Payment Uncertainties Strain NREGA

What is the issue?

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- The National Rural Employment Guarantee Act (NREGA) is going through a deep crisis due to delays and failures in wage payments.
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- While the problem is not new, technology based payment models have made the situation worse.
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How is the crisis manifesting itself?

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- NREGA's payment pipeline is rotten, and this is getting manifested through - "delays, rejections, diversions and lockage" of payments to be dispersed.
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- Delays in wage payments have plagued NREGA ever since bank payments were introduced about 10 years ago.
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- **1st Step -** Payment delays that occur before being cleared by a "Fund Transfer Order" (FTO), is touted as the "first step delay".
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- This step is reasonably transparent and is designed to calculate the total compensation that has to be paid to workers (by state government).
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- Lately, there has been significant progress in addressing this delay.
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- **2nd Step -** Second step delay is when bank transfers themselves are held up.
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- A recent analysis of NREGA wage payments in 10 states, found that second-step delays were as long as two months on an average in 2016-17.
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- Repeated demands for second-step delays to be disclosed and compensated for by the central government have fallen on deaf ears so far.
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- **Reason -** One reason why delays have persisted for so long is that the payment system is constantly being re-designed.
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- From cash payments initially, it was changed to post-office payments, bank payments, 'NeFMS e-transfers' and now 'Aadhaar Payments Bridge System' (APBS).
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- Significantly, none of these innovations has been able to ensure payment within 15 days of the work being done, as prescribed under NREGA.
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Why are payment rejections happening?

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- Even as the delays continue, the latest payment systems are largely responsible for rejected payments, diverted payments and locked payments.
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- Rejected payments were not unknown earlier but they have become endemic ever since the linking of NREGA wage payments with Aadhaar.
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- Linking the bank accounts of NREGA workers with Aadhaar may seem like a trivial matter but in practice it creates endless problems.
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- "e-KYC" (Aadhaar based biometric authentication) has practically become compulsory for NREGA workers, which is proving to be a fountain of glitches.
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- Shockingly, more than 200 different reasons for payment rejections have been identified and some errors are beyond the government's comprehension.
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- According to the NREGA's management and information system (MIS), a whooping Rs 500 crore of wage payments were rejected in 2017-18 alone.
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What is a "Diverted Payment"?

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- "Diverted payment" is endemic to the "Aadhaar Payments Bridge System"

(APBS), which is the latest reconfiguration of the wage payment system.
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- Under APBS, Aadhaar effectively becomes a financial address and wages are automatically paid into the worker's last Aadhaar-linked account.
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- Most workers are unaware of this rule, and so they often look for their money in the wrong account, which never comes.
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- More interestingly, sometimes, wages are paid into accounts that workers know nothing about, like "mobile wallets" or the "Jan Dhan Account" that was opened without consent.
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- These diverted payments are very difficult to retrieve and most NREGA workers are powerless to do anything about them.
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What constitute locked payments?

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- Many NREGA workers are unable to withdraw their wages from their bank accounts even after their wages have been paid to their proper account.
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- This is because workers are locked out of their bank account when the bank treats it as "dormant" or "frozen" because it does not meet the current norms.
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- One of these norms is e-KYC, a major hurdle on its own for NREGA workers, but there are others too – like inactivity for a specified number of months.
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- Similarly, accounts get frozen when "Pradhan Mantri Awas Yojana" money is sent to a worker's bank account, as this would exceed the maximum limit.
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- More significantly, freezing of accounts tend to happen even without the consent of the concerned person.
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What are the consequences?

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- **No Consent -** The various payment flow flaws are largely associated with

brazen flouting of consent principles and norms.
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- For instance, moving an account to the APBS system is not supposed to happen without informed consent.
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- But in practice, NREGA workers are being herded en masse into APBS without even informing them, let alone consent.
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- **Grievance Redressal -** Even as NREGA workers run from pillar to post to get their remuneration, there is no one to inform or assist them.
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- Importantly, the ordeal of workers is imaginably pathetic, as they'll have to travel considerable distances and bear with long lines at various offices.
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- **Corruption -** Aside from causing enormous hardship to NREGA workers, delayed and failed payments are a major source of corruption.
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- When workers lose interest, corrupt middlemen step in and take advantage of the lack of vigilance to siphon off NREGA funds by fudging the records.
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- Here, it is important to note that, "linking of bank accounts with Aadhaar makes little difference", and might even exacerbate corrupt practices.
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- **Scheme Drowns -** NREGA is a demand-driven programme and if the demand vanishes because wage uncertainty, nothing will be able to save it.
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- Averting this requires a reliable payment system, higher wages, 'delay compensation ', effective grievance redressal and 'systemic consistency'.
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Source: Indian Express

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