

# Executive Summary

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## **Length of the Last Mile**

### **Delays and Hurdles in NREGA Wage Payments**

LibTech India | November 2020

Foreword by Jean Drèze

Twitter: [@LibtechIndia](#) | Website: [www.libtech.in](http://www.libtech.in)

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## Background

LibTech India, a group of social scientists, activists, engineers, and data scientists, has been working on various aspects of the Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) across several states.. As part of LibTech India, we have conducted action research projects and documented our collective experience on some aspects concerning NREGA wage payments in the report titled 'Length of the Last Mile: Delays and Hurdles in NREGA wage payments.' This research report is built on decades of work pertaining to rural public services delivery by members of LibTech India.

Delays in wage payments are one of the most pressing issues faced by workers. Various governments have paid much attention in the last decade on the technological aspects of the digital payments architecture through the paradigm of Direct Benefits Transfer (DBT). Through DBT the government directly transfers money to workers' bank accounts. In comparison, systematic evaluations of the challenges faced by workers once their wages are credited to their bank/postal accounts has received scant attention. The hurdles that workers face in accessing their wages after they have been credited is what is referred to as 'last mile challenges.' To assess some last mile challenges, LibTech India conducted a survey of 1947 NREGA workers in 3 states. The survey was done in one block each of Andhra Pradesh (AP) and Rajasthan (RJ) and 2 blocks of Jharkhand (JH). The number of respondents were similar across the three states; AP - 667, JH - 622 and RJ - 658. This survey has been supported by the Research Centre at Azim Premji University, Bangalore.

## Study Focus

The survey attempts to understand the experience of workers whilst using different payment disbursement agencies -- Banks, Customer Service Points (CSPs), Business Correspondents (BCs), Post Offices, and ATMs. For the sake of simplicity we treated CSP and BCs as one category. Broadly, we examine and discuss the following aspects from the workers' perspective:

- Awareness about some banking norms
- Access to information
- Categories and extent of hardships faced in getting wages in hand. Examples of hardships -- Time taken, number of visits required to withdraw money, passbook update facilities, Aadhaar related etc.

We combine several dimensions of hardships and create hardship scores of individuals for each payment disbursement agency.

- Transparency & accountability of disbursement agencies
- Issues concerning payments that get rejected
- Experience of using grievance redressal systems.

The surveyed blocks were purposively chosen based on the presence of credible civil society partners. Panchayats within the blocks and the respondents within the panchayats were randomly chosen. While the results are representative at the block level, our collective experience suggests that our observations and the statistical estimates we present are likely to be consistent and representative across the respective chosen states.

Countrywide, roughly one in twenty wage payment transactions get rejected due to technical errors such as incorrect account number or incorrect linking of Aadhaar with bank accounts. We pay close attention to rejected payments and assess the difficulty faced by workers once their wages get rejected.

## Basic Broad Findings

Workers usually used one primary agency to access their wages and some of them used multiple agencies to access their wages. For the majority of workers (1182) the bank branch was the primary disbursement agency, about 476 workers primarily used a CSP or BC. 252 respondents from AP used postal payment accounts. We constructed a hardship index based on some of the variables that are useful in comparing user experiences across states. Overall, the workers in the surveyed block in AP faced lower hardships while those in the JH blocks had the highest hardship scores. Post offices users seemed to be most satisfied with the quality of services. CSP/BCs seem to be a convenient alternative to transacting at the bank. However, in practice, the interoperability or choice of where to transact was highly limited, and rarely exercised. Qualitative research indicated that workers have faith in banks as a more robust institution.

## Accessibility

A critical aspect of accessibility is the location of the agency. As per the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households, (Mor, Nachiket et al. 2013), “By January 1, 2016, the number and distribution of electronic payment access points would be such that every single resident would be within a fifteen minute walking distance from such a point anywhere in the country.” However, in our sample most workers had to travel several kilometres away to the block headquarters to access their money. Only in AP, the disbursement agencies are equally spread between villages, panchayats, and the block.

## Awareness

Awareness about banking norms and rights was low overall. For example, nearly 75% of all the respondents did not know if they could transact in any bank branch. Further, workers do not have reliable information on wage credit. Around 36% of the workers needed to visit the bank to find out about wage credit and about a quarter of them were misinformed about wage credit and so had to make multiple visits just to find out if their wages had come. Ironically, we also found that higher awareness amongst workers does not reduce their hardships in accessing the wages.

## Transparency & Accountability

The imposition of Aadhaar based payments and centralised technology has meant that workers sometimes have little clue regarding where their wages have been credited. Roughly one in three respondents in RJ had trouble in linking their Aadhaar to the bank account. This was about one in 5 in Jharkhand and about one in 14 in AP.

