

MGNREGA and Aadhaar:

Analysis of payment durations and rejections in Jharkhand

Ramya Munjuluri and Ashwini Chhatre

January 2019

Key Facts

- Payment delays have been widely reported as a consistent challenge in the implementation of MGNREGA.
- Aadhaar-linkage with wage payments under MGNREGA has been underway across the country since 2013.
- Aadhaar-linkage in MGNREGA alters the path of payment processing for wage transactions through the Aadhaar Payments Bridge System. The mechanism of Aadhaar-linkage in this scheme does not utilize beneficiary biometrics.
- Between April 2017 and March 2018, approximately 10 million wage payment transactions were made to beneficiaries in Jharkhand. Of these, 33.6% of were made via the Aadhaar Payments Bridge system.

Data Sources

NREGA program data from the Department of Rural Development, Government of India was used in this analysis. NREGASoft is the online MIS platform where all program data is captured. We utilize data on wage payment transactions through Fund Transfer Orders (FTOs), and data on Muster Rolls made publicly available through this website. Further information may be found at: www.nrega.nic.in

Data for this analysis covers the 12-month period from April 2017 to March 2018. Data was scraped and analysed using open source tools.

Summary

MGNREGA, India's flagship rural workfare program, is one of the preeminent public entitlements to be linked to Aadhaar. The Scheme is intended to provide timely relief in the form of livelihood to rural poor. As such, timely and accurate wage payments are crucial to the effective implementation of the Act.

The linking of Aadhaar to the MGNREGA wage payment process alters the payment process by routing payments to worker beneficiaries through the Aadhaar Payments Bridge (APB) system, and into the beneficiary's Aadhaar-seeded account. In contrast, beneficiaries without Aadhaar-linkage continue to receive wages in their MGNREGA linked account, which may or may not be Aadhaar-seeded. This study analyses patterns of payment duration and rejections for Aadhaar-linked and non-Aadhaar wage transactions in Lohardaga district, Jharkhand from April 2017 to March 2018.

We utilize wage payment transaction data from MGNREGA Fund Transfer Orders and Muster Rolls to compare payment durations and rejections across Aadhaar-linked and non-Aadhaar transactions. We examine the payment duration in 2 parts – the first comprising steps executed within the Gram Panchayat, and the second comprising those executed at the Centre (Ministry of Rural Development), PFMS, NPCI and APBS.

We find that at the district level, 39.8% of Aadhaar-linked transactions and 40.6% of non-Aadhaar transactions are delayed. We find that on average, the duration beyond the GP (which involves APBS) is longer than the duration within the GP in all but 5 of the 66 Panchayats in the district. This finding is consistent across Aadhaar-linked and non-Aadhaar transactions. Finally, we find that at the district level that the proportion of Aadhaar-linked transactions that were rejected (2.64%) is nearly identical to that of all non-Aadhaar transactions (2.65%).

Keywords: MGNREGA, Aadhaar Payments Bridge System, payment misdirection

1. Background:

The Mahatma Gandhi National Rural Employment Guarantee Scheme is India's flagship rural workfare program, and one of the preeminent public schemes to be linked to Aadhaar. The Act guarantees 100 days of manual work per year, at a predetermined wage rate, to every rural household in the country.

A vital feature of the scheme is that work be made available to beneficiaries on demand. In other words, beneficiaries must receive work, and the subsequent due wages, within a legally stipulated time after having requested it. As such, timely and accurate wage payments are crucial to the effective implementation of the Act. However, since the earliest days of its execution, NREGA has been plagued with the problem of delayed wage payments¹. Measures have been taken over the years to address inefficiencies in the wage payment process; chief amongst these was the shift from cash payments to bank transfers into beneficiaries' accounts, mandated in 2012. Following this move however, the introduction of Aadhaar is perhaps the most significant change to the NREGA payments process.

The seeding of MGNREGA job cards with beneficiaries' Aadhaar began as early as 2013 and continues to be encouraged through regular seeding camps. This is consistent with the broader effort on the part of state and central governments to link all cash entitlements to Aadhaar, to curb leakages and improve programme efficiency.

This data brief examines two measures of the beneficiary experience that are captured in MGNREGA programme data - payment durations and rejections, across Aadhaar-linked and non-Aadhaar wage payment transactions. We study all wage transactions in Lohardaga district of Jharkhand in 2017-18. We describe the mechanism of the Aadhaar intervention in the payment process and compare Aadhaar and non-Aadhaar transactions on overall duration and its constituent intervals, and on rejection rates.

