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Unpacking MGNREGA

***Five Years of Implementation &
Challenges - 2019-20 to 2023-24***

About This Report

LibTech India is a policy watchdog of MGNREGA and has been releasing half-yearly and yearly periodic reports on MGNREGA implementation at the national level. However, this time, we have come up with a comprehensive report spanning five financial years (2019-20 to 2023-24) on the eve of the general Lok Sabha elections. The data utilized for this report is sourced from <https://nrega.nic.in/> as of 8th April 2024. Our objective is to furnish citizens and stakeholders with valuable insights into the current state of MGNREGA implementation on a national scale, shedding light on the program's progress. Your engagement with this report is crucial for fostering a comprehensive understanding of the dynamics of MGNREGA implementation in the country.

Section 1 presents a brief overview of the MGNREGA scenario for (2014-2024). Section 2 outlines the key points of the report. The complexities associated with technology-oriented policies of the central government in the last five years are explored in Section 3. Wage payment delays are examined in Section 4. Section 5 deals with employment trends across the last five financial years. Section 6 presents an overview of budget allocation and its impact on overall employment. Finally, the conclusion is presented in Section 7.

1. Introduction

After attaining a majority in Lok Sabha 2014, the National Democratic Alliance (NDA) government proposed a [key change to MGNREGA](#): to limit the MGNREGA program to 200 backward districts, which was later rolled back. This proposition raised serious concerns among worker unions and Civil Society Organizations (CSOs) regarding the fate of MGNREGA.

Speaking on the floor of Parliament in 2015, Prime Minister Narendra Modi termed MGNREGA as a [living monument to the failures](#) of the United Progressive Alliance (UPA) government. Furthermore, referring to the program, he stated that all the UPA had delivered for a poor man was to dig ditches a few days a month.

Even though MGNREGA survived, the last decade under the NDA has been challenging for workers due to budget cuts, delayed wage payments, and the introduction of technological changes, which are discussed in detail in the report. These developments and associated challenges have met criticism from worker unions, news media outlets, and CSOs for increasing hardships for workers, particularly in the last five years. In this context, our report serves as a crucial resource for stakeholders in gaining a comprehensive understanding of MGNREGA implementation in the last five years, i.e., 2019-2020 to 2023-24.

2. Key Findings of the Report

1. Technology and Worker Rights (Refer to Section 3)

- **Caste based payments** - The introduction of caste-based payments in 2021 raised concerns about escalating tensions along caste lines and also about the diversion of SC/ST Sub Plan funds, thereby violating the core principles of MGNREGA. However, the system was subsequently scrapped.
- **Challenges with NMMS** - The mandatory implementation of the App-based attendance system called the 'National Mobile Monitoring System' (NMMS) exposed workers and frontline officials to new challenges.
- **Aadhaar compliance** - Making the Aadhaar-based payment system (ABPS) mandatory without providing adequate training to local officials and without considering field realities such as inadequate banking facilities and technological challenges for workers contributed to the significant deletion of 8.06 crore workers in the last 24 months.

- Only 69% and 92% of all workers¹ and active workers² are eligible for ABPS despite multiple deadline extensions by the Union Government.

2. Wage payment delays (Refer to Section 4)

- One of the primary grievances of MGNREGA workers during Modi's regime revolves around payment delays. However, the Union Government has attributed these delays to state governments.
- LibTech India's random sampling of 10% Fund Transfer Orders (FTOs) from 10 states between April to September 2021 highlighted significant challenges in stage 2 processing.

3. Employment and Women participation (Refer to Section 5)

- **Employment Trend** - During COVID-19 pandemic, employment generation had a recorded upsurge. However, the later years show a declining trend.
- Despite mass worker deletions, FY 2023-24 higher employment was generated compared to previous year, underlining the sustained MGNREGA work demand.
- **Women Participation Trend** - From 53.2% (FY 2020-21) to 58.9% (FY 2023-24), women workers' share in employment is consistently rising.

4. Budget Allocation (Refer to Section 6)

- Except in FY 2020-21, there is a gradual decline in budget allocation reaching 0.33% of GDP in FY 2022-23 even falling below the pre COVID level of 0.35% in FY 2019-20.

