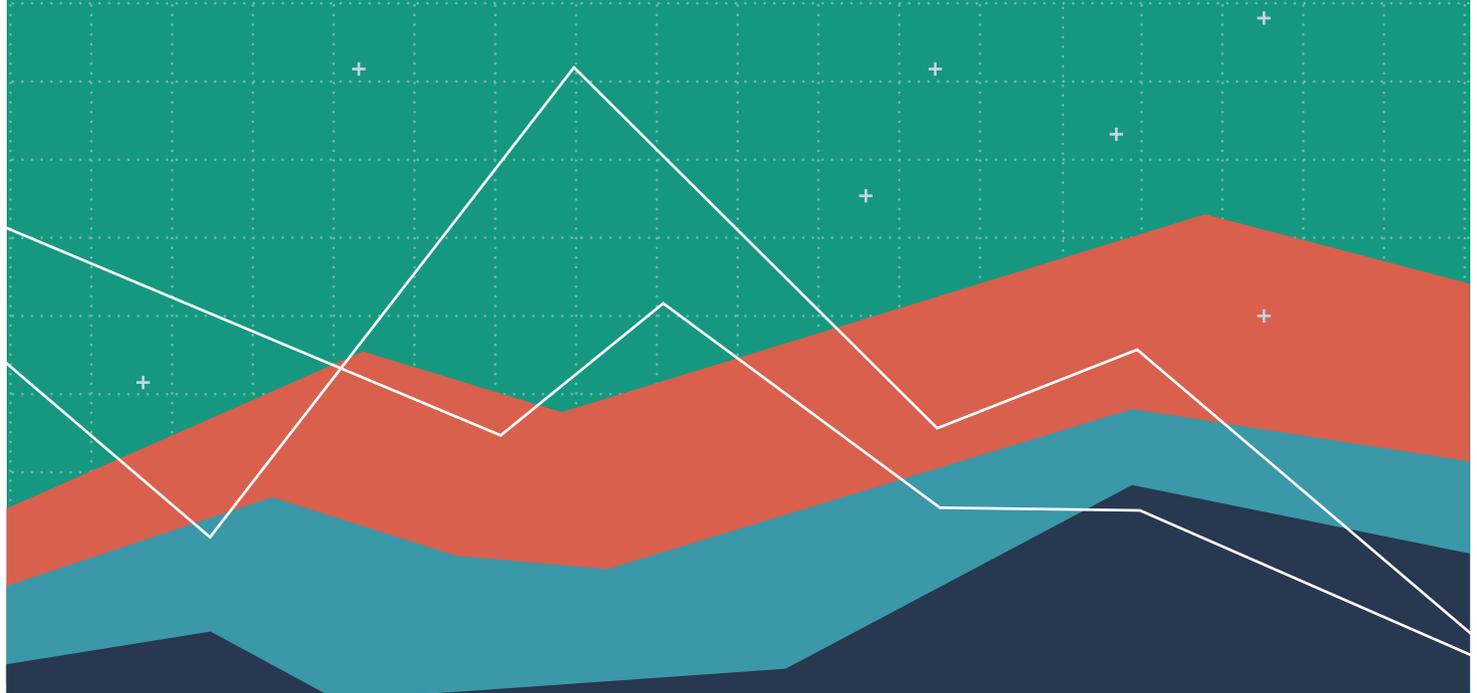


STATE OF WORKING INDIA | 2018
BACKGROUND PAPER - 05

ANALYSIS OF PAYMENT DELAYS AND DELAY COMPENSATION IN NREGA: FINDINGS ACROSS TEN STATES FOR FINANCIAL YEAR 2016-17

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Centre for Sustainable Employment



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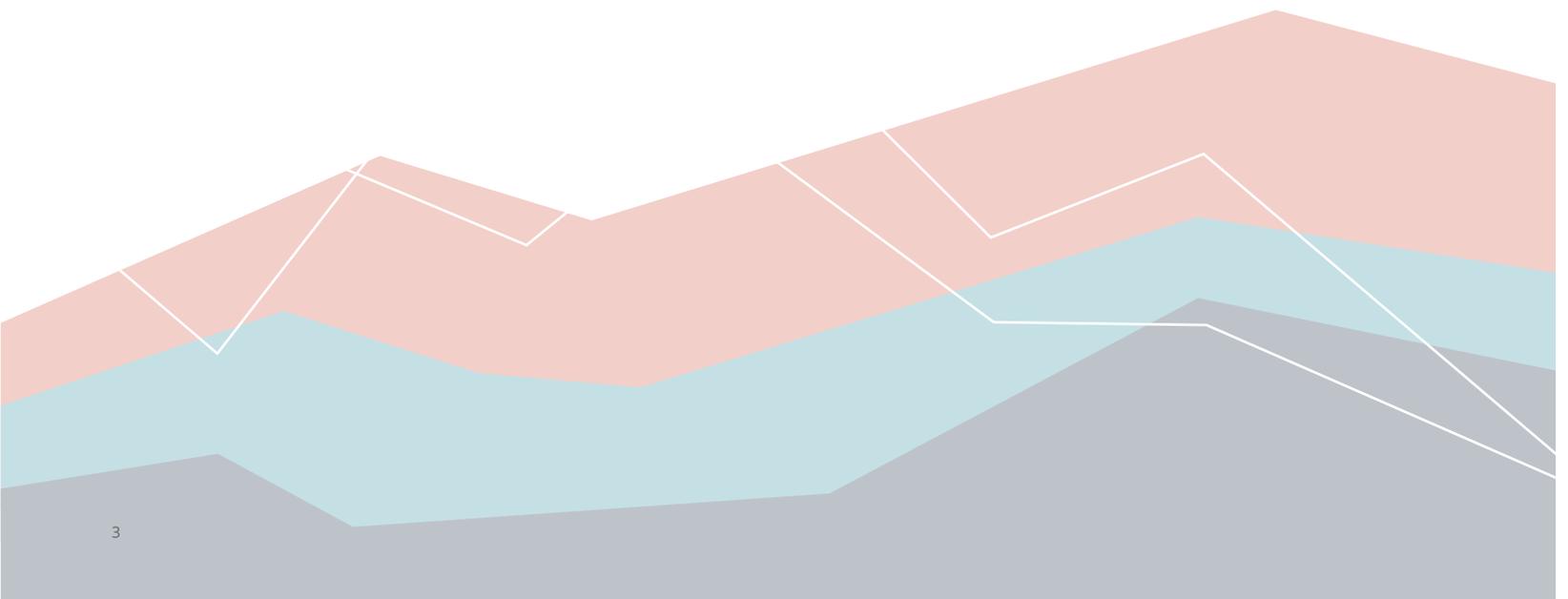
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Analysis of payment delays and delay compensation in NREGA: findings across ten states for financial year 2016-17

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Abstract

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) provides a minimum of 100 days of work in a year for every rural household at a minimum wage. Because of MGNREGA, for the first time in the country, a transaction-based Management Information System (MIS) has been made available in the public domain; a great feather in the cap of transparency. An essential safeguard in MGNREGA is delay compensation to be paid, as penalty, when workers don't receive wages within 15 days of completion of work. Despite several progressive measures, payment delays are rampant and the method of delay compensation is flawed leading to massive under-calculation of the true payable compensation. By analysing over 9 million transactions for the financial year 2016-17 across 10 states, we observe that only 21% of the payments were made on time. In 47% of the records analysed, only partial delay compensation is being captured and the remaining 32% of the records are not even being considered as delays in the NREGA MIS. These are due to the flawed method of calculating delay compensation. On aggregate, in our sample, while the true total compensation payable is about Rs 36 crore, only about Rs 15.6 crore is being calculated in the MIS.