Mechanism of the Aadhaar intervention:

It must be noted that the Aadhaar intervention in MGNREGA is being used only to facilitate payments to beneficiaries via the Aadhaar Payments Bridge. There is no use of biometrics at any stage of the MGNREGA process, i.e., recording beneficiary demand for work, allocation of work, or attendance on worksites.

With the introduction of Aadhaar-linkage, those beneficiaries whose Aadhaar numbers have been mapped to their job cards receive their wages in their Aadhaar-linked bank account via the Aadhaar Payments Bridge. In contrast, "unmapped" beneficiaries continue to receive their wages in their designated bank or post office accounts, which need not be the same as their Aadhaar-linked account.

Measure of payment duration and delay:

The wage payment process comprises several steps involving multiple actors. We examine the process in two parts – the first part comprises the steps that are completed at the local Panchayat level, and the second part covers the remainder of the steps executed through the Public Fund Management System and the NPCI. We refer to the former as the 'Gram Panchayat Duration' and the latter as the 'non-Panchayat duration'. The Aadhaar intervention is in the execution of the 'non-Panchayat duration'.

The MGNREG Act mandates that the entire payment process be completed within 15 days of the beneficiary completing the allotted work. However, process guidelines and implementation frameworks produced by the Ministry of Rural Development further benchmark the Panchayat duration and the non-Panchayat duration at 6 days and 2 days [NREGA Operational Guidelines] respectively.

We utilize publicly available data on Muster Rolls and Fund Transfer Orders to measure the total, Panchayat and non-Panchayat durations for every wage transaction in Lohardaga district of Jharkhand, in

¹ Dreze, J. (2018, July 13). Hollowing out a promise. *The Indian Express*.

2017-18. We measure the Panchayat duration as the period between the closing date of the muster roll and the transaction date of the FTO. The remainder of the period between the transaction date and the processed date of the FTO is designated as the non-Panchayat time.

We study the durations and rejection rates of Aadhaar and non-Aadhaar transactions; the key findings are described below.

2. Key Findings:

2.1 Delays in Aadhaar and non-Aadhaar Transactions:

We first examine the proportion of Aadhaar and non-Aadhaar transactions that are delayed in each Panchayat.

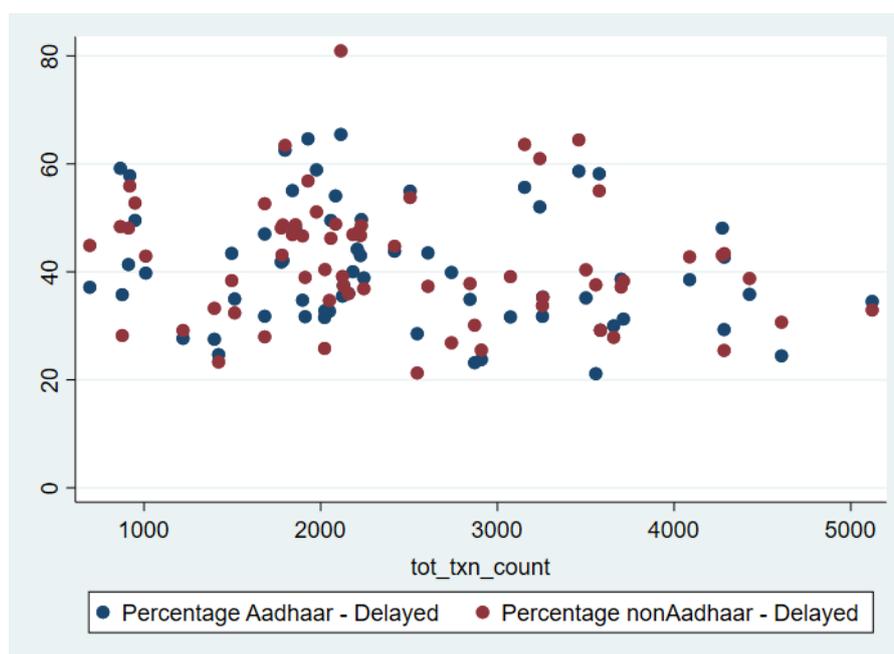


Figure 1: Percentage of delayed transactions - Aadhaar and non-Aadhaar

Figure 1 demonstrates the same; each Gram Panchayat is represented by a pair of points – the blue denoting the percentage of Aadhaar transactions that are delayed and the red denoting the percentage of non-Aadhaar that are delayed. We designate a transaction as delayed if its total duration is longer than 15 days.

