST and others from FY 2021-22:**

- a) States/UTs have been informed to take appropriate action on the following:
  - i. States/UTs will provide category wise budgeted person-days to Programme division for each category.
  - ii. Opening and mapping of account in PFMS for SC/ST category (request letter issued to Ne-FMS States/UTs), Existing Ne-FMS account may be used for "other" category.
  - iii. States/UTs may generate FTOs for SC, ST and other category beneficiaries.
- b) PFMS to provide the necessary provisions on the following:
  - i. FTOs require to be categorised in three respective Group Id's at PFMS level.
  - ii. Reports relating to DBT payment required in category-wise manner.
  - iii. Category wise list of pending FTOs to the State/UTs and PD.

**2. Provision of additional mandays and action thereof GOI letter no. J-11060/15/2020/RE-III (370682) dated 23.02.2021:**

Government of India has issued a directive to all States/UTs File Letter No. J-11060/15/2020/RE-III (370682) dated 23.02.2021 followed by corrigendum of even number dated 25.02.2021 related to provision of additional mandays by the State/UTs from its own resources.

**3. Top-up wage payment MIS issues**

States/UTs have been informed to make the payment as per the measurement of work as calculated on the basis of notified Wage Rate and top-up Wage Rate proportionately.

**After the discussion and deliberation, the following decisions were taken:**

- i. Ne-FMS States/UTs will complete the required formalities before **31<sup>st</sup> March 2021** related to SC/ST/Others wage payment for FY 2021-22.
- ii. NIC-DRD will share the required information to PFMS by **13<sup>th</sup> March 2021**.
- iii. NIC-DRD to make separate report to capture the additional persondays without linking it with the "Agreed to" LB of the States/UTs.
- iv. NIC-DRD may share a SOP on Top-up Wage payment MIS issue on priority.

The meeting ended with a vote of thanks to the Chair.

Response to our RTI query requesting the circular and all relevant communications. Full reply can be seen [here](#).



## What is this study?

Delays in wage payments have arguably been the biggest difficulty for NREGA workers. The digital payments system of NREGA has been a laboratory of many experiments since 2012, with shifts from cash payments to Postal accounts, to the Electronic Fund Management System (e-FMS), and then the National e-FMS (Ne-FMS). Yet another change was introduced this year through the caste-based segregation of FTOs.

This study focuses on the following:

- *We analyse the time taken by the Government of India (Gol), i.e., the Central government<sup>22</sup>, in transferring wages to workers once the state governments have completed their responsibility of sending the electronic FTOs to the Gol. **This is called Stage 2.***
- *We analyse Stage 2 days by the caste category of workers.*
- *We look at Stage 2 by the payment type, i.e., whether workers were paid through Aadhaar Payment Bridge Systems (APBS) or Account based payments. In this study, we refer to them as Aadhaar based and Account based payments.*
- *The sample size of the study is **17.97 lakh FTO transactions** between April 1, 2021 and September 27, 2021 across 10 states.*

All analysis has been carried out using data available in the public domain by the MoRD<sup>23</sup>.

<sup>22</sup> We use the terms Government of India (Gol) and Central government interchangeably in this report.

<sup>23</sup> [https://nrega.nic.in/netnrega/MGNREGA\\_new/Nrega\\_home.aspx](https://nrega.nic.in/netnrega/MGNREGA_new/Nrega_home.aspx)



## What is the methodology and the sample for this study?

We analyse the time taken for Stage 2 of the payment process using randomly sampled FTO transactions from ten states.

1. The FTO transactions were downloaded from [Report 8.1.1 \(FTO Status Report\) from the NREGA MIS](#).<sup>24</sup>
2. We randomly sampled one block per district from each of the following ten states: Bihar (BH), Chhattisgarh (CG), Jharkhand (JH), Karnataka (KT), Kerala (KL), Madhya Pradesh (MP), Odisha (OD), Rajasthan (RJ), Uttar Pradesh (UP), and West Bengal (WB).
3. Then we randomly sampled 10% of the FTO transactions that have been generated between April 1, 2021 and September 27, 2021 for each block. The data for the analysis is based on the FTO status, i.e., whether it is pending, processed, or rejected, as of October 13, 2021.
4. The FTO transactions report does not have the caste category of workers. The caste information of workers is available in the Job Card Register available separately for each panchayat within the state reports in the NREGA MIS. We merged the FTO transactions report with the Job Card Register to get the caste information for each transaction.
5. The caste category for 68,456 transactions was missing in our sample. This is about 3.6% of the total sample and was not considered for this analysis. One of the primary reasons for this is that the job card register at the panchayat level was not available owing to instability of the NREGA MIS. Second, there have been many reorganisations of panchayat affiliations to blocks and districts. Consequently, the panchayat to which a worker is mapped to in the job card register is different from that in the FTO transactions report.
6. Each FTO number can be identified if it is an Aadhaar based payment or an Account based payment. An Aadhaar based payment will have the letters “APB” as part of the FTO number. An Account based payment will not have these letters.

We also use abbreviations for the caste categories which are listed below:

1. Oth: Other category
2. SC: Scheduled Caste
3. ST: Scheduled Tribe

<sup>24</sup> Sample Report 8.1.1: [http://mnregaweb4.nic.in/netnrega/FTO/FTOReport.aspx?lflag=eng&fin\\_year=2021-2022&source=national&labels=labels&Digest=HNrisV4bhHnb7Gve3mAKYQ](http://mnregaweb4.nic.in/netnrega/FTO/FTOReport.aspx?lflag=eng&fin_year=2021-2022&source=national&labels=labels&Digest=HNrisV4bhHnb7Gve3mAKYQ)

Table 2 shows a decomposition of the sample size by state. In our sample, Madhya Pradesh has the highest number of transactions (5.56 lakh) and Kerala has the lowest (56 thousand). Table 3 gives a comparison between our sample data (percentage of transactions by caste) and the complete state level official data (percentage of persondays by caste<sup>25</sup>). It shows that our sample is representative of all the transactions made this year in each state.