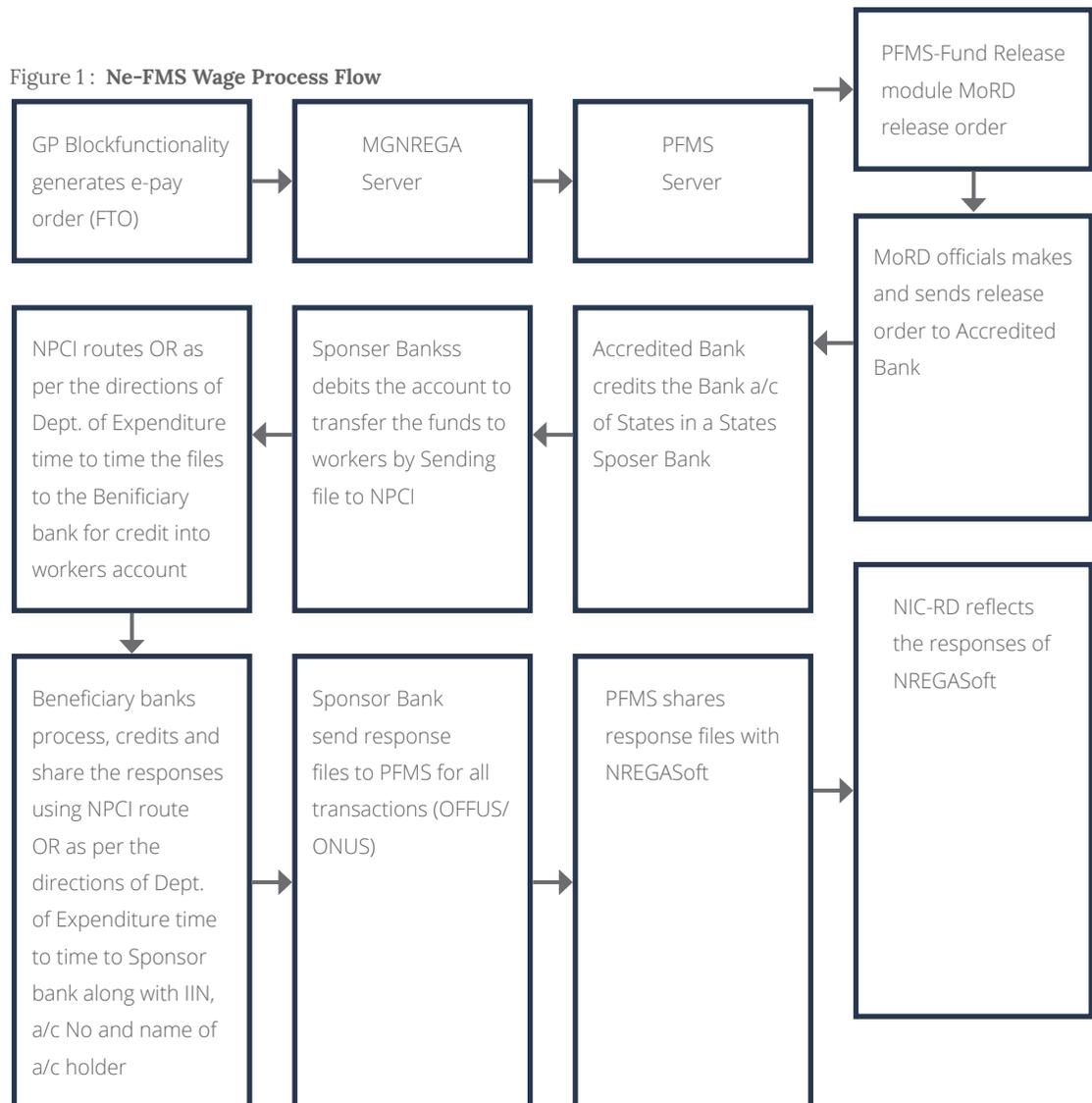
1. Introduction

The National Rural Employment Guarantee Act (NREGA), 2005, was notified on the 7th of September, 2005, see [4]. NREGA is arguably the most comprehensive livelihood security programme enacted in India as an attempt to provide protection to those on the margins of subsistence in rural India. According to the provisions of the Act, adults of every rural household willing to do unskilled manual labour can demand and be legally guaranteed to get employment for a maximum of 100 days in a year at a statutory minimum wage. Further, each registered worker is entitled to get his/her wages within fifteen days of completion work in a given work cycle, i.e., a work week, failing which the government is mandated to provide a delay compensation to the workers. The provision of delay compensation is to foster efficient delivery of wages without delay to the workers. Since its inception in 2005, the NREGA has undergone several small and big transformations. From a revised name (now the Mahatma Gandhi National Rural Employment Guarantee Act - MGNREGA) to provision of e-muster rolls and payments through the electronic fund management system. A remarkable facet of the programme is its stated emphasis on transparency and accountability in governance. In this sense, the programme can be thought of as a laboratory of using technology for transparency and accountability in public policy and governance.

In this note (part of an ongoing study of NREGA wage payments), we highlight some grave concerns in the method of calculation of delay compensation. We have conducted a detailed analysis of wage payment delays in a random sample of panchayats across 10 states. In particular, we point out the flawed method of delay compensation that is against the spirit of the law leading to massive uncalculated compensation. No accountability norms are set to address this issue. While the Centre is responsible for the disbursement of worker wages, there appears to be no penalty on the central government for the delay it causes in funds disbursement. Moreover, in over 9 million transactions we analysed, we found that only 21% of the payments were made on time. Partial delay compensation was calculated in 47% of the transactions and no delay compensation was calculated for the remaining 32% of the transactions. We acknowledge that there are limitations of this work. The findings are observational and so a more thorough investigation of the processes and causes are required to fully understand the complexities of the issues.

There has been a nation-wide initiative to computerise the complex chain of the programme right from the phase of demanding work by a worker to the delivery of wages to the labourer through the Management Information System (MIS). Once the work week is over, the funds flow process begins. An illustration of the funds flow process obtained from [3] is given in Figure 1.