We find that the proportion of delayed transactions is comparable for Aadhaar and non-Aadhaar transactions across Gram Panchayats. This is borne out at the district level as well – overall, 39.8% of Aadhaar-linked transactions and 40.6% of non-Aadhaar transactions are delayed.

This not only indicates the pervasiveness of delayed payments, but also suggests that delays are being caused at other stages of the payment process that are unaffected by automation through Aadhaar.

2.2 Panchayat and non-Panchayat Durations across Aadhaar-linked and non-Aadhaar Transactions:

We further examine the two cuts of the total payment duration, for Aadhaar and non-Aadhaar transactions. Figures 1 and 2 display the same; again, each Gram Panchayat is represented by a pair of

points – the red denoting the median Panchayat duration and the green denoting the median non-Panchayat duration for transactions in the Panchayat.

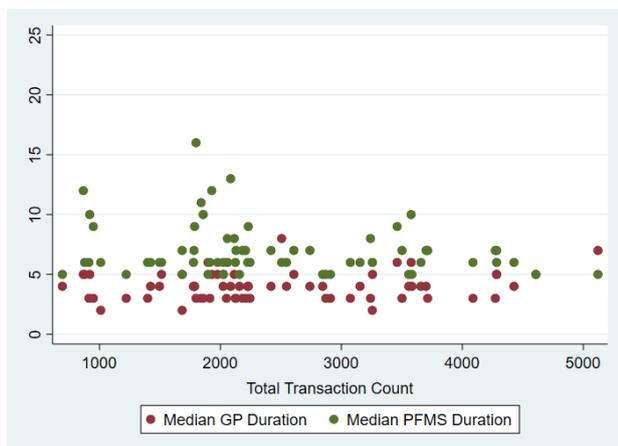


Figure 2: Panchayat and non-Panchayat durations of Aadhaar-enabled transactions

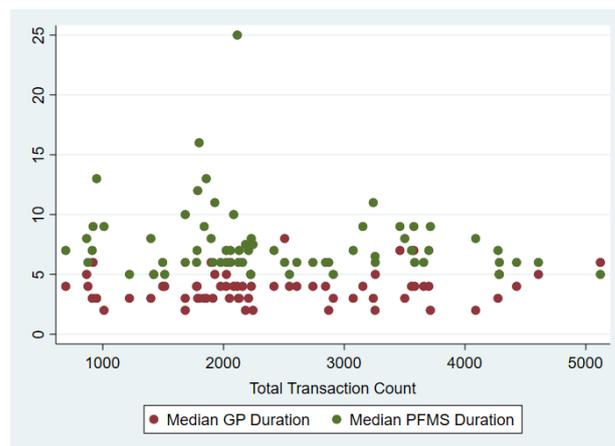


Figure 3: Panchayat and non-Panchayat durations of non-Aadhaar transactions

We observe that the non-Panchayat duration is longer than the Panchayat duration in all but 5 out of the 66 Gram Panchayats. We observe this trend consistently across Aadhaar-linked and non-Aadhaar transactions. We find that the median Panchayat durations for Aadhaar-linked and non-Aadhaar transactions are the same – 4 days. In contrast, we find that the median non-Panchayat durations for Aadhaar-linked and non-Aadhaar transactions are 7 and 6 days respectively. These, while similar to each other, exceed not only the corresponding Panchayat durations, but also the target timeframe prescribed by official guidelines cited earlier.

These observations indicate that delays are consistently occurring outside the purview of the Gram Panchayat, and further support the suggestion that delays are unaffected by the introduction of Aadhaar.

2.3 Rejection Rates across Aadhaar-linked and non-Aadhaar Transactions:

We find at the district level that the proportion of Aadhaar-linked transactions that were rejected (2.64%) is nearly identical to that of all non-Aadhaar transactions (2.65%). This is despite the significantly larger count of Aadhaar-linked transactions over non-Aadhaar transactions in the district.

Figure 4 describes transaction counts and rejection rates at the Gram Panchayat level – the left vertical axis indicates the transaction counts, and the right vertical axis indicates rejection rates. Each bar represents a Gram Panchayat.

