

## **The Central Government is taking 26 days on Average to Complete Wage Transfers to NREGA Workers in Andhra Pradesh (AP)**

### **Background**

According to Section 3(3) of Mahatma Gandhi NREGA Act, 2005 workers are entitled to receive their wages within a fortnight of the date of closure of the muster roll. In case the payment of wages is not made within fifteen days from the date of closure of muster roll, the wage seeker, as per Para 29 of Schedule II of the Mahatma Gandhi National Rural Employment Guarantee Act is entitled to payment of compensation at the rate of 0.05% of the unpaid wages per day of delay beyond the sixteenth day of closure of muster roll.

Considering the fact that the 13th report of the Parliamentary Standing Committee on Rural Development and other official documents reported that no delay compensation was paid in AP for financial years 2019-20, 2020-21 and 2021-22<sup>1</sup>, we wish to investigate the time taken for the NREGA workers of AP in getting their wages and the amount of money they should have received in delay compensation from the central government in this year so far, and in the last two financial years.

The NREGA payment process broadly consists of two stages. After the work is completed, a Fund Transfer Order (FTO) is generated and digitally sent to the Centre. This is called Stage 1 and is the state government's responsibility. The Centre then processes the FTOs and transfers wages directly to the workers' accounts. **This is called Stage 2 which is entirely the Centre's responsibility.** As per guidelines in pursuance of the Act, Stage 1 must be completed in 8 days and Stage 2 must be completed within 7 days after that. Stage 1 and Stage 2 together should therefore be completed within 15 days of closure of a muster of work.

### **Methodology**

1. We randomly sampled 1% of panchayats in AP (130 of 12,956 panchayats). We downloaded details of wage payments for all the job cards that appeared for work in the current financial year upto 31st July 2021. We also downloaded the FTO transactions for these panchayats for all of FY 20-21 and FY 19-20.
2. We then got the difference between the date of FTO generation (Transaction Date - Date on which the FTO is sent from state to Centre) & the Date of Credit to see how long each transaction took in Stage 2 of the payment process.
3. We calculated the average days it took to complete Stage 2 of the payment process for the state. We also removed the transactions that did not have a credited date.
4. Out of 3.95 lakh downloaded transactions for which the FTO was sent to the Centre, 34% transactions were still unpaid as on 10th August 2021. Thus, we analysed 2.58 lakh transactions which were paid across the 130 panchayats.
5. All the data was obtained on 10th August, 2021 from <https://mgnregs.ap.gov.in/Nregs/>.

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<sup>1</sup>The report was released 9<sup>th</sup> March, 2021. Full report is available [here](#).

## Findings

### Delays in the current FY

1. In the current Financial Year, **the Centre is taking an average of 26 days** to process wage payments. Adding the average time taken during Stage 1, the total time taken to credit wages becomes **29 days**, a gross violation of the Act, which states payments must be completed within 15 days.
2. As of 10<sup>th</sup> August, 2021, **34% (of 3.95 lakh) transactions** were still unpaid.
3. Less than 20% of credited payments only have been completed within the stipulated 15-day time period so far this Financial Year. Nearly 3% of transactions have taken more than 2 months to get processed.
4. For the transactions that are still pending, nearly half have experienced a delay of 30+ days already.

**Table 1:** Time taken for paid transactions in FY 21-22

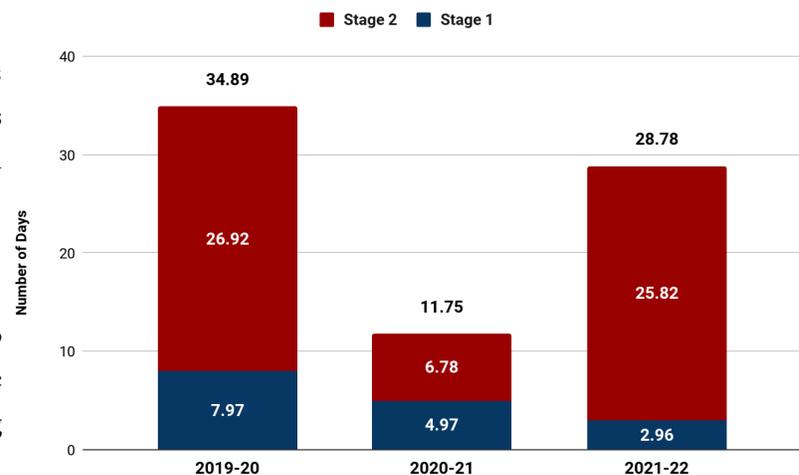
Days taken to process	Number of transactions processed
1-15	49,606 (19.3%)
16-30	1,13,536 (44%)
31-45	56,175 (21.8%)
46-60	31,733 (12.3%)
More than 60 days	6,796 (2.6%)
<b>Total</b>	<b>2,57,846</b>

**Table 2:** Time taken for unpaid transactions in FY 21-22

Delay Days (as of July 31, 2021)	Number of transactions pending
1-15	27,832 (21.6%)
16-30	34,452 (26.7%)
31-45	10,763 (8.3%)
46-60	17,638 (13.7%)
More than 60 days	38,405 (29.8%)
<b>Total</b>	<b>1,29,090</b>

### Delays over the last 3 FYs

1. The time taken by the State has steadily been decreasing - from 7.97 days on average in FY 19-20 to 2.96 days on average in FY 21-22.
2. **The Centre has taken more than thrice the time to process payments this year (25.82 days) as compared to last year (6.78 days).** Last year, with the pandemic, the Centre was processing payments in less than 7 days. However



**Figure 1:** Time taken for Stage 1 (State) and Stage 2 (Centre) over 3 FYs.

this year with the second wave, the time taken is intolerably high. The number of Persondays generated between April-July has in fact increased from 19.12 crores this year to 20.09 crores last year. As the pandemic continues and demand for MGNREGA increases, timely payments are a priority.

## Delay Compensation

The MGNREG Act specifies that for each extra day it takes for a payment to be processed, delay compensation will be paid to the worker. Delay compensation is not calculated at all on the AP MIS - Stage 1 and 2 delays are entirely disregarded. Considering that most of the payments experience some amount of delay, this means workers are not getting a lot of compensation they are legally owed.

Extrapolating the delay proportions for all of AP, **actual compensation due will be ₹26 crores for FY 21-22 (April-July), ₹12 crores for FY 20-21, and ₹36 crores for FY 19-20<sup>2</sup>**. This non-acknowledgement and non-payment of delay compensation is in direct violation of the MGNREG Act, and of the Supreme Court orders dated May 18, 2018 in the Swaraj Abhiyan v Union of India case<sup>3</sup>, which stated that the Centre must calculate the delay and pay compensation to the workers for the full extent of delays (Stage 1 + Stage 2).

## Conclusion

At a time when rural India is ravaged by the second wave of the pandemic, the focus and emphasis by the Central Government must be to expedite the payment of wages. As this note shows, in only 4 months of the FY when there should be ample budget available, the Centre is already taking thrice as long to process payments than it should. The delay in funds release is undermining the importance of the scheme at a time when it is urgently needed.

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<sup>2</sup> Formula for calculating delay compensation according the Act:

Total compensation due = total delay days (Stage 1 + Stage 2) \* Amount of wages \* 0.05%

<sup>3</sup> [SwarajAbhiyan\\_vs\\_UnionOfIndia\\_18\\_May\\_2018.PDF](#)