State Name	MP	CG	RJ	UP	OD	WB	KT	JH	BH	KL
No. of transactions in lakhs	5.56	2.93	2.07	1.53	1.47	1.27	1.21	0.76	0.61	0.56

**Table 2:** Total number of transactions by State

	Caste	MP	CG	RJ	UP	OD	WB	KT	JH	BH	KL
Sample (% of transactions by caste)	Oth	87.58	51.93	63.08	72.16	72.61	59.50	52.1	56.43	64.38	62.92
	SC	11.36	9.53	6.58	15.62	18.66	13.52	12.81	19.29	33.66	29.26
	ST	1.06	38.54	30.34	12.22	8.73	26.98	35.1	24.29	1.96	9.83
Complete Official data (% of persondays by caste)	Oth	87.58	55.49	68.42	75.18	72.12	54.8	52.71	54.88	67.07	65.46
	SC	11.2	9.61	8.31	17.95	16.98	12.5	13.71	20.4	31.83	26.38
	ST	1.22	34.9	23.28	6.87	10.91	32.7	33.58	24.72	1.1	8.16

**Table 3:** Comparison Between our Sample Data and the Complete Official Data by Caste

Table 4 shows the number of transactions for each payment type. Of the 17.97 lakh transactions, 11.28 lakh were Account-based and 6.69 lakh were Aadhaar-based.

Payment Type	Total Number of Transactions in Lakhs
Aadhaar	6.69
Account	11.28
Total	17.97

**Table 4:** Number of transactions by payment type

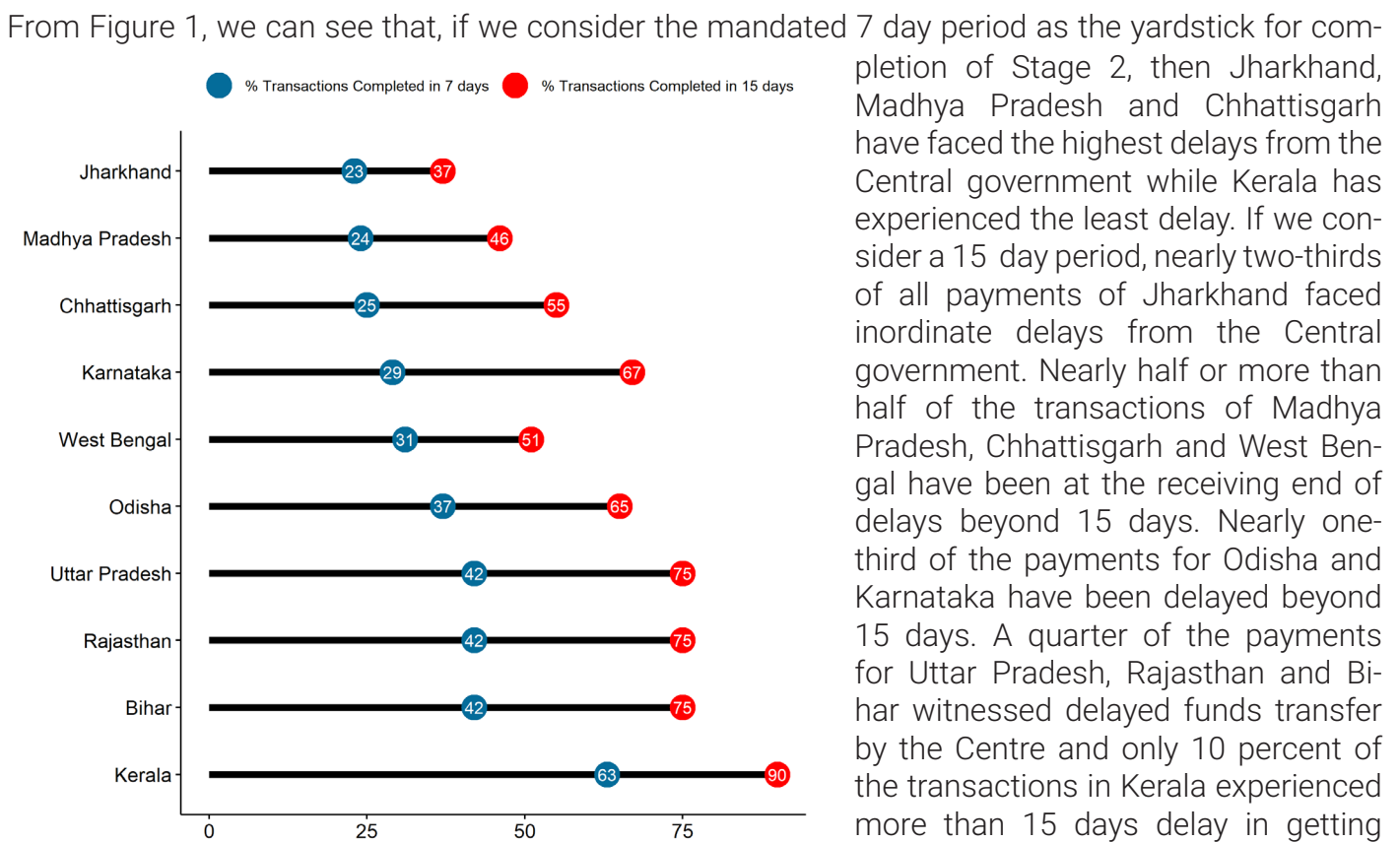
<sup>25</sup> Data for percent of persondays for financial year 2021-22 as per 'At a Glance' downloaded from MGNREGA MIS on 17th October 2021.