3. Technology and Worker Rights

¹ No of registered workers

² No of workers engaged in MGNREGA work for at least one day in the last three financial years

Over the last few years, we have witnessed increased integration of technology into MGNREGA in the name of improving efficiency- including caste-based payments, the National Mobile Monitoring System (NMMS), and the Revised Aadhaar-Based Payment System (ABPS) for workers, as illustrated in Table 1. Let us explore the impact of these interventions in the following sections.

Table 1 : Year wise interventions of the Union Government

Year	Intervention
2021	Caste based payments
2021	National Mobile Monitoring System (NMMS)
2022	Revised Aadhaar Based Payment System (ABPS)

3.1 Caste Segregated Payments

MGNREGA legislation is driven by the principle of universality, offering employment opportunities for rural households across caste, class, gender, and religion lines. In MGNREGA, once a group of workers finishes work, their attendance and work measurements are recorded in a muster, which is then submitted to the MGNREGA block office. After consolidating multiple such musters and following a certain process, block-level officials issue a Fund Transfer Order (FTO) to the Union Government to release worker wages. Since the inception of the program, FTOs have never been issued on caste lines.

However, on March 2, 2021, the Ministry of Rural Development (MoRD) released a [circular](#) to change the payment system, processing payments separately based on the caste of workers (SC, ST, and 'Others'). In other words, block-level officials began segregating workers using software and issued FTOs based on caste lines. The circular also mandated state governments to submit labor budget proposals, segregating them by caste. The rationale given by the Secretary of MoRD was for a better understanding of the exclusive expenditure made by the government on different social categories, including SC and ST workers.

The caste-based payment system has been heavily criticized by worker unions and CSOs, as it may lead to tensions along caste lines. There were concerns that field officials might favor certain castes over others, and the government might reduce SC/ST sub-plan funds, arguing that they have already spent money on SC/ST workers in MGNREGA.

[LibTech India's study](#) reported that despite MoRD assuring that irrespective of caste, all workers will get paid at the same time and no castes will be unduly favored, there is a significant difference in the time taken to complete wage payments to workers of each caste. Cases of [caste](#) and [communal tensions](#) were reported in the media due to segregation in wage payments. All these consequences amounted to violating the universal feature of MGNREGA. The MoRD eventually [took back this initiative](#) and restored the erstwhile payment system.

3.2 National Mobile Monitoring System

Launched by the [MoRD in May 2021](#), the NMMS app aimed to improve citizen oversight and transparency in MGNREGA works. The app is designed to record everyday the real-time attendance of MGNREGA workers by taking two photos at the worksite. Local MGNREGA Mates, specifically trained women at the panchayat level to monitor worksites, were entrusted with using the app to record real-time, geo-tagged attendance of workers.

However, complications have emerged as the app necessitates fixed-day presence, creating hurdles for workers accustomed to flexible hours as reported by multiple [news reports](#). Additionally, the prerequisite for MGNREGA Mates to own smartphones has excluded many eligible women from assuming leadership roles, sparking concerns about gender bias in the selection process. The app created a lot of hurdles for the workers on the ground, either pushing some of them away from work or causing them to miss attendance, thereby resulting in loss of wages. Additionally, there were [protests](#) demanding MoRD to rollback the APP-based attendance system as well. Even the parliamentary standing committee expressed

[reservations about the APP](#), indicating widespread concerns about its implementation and impact.

3.3 Revised Aadhaar Based Payment System

Around 69% of all workers and 92% of active workers eligible for ABPS

As part of making the Aadhaar Based Payment System (ABPS) mandatory, the Union Government introduced a new set of Aadhaar compliances from 2022 at three levels:

1. Aadhaar seeding, which requires aligning the worker's job card with Aadhaar.
2. Aadhaar authentication, involving cross-referencing details between the NREGA MIS and UID.
3. Linking bank accounts with Aadhaar and undergoing National Payments Corporation of India (NPCI) mapping³.

After revising the deadlines for mandatory ABPS multiple times, ABPS finally became mandatory from January 2024. While Aadhaar-based payments were previously in use alongside account-based payments (akin to NEFT transfers) in MGNREGA, most states primarily relied on account-based payment systems.