Figure 1 : Ne-FMS Wage Process Flow



Source : Authors' Calculations

A tabular representation outlining the steps in the process and the corresponding stakeholders is presented in Table 6 in Appendix. From Table 6, we observe that, once the work week is over, the data entry of the muster happens at the gram panchayats or block. Thereafter, a wage list and funds transfer order (FTO) is prepared, which requires 2 digital signatures by panchayat or block level officials. The date on which the second digital signature is done, either at the panchayat or block level is referred to as the Payment Date in the MIS. This nomenclature is a misnomer because, as we will shortly see, contrary to the term, Payment Date is not the date on which the workers have access to the wages they've earned. If a delay occurs in the payment process till this step, it is the individual state government's responsibility (Steps 1 to 5 in Table 6). Then in the Ne-FMS process, the funds are released by the Centre's Accredited Bank to the State's account (Sponsor Bank). This is, in turn, transferred from the Sponsor bank to individual beneficiaries' accounts. After the second signature on the FTO, the onus of the delays in the process is (ideally) on the central government (Steps 6 to 9 in Table 6).

2. Delay Compensation

According to Section 3 of the MGNREGA, the wages for a week of work have to be paid within 15 days of completion of a work week, failing which the workers should get a compensation for each day's delay. There are several concerns with regard to the delay compensation. Some of those concerns addressed in this note are:

- i. Flawed method of calculation of the delay compensation amount
- ii. Lack of clarity in accountability of central and state Governments
- iii. Arbitrary powers to reject the compensation

2.1 / Flawed Method of Delay Compensation Calculation

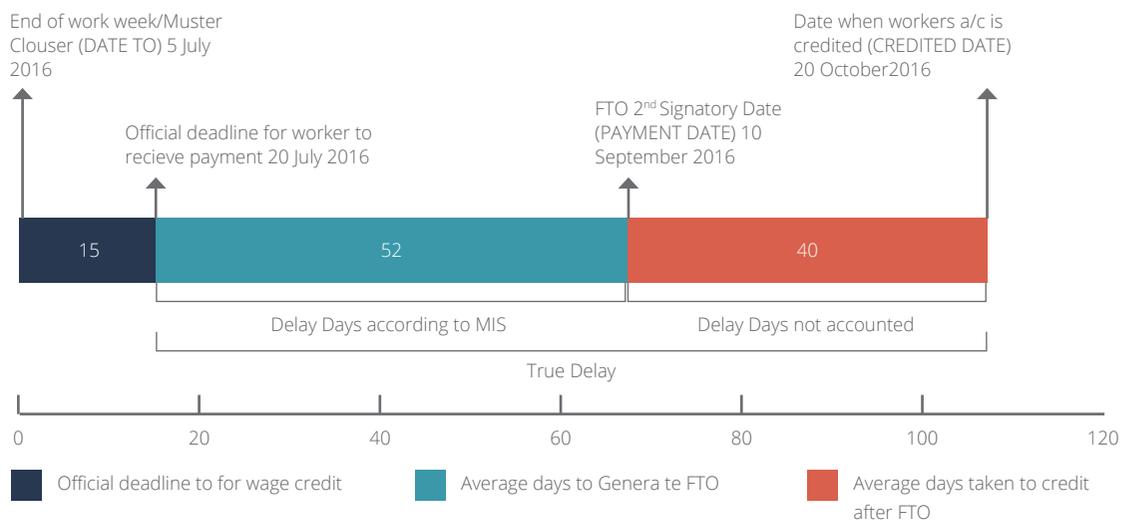
As per the Guidelines on Compensation for delay wages payments [2], dated 12th June, 2014, the compensation amount to be paid is calculated at a rate of 0.05% of the unpaid wages per day for the duration of the delay beyond the sixteenth day of the closure of the muster roll.

According to it, the delay compensation is calculated in the following manner:

$$\text{Compensation Amount} = \text{Number of days of delay (delay days)} \times \text{Total Wage} \times (0.05/100)$$

The reports based on the compensation thus calculated are available in Report R14.1 on the MIS (can be found in [1]) for every worker per muster. As per the guidelines, the Delay Days are calculated from the 16th day of the closure of the muster roll until the date of generation of the pay order for paying wages, i.e., the date on which the 2nd signature is made to process the FTO. However, as seen in the fund flow process in Table 6 in Section 6, it takes a few more steps (steps 6 to 9) for the wages to be credited into the individual worker's account. In other words, no compensation is being calculated from the date of the second signature in the FTO till the 'Credited Date', the date on which the wages are actually transferred to the workers' account. As we point out in our findings, these subsequent steps can take several days. A pictorial representation of the flaw in the method is depicted in Figure 2.

Figure 2 : Delays from Muster Closure Date to Credited Date



Let's take a concrete illustrative example corresponding to Figure 2. Suppose the wages for a week of work done by a worker is Rs.1002. As illustrated in Figure 2, suppose the muster was closed on 5th July, 2016. Therefore, the official deadline before compensation starts getting calculated would be 20th July, 2016. The second signature on the FTO was made on 10th September 2016, 52 days after the official deadline to make payments. Thus, according to the current method in the MIS, there is a delay of 52 days. And the compensation thus due is

$$52(\text{delay days}) \times 1002 (\text{total wage}) \times (0.05/100) = \text{Rs.26.}$$

However, for this example, the 'Credited Date', i.e., the date on which the wages were credited in the worker's account was 20th October, 2016. This amounts to an additional delay of 40 days; the number of days between the second signature on the FTO to the date on which the wages get credited to the worker's account. Thus the true delay from the perspective of the labourer is $52 + 40 = 92$ days but the government does not even calculate the delay compensation for the additional 40 days' delay. Using the credited date would yield Rs. 46.

$$92(\text{delay days}) \times 1002 (\text{total wage}) \times (0.05/100) = \text{Rs.46.}$$

An additional amount of Rs. 20 is not even being recorded in the delay compensation report. The delay compensation should thus be calculated for the entire duration of 92 days to full the true mandate of Section 3 of the MGNREG Act.

2.2 / Lack of Clarity in Accountability of Central and State Governments

The Ne-FMS guidelines [3], clearly lay down the protocol for all stakeholders as follows – "In order to meet the objective of making the timely payments (within 15 days of closure of e-Muster) to the MGNREGA beneficiaries it is essential that all stakeholders in this system adhere to the timelines advised. This is broadly categorized into the following:

- i. "Field functionaries involved up to generation of FTOs"
- ii. "MoRD Officials involved in release of fund order"
- iii. Agencies (PFMS/Banks/NPCI/DoP/NIC-DRD) involved in the movement and processing of FTOs and ultimate crediting into accounts of beneficiaries.

Further, the guidelines indicate that the second signature in the FTO must happen within 8 days of muster closure and the workers would be assured of payment of wages on the 2nd day of the pay order generation. As illustrated in Figure 1 and in the associated Table 6, it seems apparent that the state governments have no control over the payments process once the second signature on the FTO is completed. While some checks and balances in terms of documentation are supposedly required to access the single fund pool under the Ne-FMS system, it is completely unclear as to who assumes responsibility for the delays accrued once the FTO is sent to the central PFMS server. Moreover, the way the MIS is structured and the method with which the delay compensation is calculated, the Centre, it appears, has completely abdicated the responsibility of payment delays by placing the responsibility and the 'blame' squarely on the individual states.