# Findings

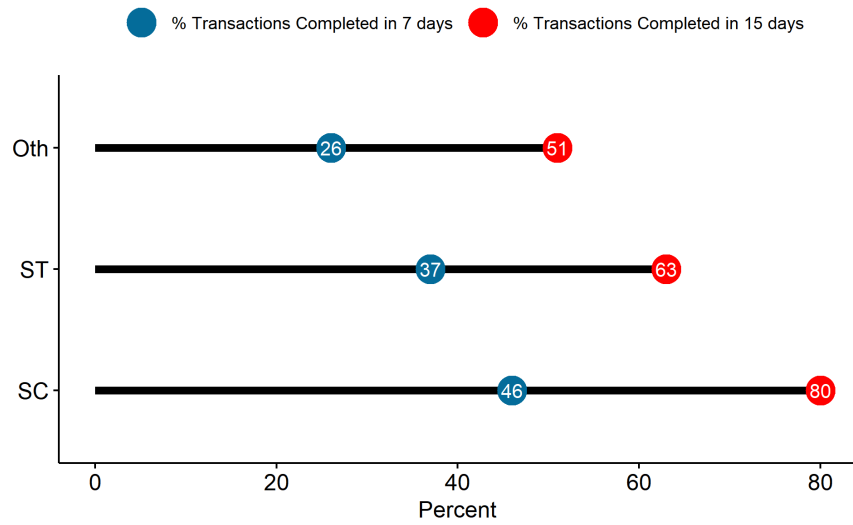
## Overall Scenario of Delays

The percentage of transactions that were successfully credited to the workers' accounts by the Central government within the mandated 7 day period is **29**. In other words, stage 2 days for **71** percent of transactions exceeds the mandated 7 day period. Only **56** percent of the transactions were successfully completed in 15 days after FTOs were sent to the Gol.

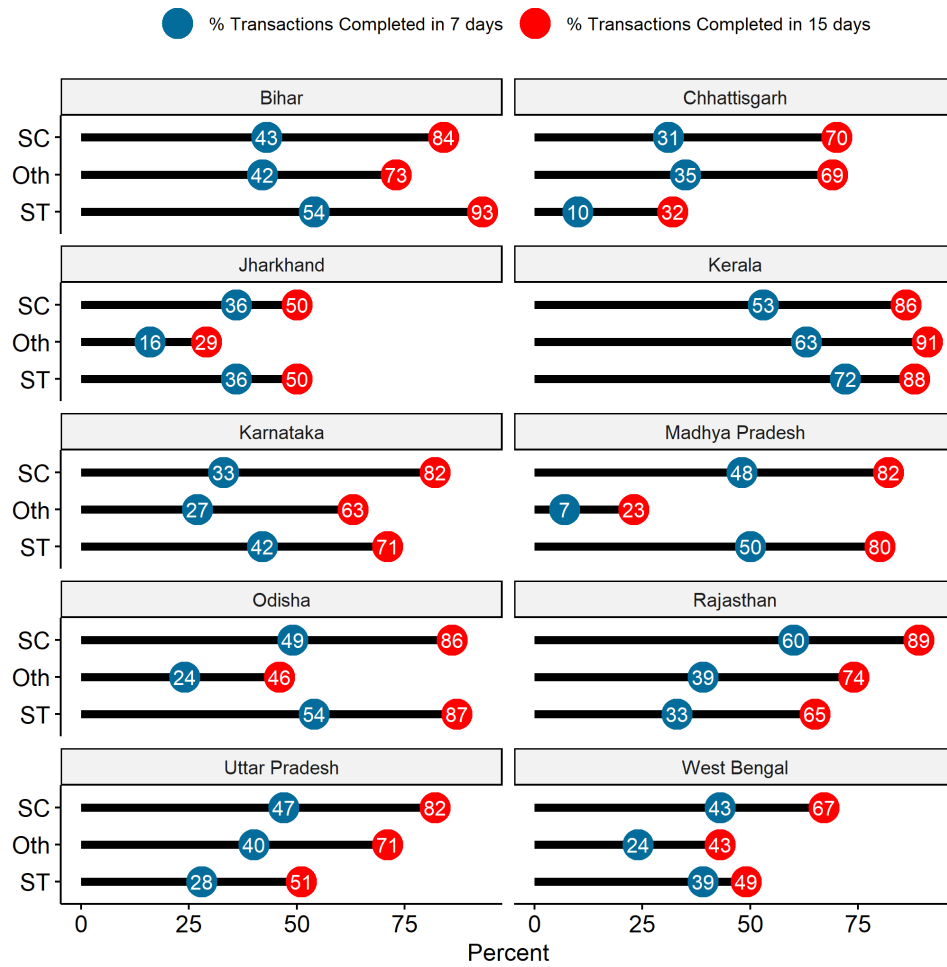
Figure 1 shows the percent of transactions successfully completed within 7 days and 15 days for each of the 10 states.



**Figure 1:** % of Transactions Completed in 7 and 15 Days for Each State

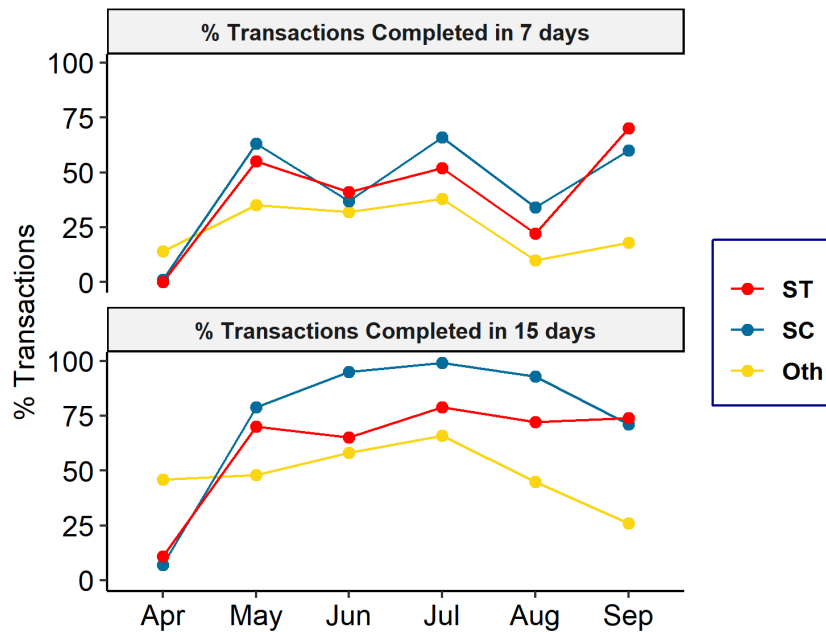


**Figure 2:** % of Transactions Completed in 7 and 15 Days by Caste



**Figure 3:** % of Transactions Completed in 7 and 15 Days by State and Caste





**Figure 4:** % of Transactions Completed in 7 and 15 Days by Month and Caste

stage 2 payments by the Centre.