However, in the new scenario, the account payment system has been completely removed, and significant changes have been made to the Aadhaar-based payment system. Additional steps, such as Aadhaar seeding and Aadhaar authentication, have been introduced, which were not required previously, along with NPCI mapping of bank accounts. Recognizing the challenges, the [Parliamentary Standing Committee on Rural Development](#) stressed on not to make the ABPS mandatory till

³ NPCI Mapping is a process of associating a Bank with Aadhaar number which is facilitated by NPCI for Direct Benefit Transfer to the respective Bank who have linked the Aadhaar Number to a specific Bank account for receiving Direct Benefits to which customer has given the consent; as per the <https://dbtbharat.gov.in> website.

all the bottlenecks associated with it are not tackled and advocated to continue mixed payment methods i.e both Account and Aadhaar based payments.

However, despite multiple deadline extensions, a significant proportion of workers still do not meet the eligibility criteria for ABPS. As of 8th April 2024, only around 69% of all workers and 92% of active workers are eligible for ABPS, as presented in Table 2.

Table 2: ABPS eligibility percentage for all workers and active workers

	All workers	Active workers
% of workers eligible for ABPS	69%	92%

The MoRD has claimed that Aadhaar authentication helps recognize fake or “ghost” workers in MGNREGA and ABPS to improve efficiency over account-based payments. While MGNREGA has certainly been plagued with corruption, with contractors maintaining fake job cards, the MoRD has not released data on the scale of such corruption so far. Additionally, a [study conducted by LibTech India](#) claims that there is no significant difference between the ABPS and ‘account-based’ payment system to support the assertion that the former is more efficient.

3.3.1 Hardships and Deletions

8.06 crore workers faced deletions in the last 24 months

The revised Aadhaar-Based Payment System (ABPS) has introduced numerous challenges for both frontline officials and workers. We will delve into these details in the following sections.

1. Hardships to workers:

The mandatory implementation of ABPS in MGNREGA has indeed brought about significant challenges for workers. ABPS necessitates a series of intricate steps, including Aadhaar seeding, authentication, and NPCI mapping, wherein failure to

comply results in work denial or payment delays. Aadhaar seeding mandates workers to possess Aadhaar, rendering those without it ineligible for the system. Furthermore, Aadhaar authentication entails strict matching criteria, leading to disqualification due to minor name discrepancies between Aadhaar and job cards, as highlighted in numerous newspaper reports. There were reports of misdirection of MGNREGA wage payments as well. Mapping workers' bank accounts with NPCI mapper has also proven cumbersome, exacerbated by limited understanding of the process among frontline and bank officials. These challenges intensify, necessitating additional time and expenses for resolution.

2. Deletions:

As we've discussed earlier, failure to adhere to any of the three steps (Aadhaar seeding, Aadhaar authentication, and NPCI Mapping) puts workers at risk of losing out on MGNREGA employment opportunities and payments for their work. Moreover, the implementation of the revised ABPS without adequately training local officials and imposing unreasonable targets for ABPS compliance has resulted in widespread worker deletions from the MGNREGA database. This was highlighted by a [multi-state study](#) conducted by LibTech India, which also revealed violations in following the procedure for deletions outlined in the Annual Master Circular 2021.

While MoRD maintains that the updating and deletion of JobCards is a routine process, which is true as it involves removing workers who have passed away or migrated to new families and issuing new cards to those who apply, the significant increase in deletions is indeed alarming. While some deletions may be legitimate, as indicated by the study, the widespread occurrence of wrongful deletions, as highlighted by both the study and various [media reports](#), raises serious concerns about the integrity of the process.