As our findings indicate, there are huge delays once the FTO is signed and sent to the PFMS server that go completely unaccounted and unreported. The cost of all this unaccounted delay is entirely borne by the workers. In the name of streamlining the funds flow process the norms seem to be buried in the technical architecture while the baton of accountability is being passed around. It is imperative that an accountability structure with well defined penalties of all the stakeholders responsible for such delays is put in place.

2.3 / Arbitrary Powers to Reject Compensation

It is important to note here that this is separate from the rejected payments in the musters, which happen when the payment fails due to mismatch in account numbers etc. The approval or rejection of compensation occurs after the compensation report is generated. Once the automated report is generated on the MIS, the Programme Officer (PO) at the block verifies the transactions eligible for delay and has the power to either approve or reject it. The PO is supposed to provide a reason for each delay compensation transaction that is rejected. However, options given as reasons for rejection are limited and ambiguous. The reasons stated for rejecting the compensation amount listed on the MIS are; Insufficient Fund, Compensation not Due, Natural Calamity and Other.

There seems to be no method to check or challenge the PO's decision. Further, the PO is not obliged to provide any evidence for the reason stated. The 'compensation not due' can be provided as a reason for rejection on the grounds that the payment was made but MIS entry was done later. Under the current Ne-FMS system, the payment cannot be processed without data entry. Further, the category 'Other' is ambiguous. In some cases, the compensation amounts are deducted from the salaries of the block officials or data entry operators. At such times it is counter intuitive to let the PO at the block be the decision maker to approve or reject the compensation. Finally, the category 'insufficient fund' cannot be a reason for rejecting the compensation. The Centre needs to ensure timely disbursement of funds to the state, failing which it should be liable to pay compensation.

Currently, there is no way to check whether the individual or the household's compensation has been paid. The compensation report on the MIS does not show household level data with the rejection reason. This makes it difficult to gauge the intended beneficiary for whom the compensation is approved or rejected, as the case be.

3. Methodology

The entire methodology for the study can be split into three parts -

- i. The Sampling Strategy
- ii. Data Procurement Process, and
- iii. Data Analysis Process.

For the sake of exposition in this note, we combine the first two parts in one subsection and have a separate subsection for the third part.

3.1 / Sampling Strategy & Data Procurement Process

We have conducted the analysis for the financial year 2016-17 across 10 states. We initially sampled 12 panchayats per district randomly in each of the 10 states that yielded 4089 panchayats in our sample. Owing to limitations of computing machinery and power, we had to limit our analysis to these ten states. The ten states were chosen because a large proportion of NREGA work happened in these states. In principle, without loss of generality, the same analysis can be extended to every state in the country.

To obtain NREGA work records for each of these panchayats, we downloaded the musters for the panchayats from the MIS. All the musters for each financial year for any particular panchayat can be found by following the e-Muster and Wagelist link on the block page on the MIS. All the downloaded musters were read by a computer programme to extract the transaction level data for each work and the resultant data was loaded to a database.

To ensure robustness we compared the total work days as computed from our downloaded data with the total work days as reported on the MIS in the 'At a Glance' report for each Panchayat. We retained and analysed data only for those panchayats where the above metric was matching accuracy levels of at least 90%. Hence we ended up with 3446 panchayats in our analysis out of the 4089 panchayats that were originally selected.

The set of selected states and the corresponding sample size of panchayats for each state are presented in Table 1. The states with asterisk (*) in Table 1 indicate that they have been in the Ne-FMS system from the beginning of FY 2016-17 and the remaining states in the sample were inducted into the Ne-FMS system in October 2017 according to the Ne-FMS guidelines [3].

Table 1: **Sampled States and Number of Panchayats Sampled.**

States	Number of Panchayats Sampled
Bihar *	421
Karnataka *	337
Uttar Pradesh *	526
Kerala *	166
Rajasthan *	369
Odisha *	306
Jharkhand	244
Chhattisgarh	251
Madhya Pradesh	569
West Bengal	257
Total	3446

Source : **Authors' Calculations**

3.2 / Data Analysis Process

From the downloaded muster data, we generate a report called Work Payment report for each panchayat. This report contains the NREGA transaction details of every work in the panchayat for the particular financial year. A transaction detail is a week-wise work record, which contains the name and job card number of applicants, the muster number, the muster closure date, the work name, the wages earned, and the credited date for this muster. As mentioned before, credited date signifies the date on which the wages are actually transferred to the workers' account. Based on this, one can precisely calculate the number of days between the credited date and the muster closure date. If this difference exceeds 15 days, then we call it the true delay. Ideally, a worker should be paid delay compensation if the difference between the credited date and the muster closure data exceeds 15 days.

True Delay = # of days from the 16th day of muster closure to FTO 2nd signature + # of days between FTO 2nd signature and credited date

The Delay Compensation report is obtained from R14.1 [1]. As mentioned in Section 2.1, it is observed that amount of compensation in this report is calculated only till the date of the second signature of the FTO. We combine this report with the Work Payment report as was obtained earlier to capture the full cycle of payment. We can thus precisely split the true delay into its two components - the duration between the muster closure date and the FTO 2nd signatory date and the duration between the FTO 2nd signatory date and the credited date. The Work Payment Report contains several transactions that are not in the Delay Compensation Report. From these transactions, we only consider those subset of transactions for which the muster status is either credited or rejected. We don't consider transactions that are pending and are missing in the delay compensation report. The set of transactions for which the muster status is either credited or rejected, which are present in the work payment report but missing in the delay compensation report implies two more scenarios:

- i. The crediting to the workers' accounts happen within 15 days of muster closure.
- ii. The crediting to the workers' accounts happen after 15 days of muster closure.

The first scenario is the ideal situation when the workers actually get paid within 15 days of muster closure. The second scenario can be further broken down in to two scenarios;

Partial Delay Compensation is calculated - This case occurs when the delay is calculated but only till the FTO signatory date and not till the Credited Date as it ideally should. Hence the delay compensation is just partial, and the extent of unaccounted delay compensation needs to be calculated on the ideal definition of delay i.e., the number of days from the 16th day of muster closure to the credited date. This is explored in the Subsection 4.1.

No Delay Compensation is calculated - This case is when the FTO Signatory date is within 15 days of muster closure but credited date is beyond 15 days. Such transactions are not getting treated as delays and as such are not appearing in the delay compensation report. There is no accounting of the compensation due to this delay and as we observe in our findings, this can run into several months. In fact, such transactions are incorrectly classified as being paid on time owing to the egregious definition of delays in the MIS. We have dealt with this case in detail in subsection 4.2.

We then compute the amount of uncalculated compensation at 0.05% per day of the wages for the number of days between FTO 2nd signature date and the credited date. We perform this exercise for every panchayat for each state and then present aggregate results for each state.