We present a highly conservative lower bound of delay compensation from our sample that the Central government owes workers. We calculate this only for those transactions for which Stage 2 exceeds 15 days. In reality, if Stage 1 delays are included, the true payable delay compensation would be much more.

The total wages in our sample is **Rs 272 crores**. A highly conservative lower bound of uncalculated delay compensation payable by the Central government to workers is **Rs 1.79 crores**.

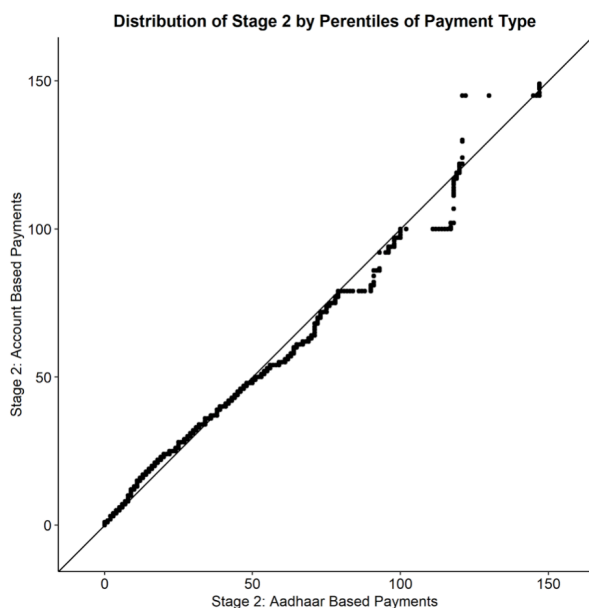
Stage 2 delays spliced by caste is shown in Figure 2. The percentage of transactions completed within 7 and 15 days is lowest for other categories at 26% and 51% respectively and highest for SCs at 46% and 80% respectively. This highlights the differentiation in delays across caste categories.

Figure 3 shows the impact of the caste based circular on stage 2 delays for each state in our sample. The impact of the caste based segregation appears to be fairly uniform across states where payments to SCs have been quicker compared to Others. It is, however, significant in the poorer states such as Jharkhand, Madhya Pradesh, Odisha and West Bengal. For instance, in Jharkhand, while 36% of the transactions for SCs and STs have been completed in 7 days, it's a paltry 16% for Others. It is worst in Madhya Pradesh (MP). While nearly 50% of Stage 2 transactions for SC/ST are completed in 7 days in MP, a mere 7% of the transaction for "Others" are completed in 7 days. Such a picture is similarly grim in West Bengal and Odisha. The impact of the caste based segregation is noticeable to varying degrees in every state except Kerala.

As per Figure 4, an analysis of the monthly trend of the three castes shows that, while in April the

percentage of transactions getting processed within 7 and 15 days was higher for the other castes, the picture changed substantially in the subsequent months. Throughout, from May to September, workers of the Other category faced significantly higher delays compared to SCs and STs. In September, the percentage of payments getting completed in 7 and 15 days is much higher for SCs and STs compared to the other categories. Moreover, it is also clear that the stage 2 delays increased sharply from July to September for Others as evidenced by the downward slope of the yellow curve from July to September. In fact, in September, while nearly 75% of the SC and ST payments were completed in 15 days, only 25% payments of the Other category were completed in 15 days.

The comparison of Aadhaar based and Account based payments is depicted in Figure 5. This is called a qqplot, which shows the relationship between the percentiles of Aadhaar Based Payments and Account Based Payments. If a dot lies on the 45 degree line, then Aadhaar and ac-

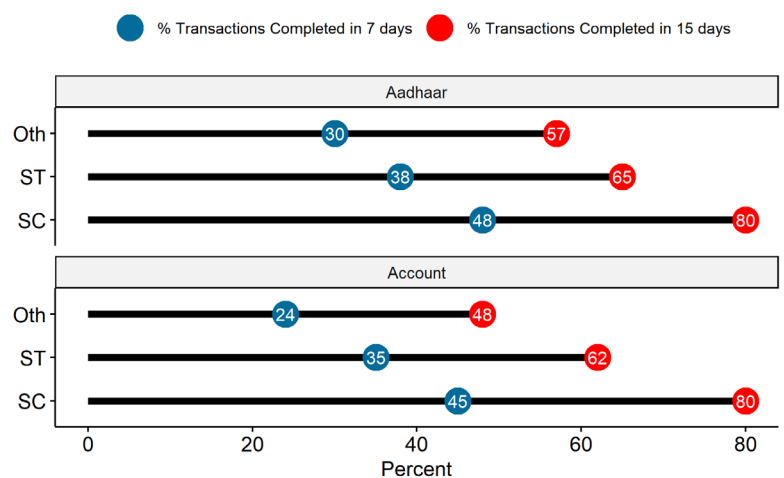


**Figure 5:** Distribution of Percentiles of Stage 2 Days by Payment Type

count based payments take the same time. If a dot lies below the 45 degree line, Aadhaar based payments take longer and vice versa. As can be observed, the dots are practically on the solid line throughout the main body of the graph till Stage 2 is around 60 days. When Stage 2 is very high (> 60 days or so) then the dots are largely below the solid line barring a few outliers when Stage 2 exceeds 100 days. What these indicate is that there is practically no difference in the time to process Aadhaar based payments and Account based payments.