Even when workers are able to successfully link their job cards and accounts with Aadhaar, they are unable to keep track of the transactions in their account. While all the bank and post office users were issued a physical passbook, about 56 percent of all those who opened accounts at CSPs/BCs were not issued passbooks. 57 percent of the respondents reported that their passbooks do not always get updated. This was most severe in RJ where about 69 percent reported that their passbooks never get updated on withdrawals. In comparison,

people with postal accounts in AP had their passbooks updated for every transaction. While a significant proportion in AP got receipts for withdrawals at CSP/BC, over 80 percent in JH and RJ did not get receipts at CSP/BC. Moreover, one in three respondents had to pay commissions to the CSP/BC to withdraw wages. This was highest in JH where 45 percent of the users reported to have been charged for withdrawing wages.

## Time & Cost

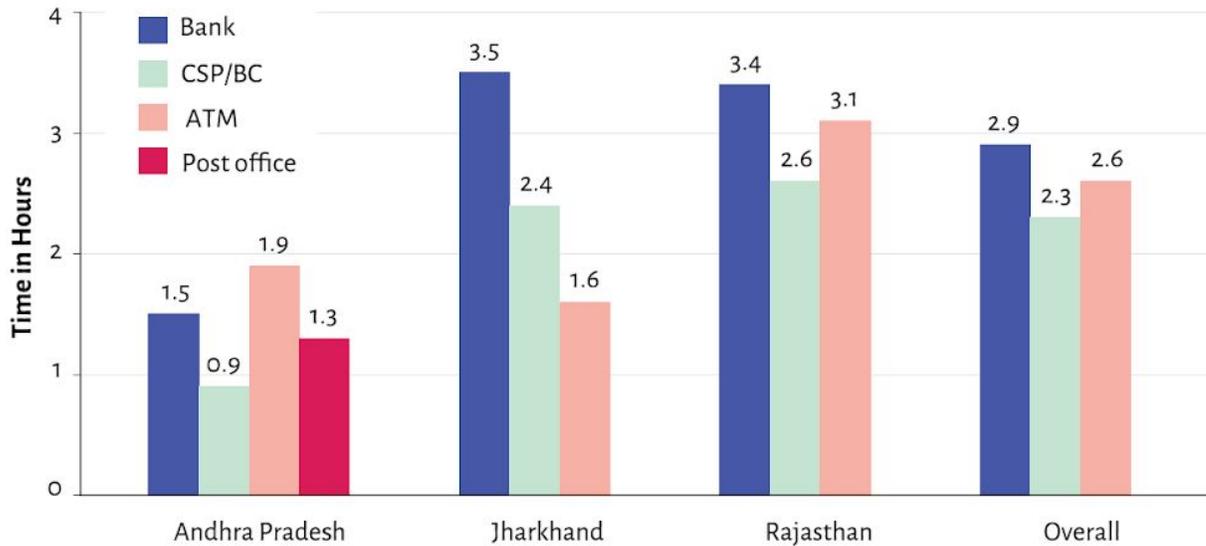
Rural banks tend to get very crowded. This, in combination with banks being located far away from panchayats implies that, on many occasions, workers have to make multiple trips to withdraw their wages. Since many users had to make multiple visits for a single withdrawal, the time and costs increase based on the number of such visits. There were many instances when workers told us that they were sent back empty handed from the disbursement agency. For them, it was not guaranteed that they would be able to access their own money when they set out from home. Table E1 shows the percentage of respondents who had to make multiple visits for one withdrawal.

Percentage of respondents who had to make multiple visits for one withdrawal	AP	JH	RJ	Overall
Made multiple visits to bank for last transaction	54.2	38.8	43.0	45.1
Made multiple visits to CSP/BC due to biometric failure	72.4	35.3	30	40
Made multiple visits to ATM due to insufficient cash	51.4	100*	55.6	55.3
Made multiple visits to the post office for last transaction	52.3	NA	NA	52.3

**Table E1:** Estimated number of visits to the payment disbursement agency for one withdrawal

*\*There were only 3 people who reported using the ATM in Jharkhand*

An estimated 42 percent of respondents in JH and 38 percent of respondents in RJ took more than 4 hours to access wages from banks. In comparison, this was just 2 percent in AP. Those who used other disbursement agencies, took less time to withdraw their money. The state wise-agency wise time taken is shown in Figure E1.