4. Findings

For the sake of granularity and clarity, to show the full extent of unaccounted compensation, we have presented the findings in four parts. The first part is an overall summary of payments that includes three cases. These three cases differ in the manner in which the delay is captured, under-calculated or not accounted at all.

Case 1: Partial Delays are Captured (Wages are credited/pending and FTO 2nd signature exceeds 15 days of muster closure)

Case 2: Delays are not Captured (Wages are credited/pending and FTO 2nd signature is within 15 days of muster closure)

Case 3: Rejected Payments (Wages are not credited to the accounts owing to a variety of reasons that are usually technical)

Let us first look at the overall summary for all the panchayats in our sample grouped by state. The data from our sample of states is presented in Table 2 and is graphically depicted in Figure 3. On aggregate, (last row of Table 2), for all the panchayats in our sample, while the true total compensation payable is about Rs 36 crore, only about Rs 15.6 crore is being calculated in the MIS and about Rs 20.4 crore is not even getting accounted in the MIS. In other words, about 57% of the true payable compensation is not even being calculated. This is only because the delay days between the FTO second signatory date and the credited date is not being counted as delay.

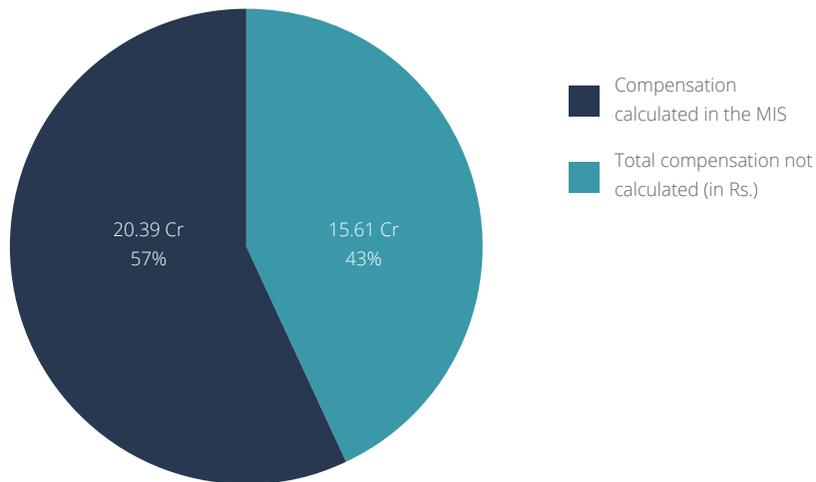
Moreover, there is some observable variation in our sample across the states. See Figure 4. For instance, the compensation calculated in the MIS for Jharkhand is about Rs 23.87 lakhs but as can be seen from the last column of Table 2, about 52% of the true delay compensation amount is not even accounted for because these occur after the second signatory in the FTO.

Table 2 : Overall Payments Summary

States	Compensation Calculated in the MIS (in Rs)	Compensation Not Calculated in the MIS (in Rs)	Total Compensation Truly Payable (in Rs)	Percentage of True Compensation Not Calculated
Jharkhand	23,87,490	25,89,194	49,76,684	52
Bihar	1,25,53,522	89,53,046	2,15,06,568	42
Chhattisgarh	63,47,463	25,43,934	88,91,397	29
Karnataka	1,15,42,306	56,97,303	1,72,39,609	33
UP	45,87,232	1,02,16,213	1,48,03,445	69
Rajasthan	21,32,688	99,00,398	1,20,33,086	82
MP	23,97,744	59,13,104	83,10,848	71
Odisha	1,08,91,213	92,43,546	2,01,34,759	46
WB	9,90,48,281	3,54,13,294	13,44,61,575	26
Kerala	42,74,538	1,13,45,0314	1,17,72,4852	96
Overall	15,61,62,477	20,39,20,346	36,00,82,823	57

Source : Authors' Calculations

Figure 3 : **Extent of Unaccounted Compensation**



Source : **Authors' Calculations**

For the sake of granularity and clarity, to show the full extent of unaccounted compensation, we have presented the findings in four parts. The first part is an overall summary of payments that includes three cases. These three cases differ in the manner in which the delay is captured, under-calculated or not accounted at all.

Case 1: Partial Delays are Captured (Wages are credited/pending and FTO 2nd signature exceeds 15 days of muster closure)

Case 2: Delays are not Captured (Wages are credited/pending and FTO 2nd signature is within 15 days of muster closure)

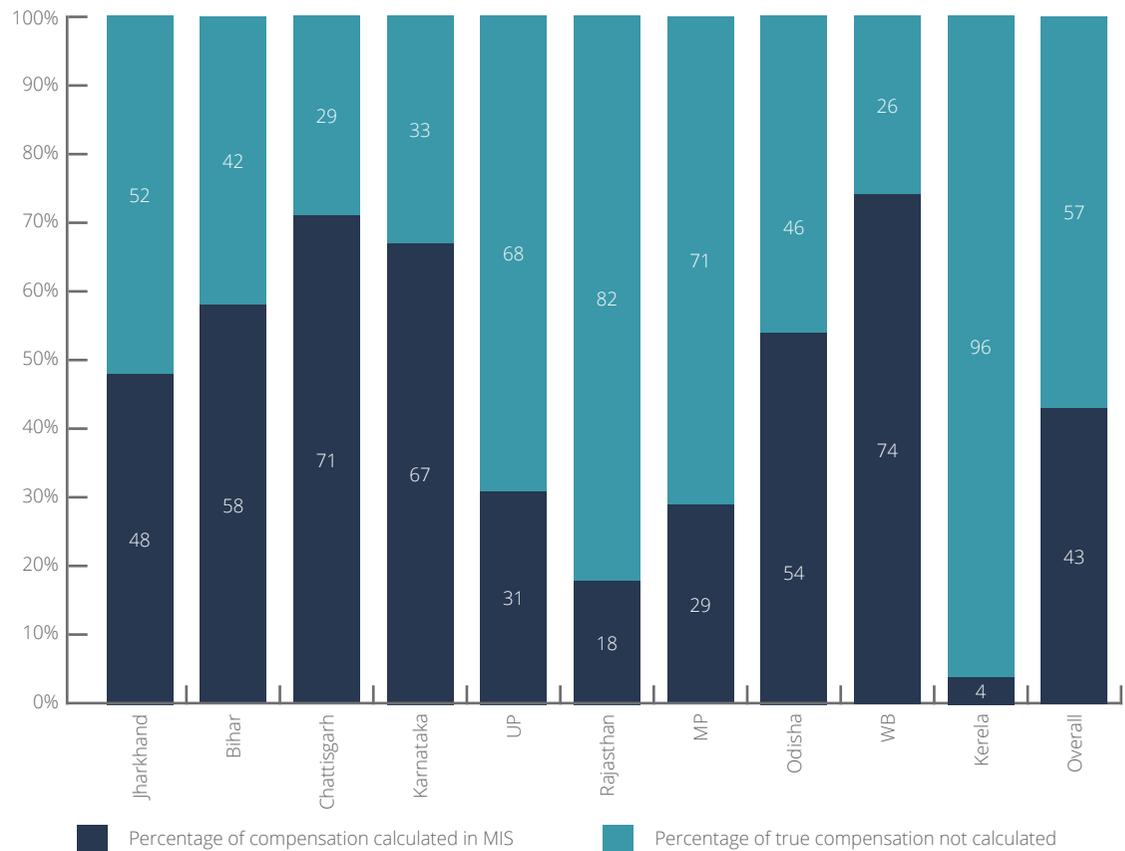
Case 3: Rejected Payments (Wages are not credited to the accounts owing to a variety of reasons that are usually technical)