In fact, the bigger trouble for officials and workers alike is when payments get rejected or misdirected. As any block level official would corroborate, resolving Aadhaar based misdirections or payment rejections is a nightmare while resolving account based payment rejections is comparatively much simpler. Misdirections in account based transactions are also much less likely.

Figure 6 shows a decomposition of the payment type by caste which reveals that even the marginal observable difference between the two payment types is mainly in payments to workers



**Figure 6:** % of Transactions Completed in 7 and 15 Days by Caste and Payment Type

<i><b>FTO Status</b></i>	<i><b>BH</b></i>	<i><b>CG</b></i>	<i><b>JH</b></i>	<i><b>KL</b></i>	<i><b>KT</b></i>	<i><b>MP</b></i>	<i><b>OD</b></i>	<i><b>RJ</b></i>	<i><b>UP</b></i>	<i><b>WB</b></i>
<i><b>Pending</b></i>	5.95	0.0	0.0	0.04	0.13	10.34	5.49	16.33	17.34	45.08
<i><b>Processed</b></i>	93.16	88.78	98.53	96.43	98.82	88.67	93.46	83.02	81.02	54.05
<i><b>Rejected</b></i>	0.89	11.22	1.47	3.53	1.04	0.99	1.05	0.65	1.64	0.87

**Table 5:** FTO Status of Transactions (in %)

from other categories. There is no difference in stage 2 between payment types for SCs and STs. This most likely indicates that it is an artefact of the introduction of caste-based segregation of FTOs and lack of sufficient funds for the programme.

Table 5 shows the percentage of transactions that are pending, processed or rejected for each

state. West Bengal (45%) has the highest proportion of pending transactions and Chhattisgarh (11%) has the highest proportion of rejected transactions.

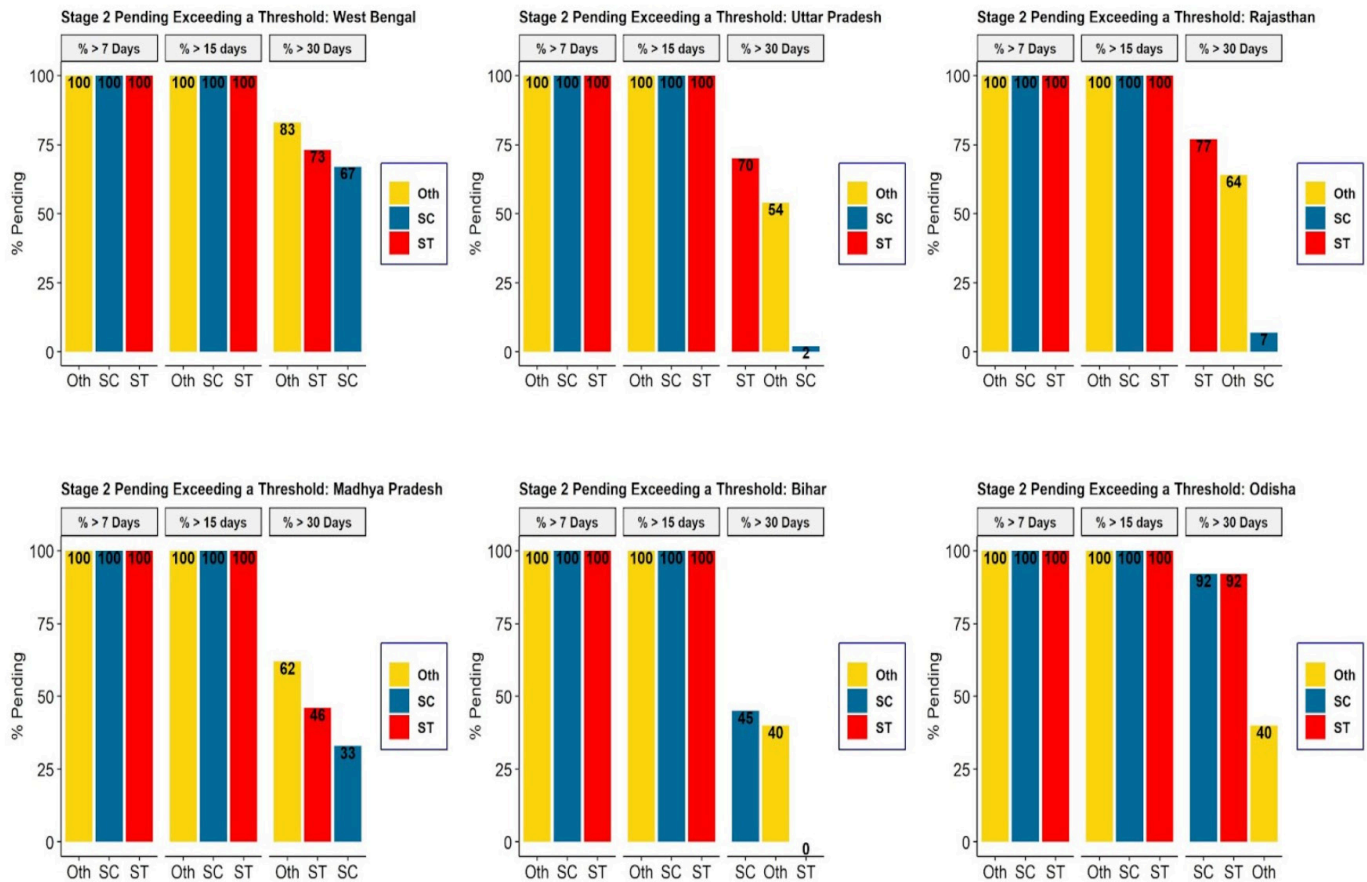
We now discuss pending, processed and rejected payments in more detail.

