

Heavy Wait: Analysis of NREGA Payment Delays by the Central Government by Caste and by Payment Type (Aadhaar Based/Account Based)¹

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.

Stage 2 delays

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 are 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.

Caste matters

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, it was only 26% and 51%.

1

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.
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.

Why Aadhaar?

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 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 primarily 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.
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.

Rejected payments

13. Rejected payments are transactions that fail due to technical reasons. Over **₹4 crores** of wages are rejected in our sample, affecting nearly **35,000** workers.
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 job card holders.
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.