**Figure E1:** Average time taken for a single transaction across disbursement agencies

The average cost incurred to visit post offices to withdraw wages is the lowest at Rs. 6. In comparison, it costs Rs. 31 to visit a bank, Rs. 11 for a CSP/BC & Rs. 67 for an ATM. 57.5 percent of the post-office users incurred no cost to visit a post office.

CSPs/BCs can be a convenient alternative to banks in terms of both time and cost. However, approximately one in four respondents in JH and RJ spent 3 hours accessing wages from CSP/BC. As opposed to that only 1 person in AP reported taking that long.

An estimated 45 percent of the bank users had to make multiple visits for their last withdrawal while an estimated 40 percent of the CSP/BC users had to make multiple visits due to biometric failures at least once in their last 5 transactions. And, 7 percent reported that EACH of their last 5 transactions failed due to biometric authentication issues at CSP/BCs. While CSPs are more accessible they present other hurdles that workers must cross.

In general, for NREGA workers, a visit to the disbursement agency implies that they don't get to complete a day's work that day. This, in turn, means that they don't get their full daily wages on the days that they visit the disbursement agency. Therefore, when a worker has to make multiple visits to the disbursement agency, the

time and cost incurred, in real terms, must account for that. For instance, the average travel cost for one visit to a bank in JH is Rs 50. So, for two trips, a worker, on average, must spend about Rs 100. Adding the lost daily minimum wages (at Rs 171) for the 2 visit days, this becomes Rs 342 and adding a modest amount of Rs 25 for food, this becomes Rs 392. So effectively, a worker in JH has to spend more than a third of her weekly NREGA wages just to withdraw her weekly wages.

## Rejected Payments

Rejected payments as they are known in the NREGA vocabulary, occur when the DBT cash transfer fails due to technical reasons. They are like a bounced cheque and in such cases the payment was attempted but is returned to the government exchequer. Of the 249 people in our sample with rejections 111 were from JH and 138 from RJ. At the time of the survey, AP had negligible rejected payments. Workers do not get these wages unless the rejected payments are rectified. According to official figures, as of July 2020, in the last five years, about Rs. 4,800 crore worth of payments were rejected and about Rs. 1,274 crore worth is still pending to be paid to workers.

77 percent of the people with payment rejections, had no idea why their payments had failed. 70 percent of people with rejected payments have experienced very high or high hardships at their respective payment agency. This indicates that people with rejected payments face a twofold problem. They not only face the brunt of the payment rejection but also experienced greater hardship at their payment agency.

## Grievance Redressal

Perhaps the weakest link in the chain of the last mile, is the lack of an effective grievance redressal system. Hardships have been normalised, meaning that even obvious violations of the Act are not construed as legitimate grievances by workers. In the event when workers did recognise that the issue constituted a grievance, they seldom registered it officially. Overall, about 546 (of 1947) respondents communicated their complaints - of which about 94 percent did so verbally. The remaining 6 percent filed them in writing and only 1 respondent among them filed the complaint online. There was not much inter state variation in the proportion of respondents who filed grievances. However, more people in AP, did seem to verbalise their complaints. A large majority (79 percent) of the grievances were about pending wages and partial wages received.

## Discussion

Most of the last mile delivery systems (not just payment systems) are often proposed as ‘alternatives’ in policy papers, but in practice, become substitutes. And, several ‘technical glitches’ and ‘teething problems’ become routine and remain unaddressed. A simple principle would be to provide multiple alternatives and let the least preferred one be phased out. In the light of the COVID-19, NREGA has proven to be more vital and last mile delivery becomes an important step. To that end, we make a few important recommendations in the report. We underscore that the design of any public delivery system must be human (worker/beneficiary) centric. Worker participation in designing and rolling out systems is critical. We suggest that a Know Your Rights (KYR) framework be prominently displayed at every payment disbursement agency. Passbook update facilities should be made available at every payment disbursement agency including CSPs and BCs. The government must create strong accountability structures for EVERY intermediary in the disbursement of wage payments including agencies such as UIDAI, NPCI, PFMS, Banks, and CSPs/BCs. Each of these agencies should be brought within the ambit of social audits.

This report is an attempt to document the perspective of the workers in accessing their own wages. We hope that through the report, policy makers, practitioners, academics, and other civil society members can collectively understand and address the challenges workers face at the last mile to access their wages. For such a collective understanding to work effectively, it is critical to involve the workers in designing service delivery approaches. This is likely to enhance participatory democracy and improve the functioning of the programme. We have provided a detailed set of recommendations in this report and presented a suggested ‘Know Your Rights (KYR)’ checklist from the workers’ perspective. These recommendations will have ramifications across other programmes (PM KISAN, Maternity Entitlements, Scholarships etc.) that operate within the DBT framework.