## Pending Payments

Let us look at the highest pending cases first. Table 6 presents the percentage of transactions for states with more than 5 percent pending transactions. The states in the sample with at least 5 percent pending payments are West Bengal (45%), Uttar Pradesh (17%), Rajasthan (16%), Madhya Pradesh (10%), Bihar (6%) and Odisha (5%).

<i><b>State Name</b></i>	<i><b>% of Pending Transactions</b></i>
<i><b>WB</b></i>	45.08
<i><b>UP</b></i>	17.34
<i><b>RJ</b></i>	16.33
<i><b>MP</b></i>	10.34
<i><b>BH</b></i>	5.95
<i><b>OD</b></i>	5.49

**Table 6:** Percent of pending transactions for states with at least 5% pending transactions



**Figure 7:** Percent of Pending Transactions for States with at least 5% Pending Transactions

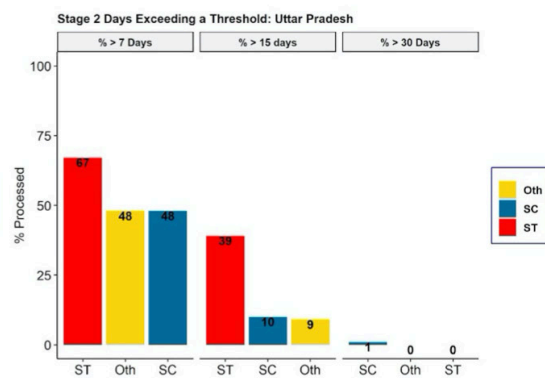
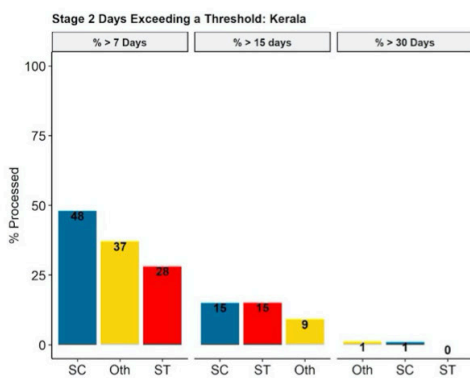
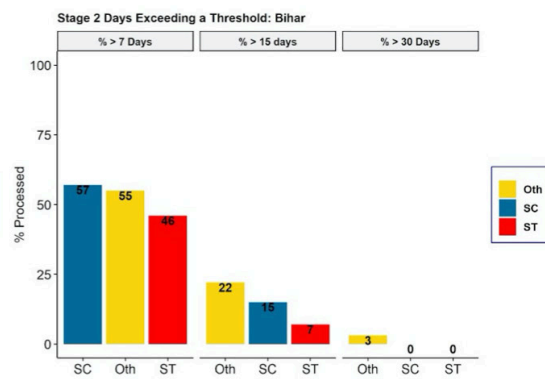
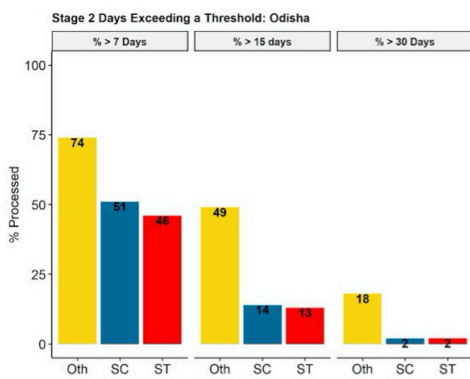
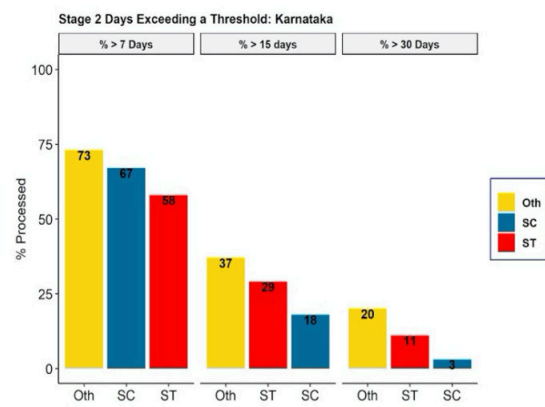
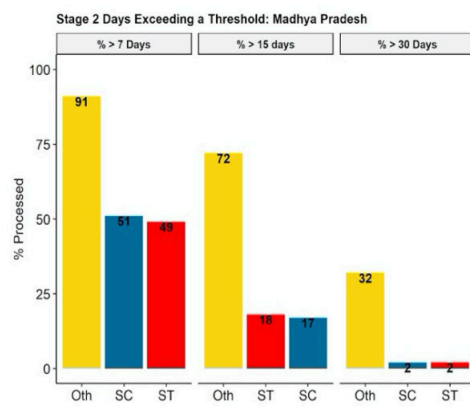
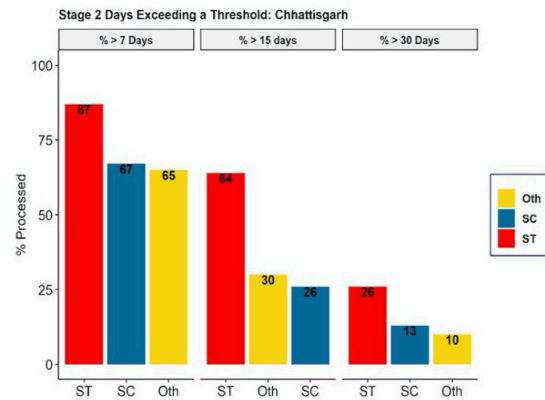
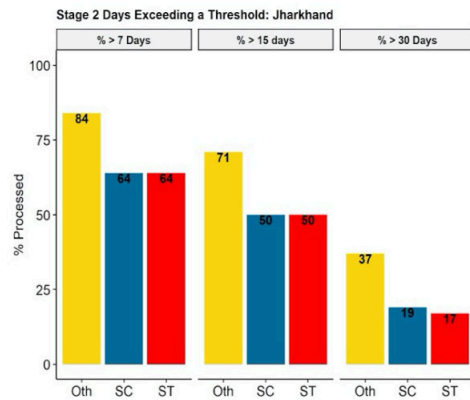
Figure 7 shows the percentage of payments pending for more than 7, 15 and 30 days by caste for the states with more than 5% pending payments. Since we analysed transactions from 1 April, 2021 to 27 September, 2021 with payment status as on 13 October, 2021, all payments that are pending are pending for more than fifteen days. There is a great deal of variation in the percentage of payments pending for more than 30 days across castes and states. For other castes, it varies from 83% for West Bengal to 40% in Odisha and Bihar. For SCs, it varies from 92% in Odisha to 2% in Uttar Pradesh. For STs, it varies from 92% in Odisha to 2% in Bihar.