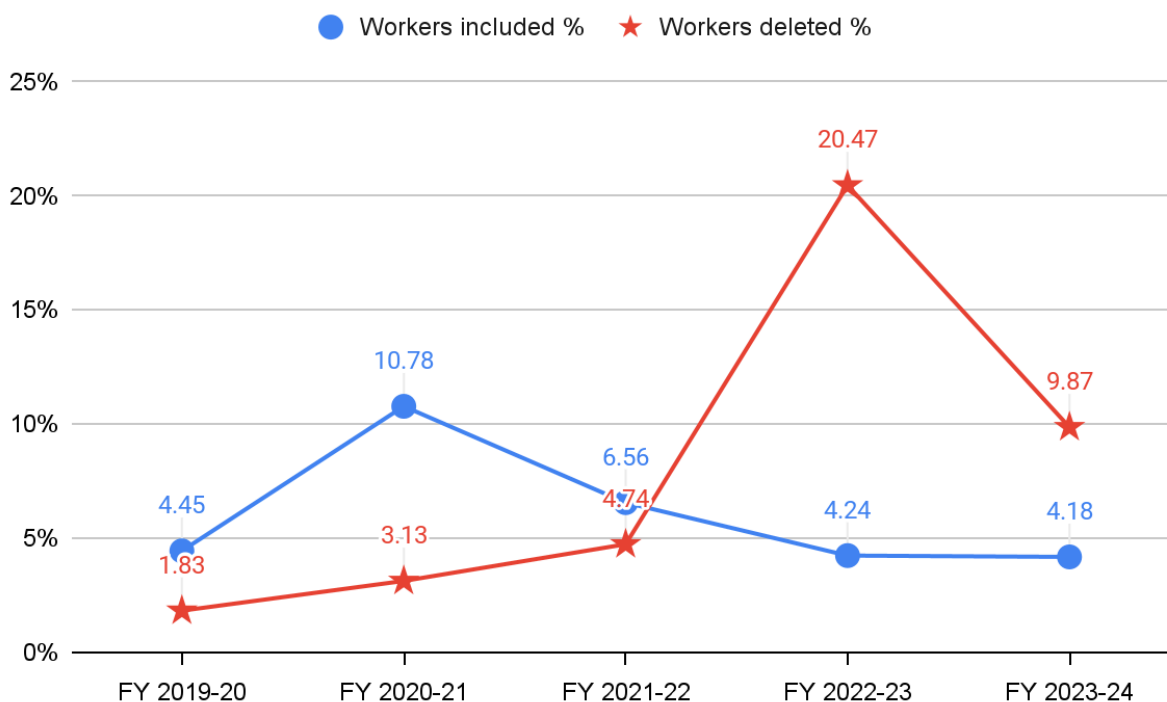


Figure 1: Workers deleted and included over five financial years as a percentage of registered workers

Worker deletions have occurred at unprecedented scale in FY 2022-23 and FY 2023-24 as illustrated in Figure 1; drastic increase in worker deletions from 1.83% (in FY 2019-20) to 20.47% (in FY 2022-23) and 9.87% (in FY 2023-24) out of registered workers. Although the MoRD claims worker deletions and inclusions to be a regular process, deletion of 8.06 crore workers in the last 24 months is highly concerning.

Conversely, worker inclusions have come down from 4.45% (FY 2021-22) to 4.18% (FY 2023-24) out of registered workers. This highlights an immediate action from the Union Government to ensure the rights of MGNREGA workers by reinstating those wrongfully deleted.

4. Wage payment Delays:

One of the primary grievances of MGNREGA workers regarding the implementation of MGNREGA during Modi's regime revolves around payment delays. The issue has been flagged by the Parliamentary standing committee on rural development as well. However, the Union Government has largely attributed these delays to the states, citing issues such as the delay in completing formalities at the block level or fulfilling the compliances set by the Internal Finance Division at the state level, and has consistently fallen short of taking responsibility for the delay in wage payments.

The MGNREGA payment process comprises two stages: Stage 1 involves the completion of work for a muster roll, after which a Funds Transfer Order (FTO) with worker details is digitally sent to the Government of India (GoI) by the respective panchayat/block, under the responsibility of the corresponding state government. Stage 2 entails the GoI processing the FTOs and transferring wages directly to the workers' accounts, entirely under the responsibility of the Union Government. According to the Act's guidelines, Stage 1 must be completed within 8 days, and Stage 2 must follow within 7 days thereafter.