Let us first look at the overall summary for all the panchayats in our sample grouped by state. The data from our sample of states is presented in Table 2 and is graphically depicted in Figure 3. On aggregate, (last row of Table 2), for all the panchayats in our sample, while the true total compensation payable is about Rs 36 crore, only about Rs 15.6 crore is being calculated in the MIS and about Rs 20.4 crore is not even getting accounted in the MIS. In other words, about 57% of the true payable compensation is not even being calculated. This is only because the delay days between the FTO second signatory date and the credited date is not being counted as delay.

Moreover, there is some observable variation in our sample across the states. See Figure 4. For instance, the compensation calculated in the MIS for Jharkhand is about Rs 23.87 lakhs but as can be seen from the last column of Table 2, about 52% of the true delay compensation amount is not even accounted for because these occur after the second signatory in the FTO.

The corresponding unaccounted amount in Jharkhand for these unaccounted delays is about Rs. 25.8 lakhs. In Kerala for example, 96% of all delays do not seem to be calculated because the delays occur after the FTO is generated. It is important to point out that this delay is perhaps not the state's fault but corresponds to the delay in release of funds from the Centre. The situation appears to be pitiable in Rajasthan as well. Only around Rs 21.3 lakhs of the delay compensation is being accounted for out of a total true delay compensation of Rs 1.2 crore. Effectively, about Rs 99 lakhs of delay compensation is not even being calculated because the MIS doesn't treat these as delays.

Figure 4 : State-wise variation



Source : Authors' Calculations

4.1 / Case 1: Partial Delays are Captured (Credited/Pending and FTO 2nd signature exceeds 15 days)

This includes all the transactions for which the second signature in the FTO was done after the 16th day of the muster closure date. The data for this case for all the states in our sample is depicted in Table 3. As has been mentioned, the delay compensation is calculated only for the duration between the 16th day from muster closure till the FTO second signatory date. The last entry in the column titled 'Compensation Calculated in the MIS' shows that the total amount calculated for our sample panchayats is around Rs 15.55 crore. As can be seen in the last entry in the column titled 'Total Unaccounted Compensation', about Rs 10.19 crore for the duration between the FTO 2nd signatory

Table 3 : Partial Delays are Captured (Credited/Pending and FTO 2nd signature exceeds 15 days)

States	Number of Transactions	Average Days to FTO 2nd signature	Average Days Taken to Credit after FTO 2nd signature	Compensation Calculated in the MIS (in Rs.)	Total Unaccounted Compensation (In Rs.)	Total Unaccounted Compensation (In Rs.)
Jharkhand	1,44,449	46	13	23,80,531	10,41,323	34,21,854
Bihar	3,58,645	57	18	12,51,2259	54,82,351	1,79,94,610
Chhattisgarh	2,90,593	65	17	63,26,705	22,57,951	85,84,656
Karnataka	3,26,970	53	13	1,14,82,322	37,76,074	1,52,58,396
UP	1,44,279	64	108	45,57,758	96,89,091	1,42,46,849
Rajasthan	1,69,183	33	57	20,94,845	65,24,146	86,18,991
MP	2,28,627	38	54	23,74,332	57,09,791	80,84,123
Odisha	4,06,849	67	34	1,08,68,393	71,76,277	1,80,44,670
WB	16,66,065	102	25	9,87,02,991	2,90,95,431	12,77,98,422
Kerala	6,43,810	27	86	42,73,856	3,11,91,406	3,54,65,262
Overall	43,79,470	69	38	15,55,73,992	10,19,43,841	25,75,17,833

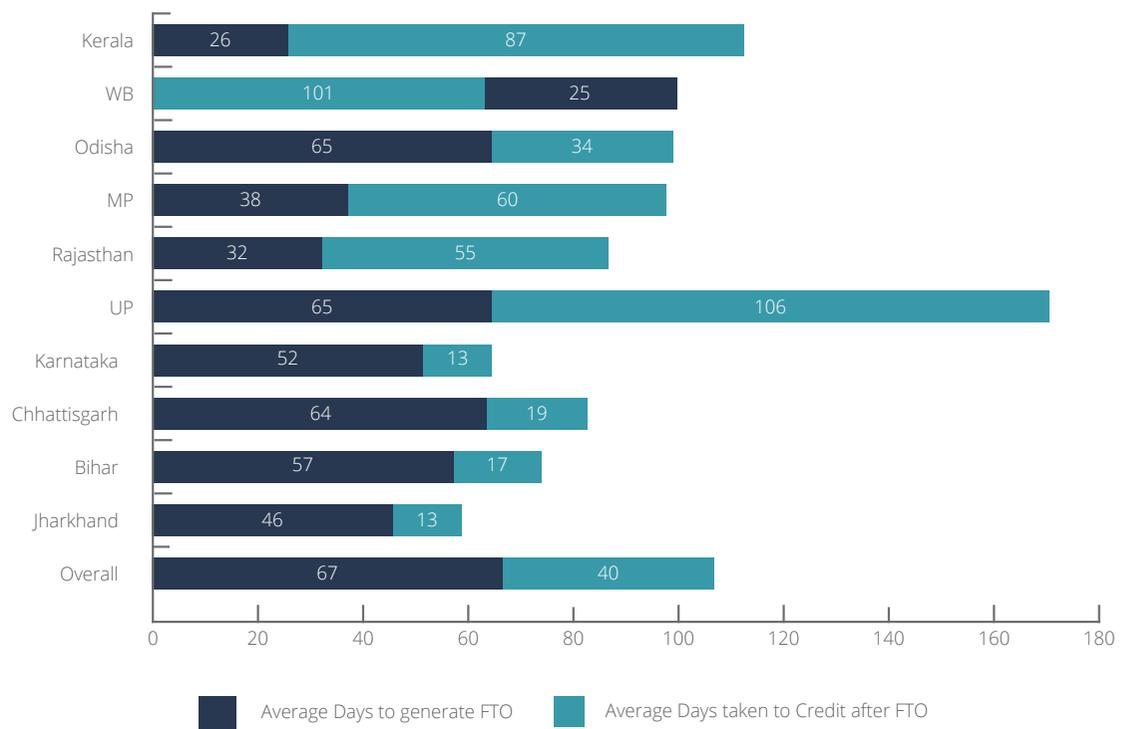
Source : Authors' Calculations

date and the credited date is not being accounted.

