

Technology sans Accountability

Payment Delivery Systems in the Indian Context

CPRSOUTH 2018

POLICY BRIEF

POLICY ISSUE

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) guarantees 100 days of work in a year for every rural household in India on demand. The Act mandates that every worker must receive their wages within 15 days of completion of a work week.

Since 2015, wages are paid directly from the central government to the workers' bank account through the National Electronic Financial Management System (N-eFMS). The government believes that such a system will streamline the payment process and ensure faster, "real time" payments. The payment guidelines state that it is supposed to take **one** day for the transfers to take place. (Ministry of Rural Development, India 2018). However, a previous study by my team showed that, when state/ local government generated the payorder within 15 days, it took an additional **63 days** on average, for the wages to be credited to the workers' bank account (Rajendran Narayanan, Sakina Dhorajiwala, and Rajesh Golani 2017).

The delays are further exacerbated at the last mile due to poor infrastructure and policy design challenges. Complex norms for accessing the payments make banking a cumbersome experience. The excessive centralisation of the entire payment architecture has meant that the baton of accountability is passed around by the bureaucracy leaving the workers in abeyance about their wages. When a grievance arises workers often have to run from administrative offices to banks to ensure grievance redressal. This involves spending hundreds of rupees, making multiple trips to the government office and loss of daily wages. The design of the system shifts the entire burden of grievance redressal onto the worker. As a result, workers are losing faith in the programme.

TARGET POLICYMAKER/S

Ministry of Rural Development (responsible of managing and implementing NREGA)	Reserve Bank of India (responsible for making banking norms)	Ministry of Finance (responsible for managing the payment intermediaries)
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RECOMMENDATIONS

Syncing existing information databases of implementing, and payment & preemptive flagging of issues.	Creating worker centric information by displaying information in government buildings, sms & automated phone calls.	Provide agency to resolve grievances at the local level and be iterated based on feedback received by the stakeholders.	The trail of payments should be easy to track a accountability should be fixed at each stage of the trail.
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THE RESEARCH

I LITERATURE/PRIOR WORK

Several practitioners and researchers, in particular, Radcliffe and Voorhies, have been strong proponents for digitization of payments. According to them digitization of payments is only a step towards an inclusive digital economy. Leora Klapper and Dorothe Singer provide

evidence from several countries that digital payments increase financial inclusion and boost women's participation in the economy (Leora Klapper and Dorothe Singer 2017). Digitization of payments in principle can impact the marginalized sections of society and can lead to their financial inclusion. However, the payment

delivery channels and grievance redressal systems must be designed while accounting for the people they cater to and the context of the society therein. Chun et al emphasize on the importance of “making e-governance a participatory process with information flowing from the citizens to the government and not just the other way around” (Soon Ae Chun et al. 2010). It is important to clarify here that information flowing from citizens to the government is feedback on the policy. It is equally important there is proactive disclosure of information by the governments. Ankita Aggarwal and Siraj Dutta have written about centralising the payments process, in NREGA which intended to streamline payments but ended up creating more disruptions. This policy brief aims to discuss the challenges and the way forward for digital payments in NREGA

II METHOD

This research is not limited to this paper; it draws from the work with LibTech India over time. The research methods are a combination of qualitative and quantitative work. The quantitative research was conducted in April - May 2018. It involved analysing secondary data available in the public domain for the financial years 2016-17 and 2017-18 and meeting with the beneficiaries, government and banking officials belonging to 3 Gram Panchayats (cluster of villages) in 2 districts in the state of Jharkhand, India. Interviews with the data entry operators and local administration responsible for implementing the program, provided insights on their level of understanding of the problem and bottlenecks faced by them. Over the last few months, I have digitally tracked the transaction trail of 38 workers. The policy brief draws on the challenges and constraints faced by the worker and the local bureaucracy

III DATA SOURCES

All official data is obtained from Management Information System (MIS) from the government’s MGNREGA portal nrega.nic.in. In particular from reports R.8.1.1, R8.1.5 and work details of individual workers. The qualitative data for the case studies was obtained through in-person interviews with the workers in 3 Gram Panchayats in Jharkhand, India.

IV RESEARCH FINDINGS

Payment Systems

In the MGNREGA program, wages are to be paid within 15 days of completing a week of labour. After physical verification of the work, a digital Fund Transfer Order (FTO can be understood as a digital cheque/ payorder) is generated, which is approved at the local level. The FTO is subsequently approved by the central ministry. Payment intermediaries store the information of the workers’ bank accounts. The central ministry then sends the FTO details to these payment intermediaries, which map the worker data to bank data and enable the electronic transfer of wages. The final payment status is reflected in the public domain through the MIS. While processing, a payment can either be “credited” or “rejected” through the automated system. The success of a payment is subject to three criteria;

- i. The state (province) which the worker belongs to has complied with all the administrative requirements of the central ministry, failing which all payments to workers of that state are halted.
- ii. The information of the worker is updated, correctly stored and mapped across databases of the local administration, the central ministry and the payment intermediaries.
- iii. The worker has complied with all the banking norms required to keep the bank account operative.

If there is a problem with the latter two, the payment fails or is said to be “rejected”. We will refer to these as rejected payments in the subsequent sections.

This is till the point when the wages actually reach the bank account of the worker. However, workers face several impediments to access their money from their own bank accounts. The banking infrastructure is poor in the many of the Indian states and short staffed even where it is present. Lack of passbooks and facilities to update them to keep tab on the bank accounts and lack of information about entitlements of a bank account holder lead to further exploitation of the vulnerable.