LibTech India released three reports on payment delays in 2021, focusing on the time taken for processing payments by the Union Government. The analysis of MGNREGA payment delays highlights significant challenges in Stage 2 processing, where funds are transferred from the Union Government to workers' accounts. From April to September 2021, a random sample of 10% of Funds Transfer Orders (FTOs) from 10 states revealed that 71% of transactions exceeded the mandated 7-day period, with 44% taking more than 15 days, and 14% experiencing delays beyond 30 days. Notably, in economically disadvantaged states like Jharkhand, delays were more pronounced, with nearly two-thirds of transactions surpassing the 15-day mark.

Despite the delays in releasing wages to workers, the Union Government has not allocated any funds towards the mandatory provision of delay compensation.

According to a [report by LibTech India](#), as of October 27, 2021, the Government of India (GoI) only considers delay compensation for Stage 1 delays if they exceed 15 days. However, data from the tracker by PAEG indicates that only 3.76% of this under-calculated delay compensation has been paid. Remarkably, delay compensation owed to workers for Stage 2 delays is not even calculated in the MGNREGA software, let alone paid.

5. Employment and Women Participation

This section deals with the overall employment trends in MGNREGA and the share of women persondays out of the total persondays generated across the last five financial years.

5.1 Employment Trend

Significant drop in persondays generated from 388.71 crore in FY 2020-21 to 312.60 crore in FY 2023-24

Amid challenges posed by the COVID-19 pandemic, MGNREGA stood out as a vital lifeline for rural households, especially for migrant workers offering crucial livelihood support when alternative options were scarce (Centre for Sustainable Employment, Azim Premji University and National Consortium of Civil Society Organisations 2022; Narayanan, Oldiges, and Saha 2020).

Table 3 illustrates a substantial increase in MGNREGA employment during the COVID-19 pandemic. Compared to FY 2019-20, employment generation took a significant upsurge in FY 2020-21 (COVID-19 pandemic year) across all the indicators. These figures underline the importance of MGNREGA in shielding rural households during crises such as COVID-19.

Table 3: Employment Surge Amidst Pandemic and Distinctive Post-COVID-19 Contraction

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Registered households (Crores)	14.52	16.29	16.94	15.20	14.81
Registered workers (Crores)	28.58	31.04	31.48	27.08	25.40
Households worked (Crores)	5.48	7.54	7.25	6.18	6.00
Workers employed (Crores)	7.88	11.17	10.61	8.75	8.35
Persondays generated (Crores)	265.21	388.71	363.10	295.62	312.60

However, subject to minor fluctuations for some indicators, post COVID-19 years exposed a gradual decline in employment generation across different metrics. Interestingly, employment generated has improved in FY 2023-24 compared to previous year. This increase in employment occurred despite the unforeseen worker deletions in FY 2022-23 and 2023-24, underscoring sustained work demand in MGNREGA. Therefore, it is reasonable to assume a much better employment demand scenario if worker deletions had not occurred on a massive scale.

5.2 Women participation

Women's share in employment reached a new height of 58.9% in FY 2023-24

Figure 2 demonstrates women's share in the total persondays generated in the last four FYs⁴. Playing a crucial role in MGNREGA employment, women have exhibited resilience and sustained engagement. Women workers' share in employment shows a gradual increase from 53.2% in FY 2020-21 reaching to 58.9% in FY 2023-24. This underscores the demand for MGNREGA among women workers despite worker deletions and technological constraints imposed in the recent past.