The pattern of variation in delays in this category across states is presented in Figure 5. From figure 5, we note that from a random sample of 369 panchayats in Rajasthan, out of a total of 1.69 lakh transactions in this category, the average days between the Muster Closure Date and FTO 2nd signature is 33 days. But, the average days between the FTO 2nd signature date and the Credited Date is 57 days. In other words, on average in Rajasthan in FY 2016-17, the MIS is calculating delay compensation for only 33 days and not the full extent, i.e., not for 57 days as it must to obey the law. It is unclear if the Central Government has taken any responsibility for this delay. The delay compensation calculated in the MIS for these transactions is Rs. 20.94 lakh while the unaccounted compensation is more than three times the calculated amount; Rs 65:24 lakhs. The true payable compensation in this case should be Rs 86:17 lakhs. Who bears the accountability for this delay?

In contrast, Kerala is, on an average, taking the shortest time to get second signature on the FTO compared to the other states in our sample. The average time taken to put the 2nd signature in the FTO in over 6.4 lakh transactions that we have analysed in Kerala, is 26 days. While this is also exceeding the stipulated 15 day period, it is intriguing that the time taken for the release of wages (purportedly from the Centre) to the labourers in Kerala (in our sample) is about 87 days in FY 2016-17. Thus, it appears that the Centre, on its part is taking three times longer than the Kerala state administration in the wage flow process.

Figure 5 : State-wise Variation

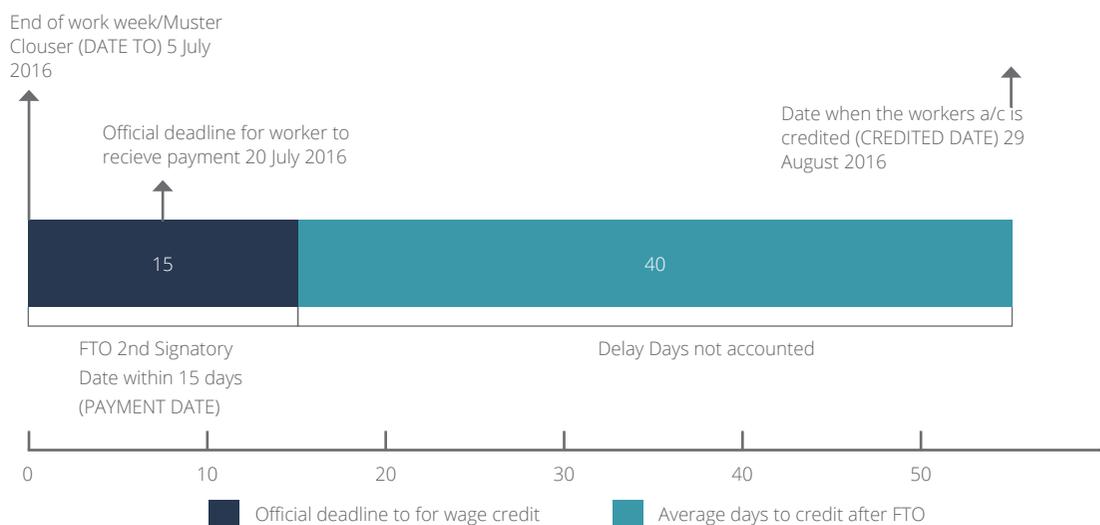


Source : Authors' Calculations

4.2 / Case 2: No Delay Compensation is Being Calculated

This is the case is when the FTO is signed within 15 days of the muster closure, for instance all the FTOs that are signed on or before 20 July 2016 for a work week that ends on 5 July 2016. (See illustration 4). In all such cases no compensation is being calculated at all because the government doesn't acknowledge the delays beyond the FTO second signatory date. The MIS assumes that there is no delay, however, from the point of view of the workers, there is an average delay of 63 days for the sampled panchayats. One can read this from the column titled 'Average Days Taken to Credit into Accounts when the FTO is generated within 15 days' in Table 4. For our entire sample, the delays for about 28.85 lakh transactions are not recorded at all and a corresponding compensation amount of Rs. 9.75 crore is not being calculated for all such cases.

Figure 6 : Delays from Muster Closure Date to Credited Date



Source : Authors' Calculations

As the Table 4 indicates, out of roughly 23 lakh transactions in one year in Kerala where the FTO is signed within 15 days, about 76% of them are not credited on time. Further, on an average, it is taking about 89 days for the wages to be credited to the workers' account. Referring to the Table 6, this seems to suggest that there is delay in funds release in about 76% of the times when the state government is, in fact, doing its job correctly. And, the uncalculated delay compensation amount for this scenario in our sample in Kerala alone in one financial year is about Rs 8.22 crores. It merits mentioning that, it appears that this delay is, prima facie, not the fault of the state government. See steps 6 to 9 in Table 6 that gives some details on identifying the possible agents of responsibility.

As can be easily gleaned from this table, there is much variation in the time taken for disbursal of funds to the state governments when the state governments are doing their job well on time. In Madhya Pradesh, for example, (see Table 4), out of around 1.9 lakh transactions in one financial year for which the second signatory in the FTO happens within the stipulated 15 day period, for around 80% of these transactions, the wages seem to be credited on time. In other words, in only about 20% of the transactions, the average time to credit to the workers' accounts exceeds 15 days. And, even in this scenario, the average time taken is only 6 days. Again, in contrast, it seems to take much longer for states like Bihar where it takes on an average 41 days for wages to be credited for 46% of the transactions when FTO is generated within 15 days. As Table 4 indicates, it's taking 9 days for Jharkhand, 13 days for Chhattisgarh, and 12 days for Rajasthan when these states generate their FTOs within 15 days. Karnataka seems to be on the fringe in this case while Odisha and UP seem to be on the same scale as Bihar. The lack of accountability and flawed method of calculation leads to gross violation of the act since from the labourer's perspective the wages have not been credited in their respective accounts.

Table 4 : Partial Delays are Captured (Credited/Pending and FTO 2nd signature exceeds 15 days)

States	Number of Transactions for which FTO is Generated Within 15 days	# Transactions for which FTO is generated Within 15 days but Crediting to Workers' Accounts Exceeds 15 days	Percentage of Transactions for which Delays are not Calculated	Average Days Taken to Credit into Accounts when FTO is generated Within 15 days	Delay Compensation not Calculated (in Rs)
Jharkhand	511786	157182	31	9	722961
Bihar	142034	65831	46	41	2328290
Chhattisgarh	77016	35521	46	13	200303
Karnataka	260870	88704	34	19	1394841
UP	29551	15938	54	40	360833
Rajasthan	649863	388120	60	12	3092843
MP	194483	39214	20	6	114469
Odisha	176252	93142	53	34	1644133
WB	376953	198415	53	26	3822197
Kerala	2374254	1803628	76	89	82209019
Overall	4793062	2885695	60	63	95889889

Source : Authors' Calculations

4.3 / Case 3: Rejected Payments

There are several cases where wage payments get 'Rejected' in NREGA. Essentially, these are cases of failed transfers to the workers' account. Payments get rejected primarily due to technical reasons such