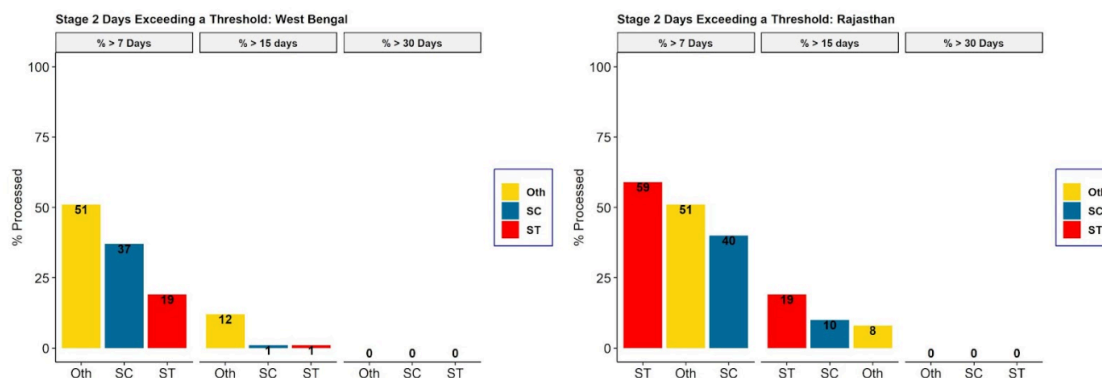
## Processed Payments

Let us look at the payments that have been processed. Figure 8 presents the percent of payments taking more than 7, 15 and 30 days to process for each caste category and state. Kerala is the only state where the percentage of payments taking more than 7 days is below 50% for all caste categories.

While Jharkhand and Chhattisgarh are states with no pending payments, they have been the







**Figure 8:** % of Payments Getting Processed in more than 7, 15 and 30 Days by Caste and State

worst hit in terms of time taken for payments to be processed. On the other hand, while Uttar Pradesh, West Bengal and Rajasthan have the highest percent of pending payments, the time for payments that have been processed are the lowest for these states. The percent of payments taking more than 30 days is 0 for all caste categories in these three states except for SCs in Uttar Pradesh.

There is a great deal of variation in the relative performance of payments to different caste groups amongst the states. In Jharkhand, Madhya Pradesh and Odisha, percent of payments taking more than 7, 15 and 30 days is much higher for other castes and similar for SCs and STs. In Chhattisgarh and Uttar Pradesh, percent of payments taking more than 7, 15 and 30 days is much higher for STs and similar for other castes and SCs. In Karnataka and West Bengal, percent of payments taking more than 7 days is highest for other categories followed by SCs and STs.

## Rejected Payments

Rejected payments are transactions that fail due to technical problems. They can happen for

a variety of reasons, and can be very difficult to resolve in some cases. If the reason for the rejection is not rectified, every subsequent payment will be rejected as well. In our sample, over **Rs. 4 crores** have been rejected, and **34,556 distinct job cards** have been affected.

Account based and Aadhaar based transactions can have different rejection reasons. Out of all the transactions, the proportion of rejected transactions by payment type (Aadhaar-based or Account-based) is given by Table 7. It shows that the proportion of transactions rejected is nearly the same for Account and Aadhaar based transactions.

Payment Type	Aadhaar	Account
Total No of Transactions (in lakhs)	6.96	11.65
Number of Rejected Transactions	18,317	33,388
% Rejected Transactions	2.63	2.86

**Table 7:** Rejections by Payment Type

<i>State</i>	<i>Amount in Lakhs</i>	<i>Number of distinct job cards affected</i>	<i>% Transactions rejected</i>
<b>CG</b>	343.98	21,537	11.4
<b>MP</b>	67.37	3,419	1
<b>UP</b>	48.42	2,150	1.7
<b>KT</b>	35.69	1,513	1.2
<b>KL</b>	28.24	1,540	3.7
<b>RJ</b>	27.85	1,203	0.7
<b>WB</b>	22.68	770	0.9
<b>OD</b>	19.85	1,118	1
<b>JH</b>	14.23	839	1.3
<b>BH</b>	13.82	467	0.9

**Table 8:** Rejected Amount and Number of Job Cards Affected by State

Table 8 shows the state-wise amount rejected, the number of job cards affected, and the % transactions rejected. Chhattisgarh has the highest rejections. More than one in ten transactions in Chhattisgarh have been rejected. These are the rejections from 1 block in each state- so at state levels the amounts rejected will be in crores.

While the reasons for rejection can be many, they can broadly be divided into Account related and Aadhaar related problems. Resolving Aadhaar related rejections is significantly harder than resolving account based rejections. Often, even block administrators and bank functionaries don't know how to resolve Aadhaar based rejections.

The list of the top five reasons for rejection, and

the amount rejected, for Chhattisgarh is shown in Table 9 (Account payments) and Table 10 (Aadhaar payments).