⁴ Due to lack of data accessibility, we could not include data for FY 2019-2020

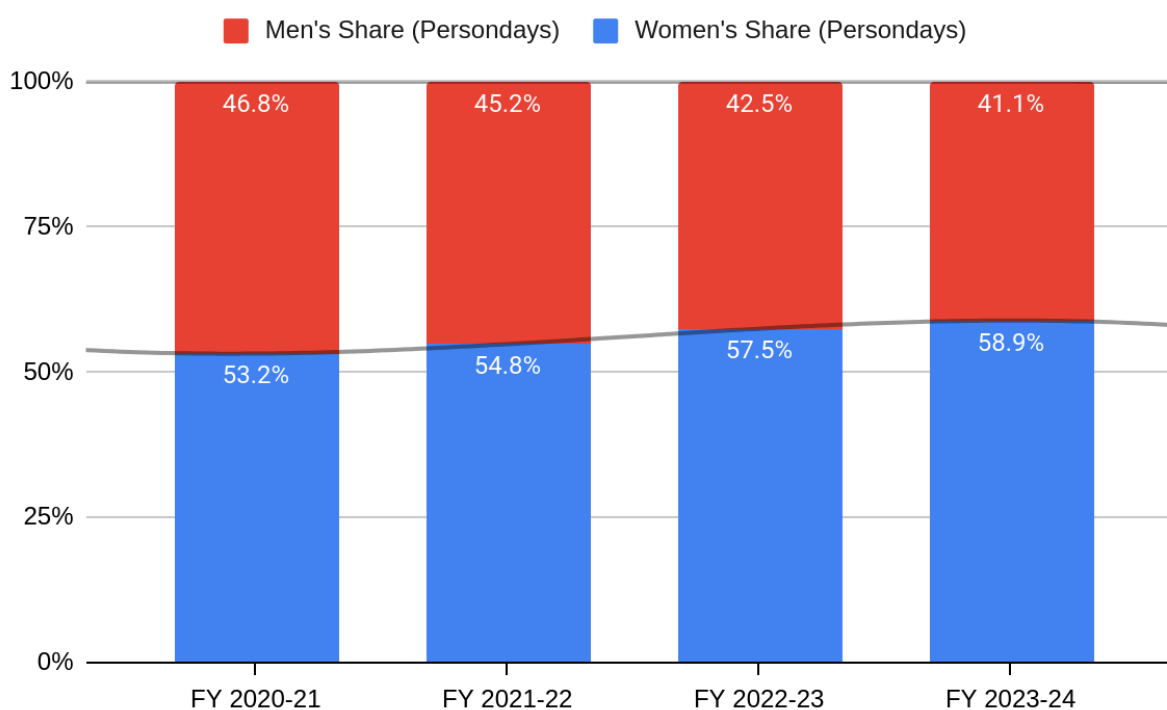


Figure 2: Gender Wise employment trend over four financial years

6. Budget allocation and its impact

Only 0.2% of GDP was allocated to MGNREGA in FY 2023-24, falling below pre COVID-19 level

Budget allocation has consistently been a contentious issue, with Civil Society Organizations (CSOs) accusing the Union Government of allocating inadequate funds, thereby hindering implementation.

MGNREGA relies predominantly on funding from the Union Government, accounting for 90% of its allocation. The Union Government's budget allocation is a key indicator of its commitment to MGNREGA implementation. Figure 3 is an illustration of the budget allocated to MGNREGA in proportion to GDP. The allocation had risen sharply in FY 2020-21 due to dramatic upsurge in employment during COVID 19. However, there is a shortfall post COVID-19 (FY 2020-21) even falling below pre-COVID-19 levels in FY 2023-24. The [Parliamentary Standing](#)

[Committee on Rural Development](#) as well raised concerns over budget cuts and its cascading effect on the progress of the scheme.