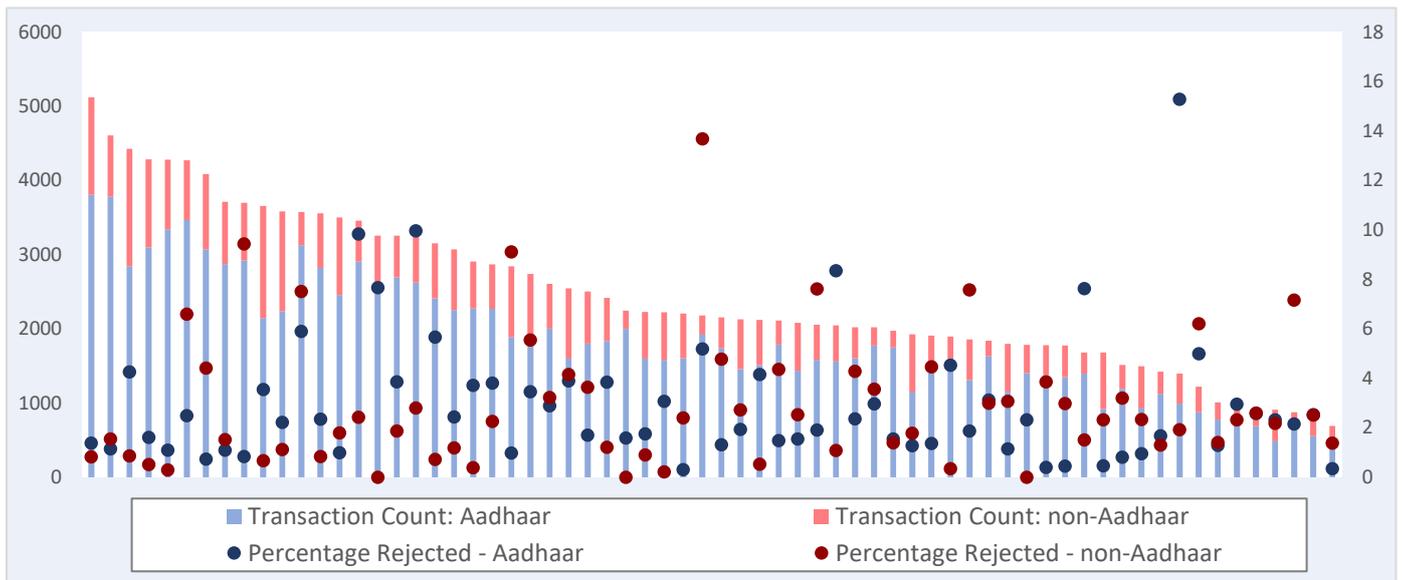


Figure 4: Rejection rates by Gram Panchayat

In contrast to the consistency in rejection rates at the district level, we find substantial variation in rejection rates of Aadhaar-linked and non-Aadhaar transactions both within and across Gram Panchayats. We also find no stark correlation between rejection rates and the number of transactions at the Gram Panchayat level. This observation is of interest as it could indicate greater accuracy of transaction-related information for Aadhaar-seeded beneficiaries, despite an additional layer of complexity that could result in Aadhaar-specific reasons for rejection such as ‘Inactive Aadhaar’, ‘Aadhaar Number not Mapped to Account Number’, and so on.

3. Conclusion and Further Research:

The findings of this data brief warrant further study in the following directions. Towards identifying the causes of payment delays, we seek to establish greater clarity around the extent and nature of automation throughout the payment process. We further seek to understand the specific impact of Aadhaar-linkage on programme efficiency as well as the beneficiary experience. This would involve further analysis of programme data to be reconciled with evidence of the beneficiary experience that is currently not systematically captured in this data.

About DIRI

This data brief was prepared by the Digital Identity Research Initiative (DIRI), which was launched in July 2017 with funding from Omidyar Network. DIRI is aimed at producing high-quality and timely research on digital identity, engaging relevant stakeholders, and building a global research ecosystem for digital identity. In addition to such briefs, DIRI's activities include [Research Fellowships](#), [Summer Fellowships](#), and the International Conference on Digital Identity (11-13 July 2018). For more information, visit <http://www.isb.edu/digital-identity-research-initiative>

Digital Identity Research Initiative (DIRI)

Indian School of Business, Gachibowli,
Hyderabad – 500111; Phone: 040-23187264
E-mail: diri@isb.edu