Many of the reasons given for rejections on the MIS are often inscrutable. For instance, one of the reasons for rejection is 'BX-ASD-CT202104292'. More than Rs 3 lakhs in wages have been rejected due to this reason alone. Many other rejection reasons are also similarly opaque, but some are misleading as well. For example, 'Inactive Aadhaar' has absolutely nothing to do with the Aadhaar card becoming inactive. These error codes provide no indication as to the actual reason, or how it can be fixed. It is left to the worker to decipher the cause behind the rejections and run from pillar to post to resolve it.

<b>Rejection Reason</b>	<b>Rejected Amount in Lakhs</b>
<b>Credit Failed due to Debit Failure</b>	166.31
<b>No Such Account</b>	39.62
<b>BXASD-CT202104292</b>	3.13
<b>DBFL</b>	2.54
<b>Account Blocked or Frozen</b>	2.37

**Table 9:** Amount Rejected for Account-based Payments by Rejection Reasons for Chhattisgarh

<b>Rejection Reason</b>	<b>Rejected Amount in Lakhs</b>
<b>Credit Failed due to Debit Failure</b>	118.04
<b>Inactive Aadhaar</b>	3.37
<b>DBFL</b>	1.88
<b>Aadhaar Number not Mapped to Account Number</b>	1.72
<b>Aadhaar number de-seeded from NPCI mapper by bank - customer to contact his/her bank</b>	1.02

**Table 10:** Amount Rejected for Aadhaar-based Payments by Rejection Reasons for Chhattisgarh



# Conclusion

The poor have faced massive destruction since the onset of the pandemic. Food insecurity combined with livelihood insecurity have pushed many to the brink of life and death. In this context, NREGA has served as a lifeline for the rural poor and timely payment of wages are vital. Over the years, while many state governments have shown improvements in completing their part in the timely payment of wages, the Central government appears to be relatively slower in responding with urgency. What we are seeing are at least three different yet connected issues. First, the continued delays in payment of wages. Second, arbitrary technological interventions in the payments process whose conceived rationale and observed outcomes are at odds. Third, the difficulty faced by workers and officials alike in resolving payment related grievances owing to the adoption of opaque technical architecture. Let us look at what the study highlights for each of these.

As discussed in this study, the central government, in an internal memorandum, has acknowledged that inadequate funds allocation is a key reason for the delay in wage payments. As a result of shortage of funds, wages get delayed and it gets further exacerbated in the second half of each financial year. The companion tracker by PAEG demonstrates that, with nearly half the financial year remaining, 90% of the funds allocated to the programme have already been exhausted. ***Unless the allocations are sub-***

***stantially increased urgently, the saga of payment delays will take more tragic overtones.***

On many occasions, technical interventions have been implemented without a due consultative process, without independent assessments and without soliciting feedback from workers, government officials and civil society organisations. The latest such misstep is the segregation of FTOs by caste. Because of this, the already short-staffed computer operators now have to generate 3 FTOs instead of one. Some computer operators in private conversations have told us how the time taken to do this gets magnified owing to the instability of the NREGA MIS. Moreover, because of caste based FTO segregation, in some places where a work group had members of all castes but Dalits got paid earlier than those of other castes, it has reportedly led to accusing some local government functionaries and NREGA mates of being partial. In some places where the 'Other' category comprises largely of Muslims, it has reportedly led to religious tensions as well.

The third aspect is the opacity and the complexity of Aadhaar based payment systems with no obvious gains in speeding up the payments process. Moreover, there are no costs associated with Account based payments. So the combination of more transparency compared to Aadhaar based systems, ease of grievance resolution and no additional cost for Account based systems are good reasons to use these instead of Aadhaar based systems.

The study demonstrates each of the above three aspects. First, that Stage 2 delays continue to plague the programme when only 29% of the payments were completed by the Central government within the mandated 7 days period.

Second, there are large differences in Stage 2 days between the three caste categories. While 46% payments to SCs took upto 7 days, 80% payments to SCs were completed in 15 days. For STs, percent of payments completed in 7 and 15 days was 37% and 63%. Payments to Others category took the longest with 26% payments taking upto 7 days and 51% payments taking 15 days. Amongst the states, Jharkhand, Madhya Pradesh and Chhattisgarh had highest percent of payments getting delayed beyond 7 days and Kerala had the lowest. Pending payments were highest in West Bengal with ~45% payments pending. No payments had been processed in almost two months preceding the date on which data was accessed. Rejected payments in the sample amounted to Rs. 4 crore and affected approximately 35,000 distinct job cards.

There was no discernible difference in the time taken to process Aadhaar based and Account based FTOs. And, rejections in both Aadhaar and account based payments were ~3%. So, neither on efficiency gains nor in aspects of transparency and accountability, we can scientifically justify the cost of introducing Aadhaar based payments in NREGA. On the contrary, it has created a litany of newer problems such as misdirected payments that are nearly impossible to find and resolve.

Excessive centralisation has led to the programme being undermined.<sup>26</sup> Introducing hasty changes, especially without any consultation, training and feedback, will only lead to workers being entangled in a maze with faceless institutions just to access their wages. Timely wage payments are central to the programme. Unreliability and delays are likely to push many to drop out of the programme. As written recently in [this article](#),<sup>27</sup> "India boasted 4,355 crore

<sup>26</sup> <https://thewire.in/government/centralisation-mnrega-undermining>

<sup>27</sup> <https://indianexpress.com/article/opinion/columns/mgnrega-was-safety-net-for-workers-during-first-wave-but-there-are-holes-in-it-now-7419431/>





digital retail transactions in 2020-21 as per RBI data. These are usually completed within a day if not in a few minutes. In comparison, MGNREGA transactions, which are only 1.6 per cent in the volume of these, get routinely delayed. Why should the timely payment of subsistence wages in MGNREGA continue to be so elusive?" Political and administrative will to have a well funded, participatory and accountable public programme cannot be substituted by technical quick fixes. There is a need to simplify the payment process in consultation with the various stakeholders involved. This would lead to easy and timely access to wages and make it easier to troubleshoot payment related issues.