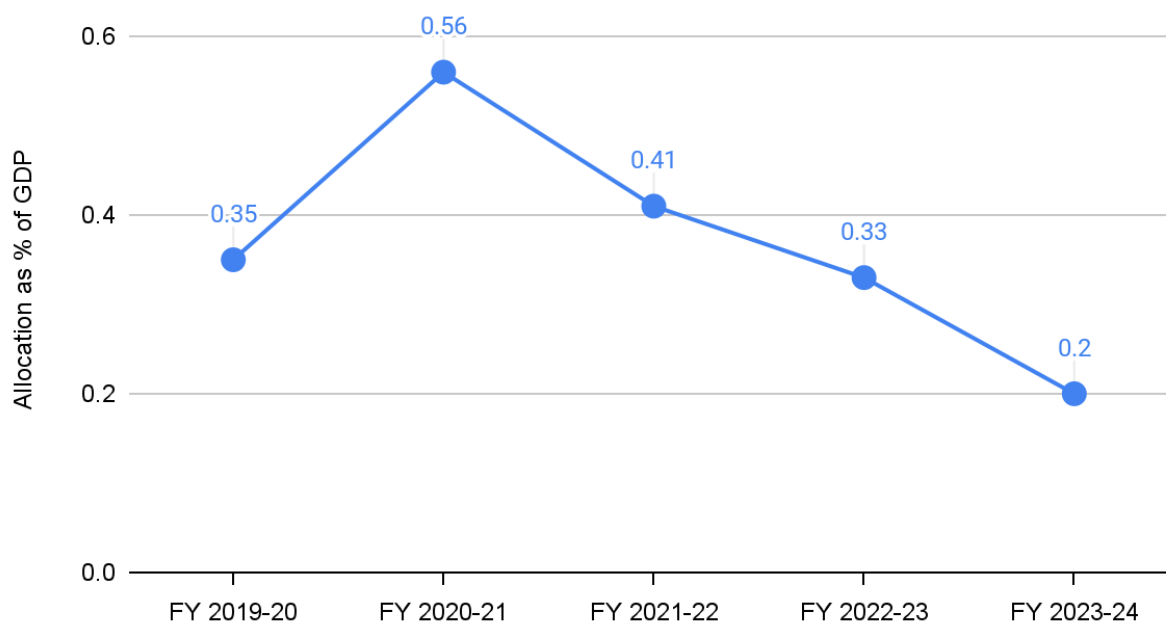


Figure 3: MGNREGA budget allocation by Union Government as a proportion of GDP between FY 2019-20 and FY 2023-24⁵

[Studies](#) consistently link budget allocation to employment opportunities, emphasizing that budget cuts not only hinder program outcomes but also cause significant payment delays. Policy and technological changes implemented by the Union Government, along with budget cuts, have adversely impacted the MGNREGA implementation in the country in recent years.

⁵ The [nominal GDP for BE 2023-24](#) has been projected at 3,01,75,065 crores.

Conclusion

This comprehensive report on the implementation of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) over the last five financial years sheds light on the intricate dynamics and challenges faced by both the program and its stakeholders. By analyzing data sourced from public portals and presenting nuanced insights, this report aims to provide a holistic understanding of MGNREGA's performance, particularly in the context of technological interventions and budget allocations.

The period under review has been marked by significant changes, both in policy and practice. The introduction of technology-oriented policies, such as caste-based payments, the National Mobile Monitoring System (NMMS), and the Revised Aadhaar-Based Payment System (ABPS), aimed to enhance efficiency and transparency in MGNREGA operations. However, these interventions have been met with criticism and challenges, particularly regarding their impact on worker rights, payment delays, and exclusionary practices.

Caste-based payments, introduced in 2021, triggered concerns about caste discrimination and communal tensions, ultimately leading to its reversal. The NMMS, while aiming to improve transparency, faced implementation challenges and raised issues of gender bias in leadership roles. The mandatory implementation of the ABPS brought about significant hardships for workers, including payment delays and widespread deletions from the MGNREGA database, highlighting the importance of careful implementation and adequate training.

The issue of payment delays remains a persistent concern for MGNREGA workers, with significant delays reported in the processing of wage payments by the Union Government. Despite the delays in releasing wages to workers, the Union Government has not allocated any funds towards the mandatory provision of delay compensation.

Despite these challenges, MGNREGA continues to serve as a crucial lifeline for rural households, particularly during crises like the COVID-19 pandemic. The surge in employment generation during the pandemic underscores the program's vital role in providing livelihood support when alternative options are scarce. Women's participation in MGNREGA employment has shown a steady increase, reflecting their resilience and sustained engagement in the program.

However, budgetary constraints pose a significant challenge to MGNREGA implementation, with allocations falling below pre-pandemic levels in recent years. Studies consistently emphasize the link between budget allocation and program outcomes, highlighting the need for sustained financial support to ensure the program's effectiveness.

In conclusion, we hope this report serves as a valuable resource for policymakers, civil society organizations, and stakeholders, providing insights into the complexities and challenges of MGNREGA implementation. By fostering a comprehensive understanding of the program's dynamics, this report aims to facilitate informed decision-making and advocacy efforts to strengthen MGNREGA and ensure the rights and welfare of rural workers across India.

About LibTech

We are a team of engineers, social workers and social scientists who are interested in improving public service delivery in India. We have been working as a team in multiple states of the country for the last 10 years, though individually some of us have been involved for more than a decade.

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