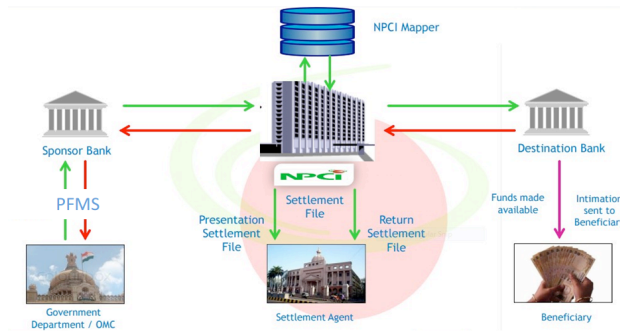


Image 1: NREGA Payments Infrastructure
Source: National Payments Corporation of India

From 2015, the Government of India integrated the payments system with the Unique Identification Program (Aadhaar) to purportedly streamline the cash transfer process. This added another layer to the system of payments wherein, the workers information is stored in one database which is linked with the Aadhaar (UID) data which is in turn, linked to the bank data. Image 1, is an illustration of the current payments system.

Rejected Payments

Wage payments could fail if there is a mismatch between beneficiary details across databases and if the beneficiary has failed to fulfill certain requirements to keep their bank account operative. For example, when workers don't access their accounts for a few months, their accounts get "frozen" and hence their wages get rejected. Payments can get rejected if their account numbers are incorrectly fed in the local database. As per official records for the financial year 2017-18, Rs 6146 million worth of wage payments got rejected. Of this over Rs. 3714 million is still pending to be paid to workers. Moreover, the complicated architecture has meant that the worker is left clueless about why her wage payments got rejected.

The government portal also gives the details of each transaction that was rejected with the reason why it failed. Ideally, it is the prerogative of the local administration to check the report and to inform the worker and take corrective action along with the bank. The Program Officers at the sub district level has a list of all such rejected payments, which they are supposed to monitor on a regular basis. Once corrected, the block administration ought to regenerate the Fund Transfer Order, so that the payment is made. However, if the FTO is regenerated without

correcting the mistake/ resolving the issue, it will be rejected again. The data in Table 1 was obtained from the government portal and verified by visiting the Gram Panchayats (GP) Khorhi, Janho and Jungur in Palamu and Latehar districts of Jharkhand. I interviewed 38 workers whose payments had been rejected.

Table 1: Interviewee Data on Rejected Payments

Panchayat Name	Janho	Jungur	Khorhi	Total
Workers Interviewed	20	11	7	38
# of Rejected Trans (of Interviewees)	62	34	11	107
Amount of Wages Affected (of interviewees) in Rs.	61008	33876	19290	114174
Total Rejected Trans in GP	1528	169	64	1761

Among the workers interviewed, the reasons for rejection were both related to compliance of banking norms and issues of incorrect entries in the databases. Table 2 shows the instances of rejections in different categories;

Table 2: Causes and Extent of Rejected Payments

Rejection Reason	Banking Issues	Database Issues	Combination of both	Unknown	Total
# of Trans among interviewees	51	39	12	5	107
Total Rejected Trans in 3 GPs	715	643	123	279	1760
Total wages rejected in the 3 GPs (in Rs.)	646966	724604	137436	274976	1783982

Transactions that are rejected take a much longer time to reach the worker. In the transactions analysed, the payment of wages of **Rs. 1783982** in all is still pending in the three Gram Panchayats. And an amount of **Rs. 1141,714 is pending** to be paid to the workers interviewed.

Given the current legal framework and the lack of infrastructure, the onus of resolving any problems related to banking or an inconsistency in the database is to be taken by the worker. Several payment related issues, cannot be resolved at the local levels since the database access is restricted.

For example, if the wrong UID number is linked to a particular worker (in their Job Card information), the wages earned would be deposited in the wrong bank account that is linked to that particular UID. A few simple fixes would be; to run a check between the NREGA, banking and UID databases in order to flag issues of inconsistencies in names etc. Given that such glitches have occurred, it would be useful to give the local administration access to correct the UID number through their system with some checks and balances. However, the current system warrants a request to be sent to the district and then state governments to make the corrections. Thus contrary to claimed streamlining of the process, more bureaucratic layers are added that further exacerbate worker woes

When a worker encounters such issues, she must approach the local administration with her complaint, thereafter; submit documents to rectify the errors in the database and/or to the bank for compliance purposes. This usually takes multiple visits, resulting in loss of work days. To add to the misery, local officials or banking correspondents often charge a fee to get the work done. Ironically, the worker ends up spending more money, only to access the money that is rightfully her's.

The system is not designed with the worker as the central focus. There is a lack of a feedback loop to improve the system; as a result, there is a normalization of the hardships for the workers.

Information Challenges

The issue of payment delays and specifically rejected payments is exacerbated due to information challenges at the grassroot levels. As far as the case of Rejected Payments are concerned, lack of accountability structures and lack of resolution through clear guidelines has meant that different field functionaries have been using varied on-the-fly measures of resolution, leading to more confusion for the workers. Consequently, pushing the limits of vulnerability of the most marginalised.

Further, all wage payment related information is available only through the government portal in extremely complex reports that make it difficult for users to track. With only 20 percent of internet users in rural India, it is difficult to expect workers to independently keep track of their payments.

And finally, disbursement agencies such as banks have norms that constantly change with time

which the workers are not privy to. It ends up excluding the very people it was meant to cater to. Information on disbursement limits, balances to be maintained etc. should be routinely available and explicitly conveyed to account holders.

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