States	Number of Rejected Payments included in the Delay Compensation Report	Number of Rejected Payments Excluded from the Delay Compensation Report	Total Amount of Wages Rejected (in Rs.)	Amount of Rejected Payments Calculated for Compensation in the MIS (in Rs.)	Amount of Rejected Payments Not Calculated for Compensation
Jharkhand	196	8987	90,87,832	6959	8,24,910
Bihar	715	11545	1,91,01,705	41263	11,42,405
Chhattisgarh	312	1917	13,79,565	20758	85680
Karnataka	758	3714	63,43,833	59984	5,26,388
UP	322	1763	25,31,132	29474	1,66,289
Rajasthan	688	3139	50,30,700	37843	2,83,409
MP	904	3030	29,41,373	23412	88844
Odisha	333	6521	70,83,161	22820	4,23,136
WB	2946	22585	3,95,68,246	3,45,290	24,95,666
Kerala	21	1095	8,34,947	682	49889
Overall	7195	64296	9,39,02,494	5,88,485	60,86,616

Source : Authors' Calculations

as incorrect account numbers in the system, mismatch of names in the account and the Aadhaar etc. We choose to isolate the case of rejected payments because these payments are not available to the labourers till a new FTO is generated for such failed transactions and the entire process of the funds flow process is repeated. Consequently, it could take much longer for the workers to have access to their wages because the norms and the timelines to rectify these errors are unclear. And, it is usually no fault of the worker that their payments are rejected. The labourers, on most occasions, are not aware of how to tackle this problem. Table 5 displays the extent of compensation unaccounted in case of such failed/ rejected payments. For instance, in Bihar, the delay compensation report calculates compensation for 715 transactions when wage payments failed. However, 11,545 failed/ rejected transactions of wage payments did not even get recorded in the MIS as eligible for delay compensation. This again happens because the FTO second signatory date is within 15 days of the muster closure. In case of such failed transactions, we cannot ascertain whether the government considers the first FTO generated before the failure or the new, regenerated FTO, for the purpose of compensation calculation. There appears to be no clarity about this on the MIS. Either way, the amount of unaccounted compensation for all ten states, solely for such failed/rejected payments is a whopping Rs 60.86 lakhs.

5. Recommendations & Conclusion

As we observe in this draft article, there are massive, glaring delays in wage payments to workers. In the FY 2016-17, according to the MIS 42:21 percent of the payments were generated within 15 days. The reported delay compensation for the entire country in FY 2016-17 is around Rs 519 crores. Thus, based on our analysis, if the same trend were to continue, i.e., if 57% of the compensation is not calculated at all, then an additional amount of Rs. 689 crore compensation is not being calculated for the entire country leading to a total payable compensation of Rs. 1208 crores. We would like to underscore that the delays reported are conservative. In practice, it takes much longer for the workers to actually access their wages owing to various other factors such as weak banking infrastructure, lack of transparency, among others. The situation is further exacerbated in cases of postal payments. Some

1. Revise the Method to Calculate Delays

steps that can be taken to ensure that such issues are dealt with are suggested below:

While the law clearly states, In case payment of wages is not made within 15 days from the date of the closure of the muster roll, the wage seekers shall be entitled to receive payment of compensation of delay beyond the sixteenth day of closure of muster roll. The current method by which the delays are being calculated lead to a violation of the spirit of the law. The government should take into account the entire delay until the labourer receives the wages in his/her account. To that end the delay days should be counted from the 16th day after the muster closure, until the credited date.

2. Clear Rules on which authorities are accountable for the delay

There should be clear rules that hold the entire government machinery accountable for delays; both the state government and the central government. As things stand, there appear to be no accountability norms on the Centre for its delays. The revised method of calculating the delays would mean sharing of responsibility of the compensation between the Centre and the states and the norms should be clearly specified and made available publicly. Data on fund disbursement to state governments and the processes followed therein should be available in the public domain. Absence of such well-defined norms implies that the baton of accountability is being passed around from the Centre to the states and vice versa.

3. Transparency

Data on rejection for compensation should be made public. It is important for the authority rejecting the compensation to provide justified reasons and evidence for the same.

4. Credited but not Disbursed

For an alarming number of workers, the NREGA MIS indicates that their payments have been credited but upon updating their passbook, one doesn't notice any payments made to their accounts. This phenomenon is rampant across several states. The workers are clueless regarding the reasons for such events and have no easy recourse. It is important to bring payment delays borne by the workers due to this category, within the fold of delay compensation. Many workers end up making several trips to the banks only to find that the wages have not been deposited while the MIS indicates otherwise. The provision of the compensation clause in the NREG Act, should ideally disincentivize payment delays. As things stand, the large delays are dissuading workers from taking up NREGA work. And the meagre amount of compensation is not providing any buffer to the labourers. There is a need for a well thought out framework to ensure minimal delays in wage payments. In the event of such delays wage seekers must be compensated for the entire duration. While the effort taken to make transaction level data available in the public domain through the MIS is greatly appreciated, there is a legitimate concern that, on several occasions, such as arbitrary powers to reject compensation, the MIS is becoming a tool to subvert the law. NREGA can be a lifeline for a large section of the marginalised in the country and timely wage payments play a critical role in enabling the success of it. We thus hope that the findings of our ongoing study are taken in the spirit of improving the processes leading to a more transparent, fair, and efficient implementation of the Act.

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Appendix

Table 6 : MGNREGA Wage Payment Steps

MGNREGA Wage Payment Process

No	Activity	Description	Responsibility
1	Muster Roll is closed	Muster roll is a document, which record the attendance of workers at the worksite.	State government
2	Data entry of muster roll + measurement book	The details of the attendance and the measurement of the work done are entered into the Management Information System.	State government
3	Generation of wavelist	After these two items are recorded, the wages payable to the worker is calculated and an electronic Fund Transfer Order (FTO) is generated.	State government
4	1st signature on Fund Transfer Order	This is approved electronically by a designated authority. It requires two electronic signatures. Among these the first signatory is responsible for generating the FTO and this is the "maker" portion.	State government
5	2nd signature on fund transfer order	After the first signature, it is electronically sent to the second signatory. The second signatory is called the 'checker', who verifies the order. This then gets pushed as an e-pay order (FTO) onto the MNREGA server.	State government
6	Sent to Public Fund Management System (run by Ministry of Finance)	These files are then pulled from the MGNREGA server to the Public Fund Management System (PFMS) server. The following steps happen at that level: <ul style="list-style-type: none"> Public Fund Management System will send these files to the accredited bank The accredited bank will send the files to the sponsor bank Sponsor Bank will process the files using National Payments Corporation of India PFMS shares responses with NREGASoft 	Central government/ payment agency
7	Sent to State Employment Guarantee Fund - N-eFMS	The PFMS window notionally sends it to the State Employment Guarantee Fund. This bank account under the N-eFMS is solely for wage payments.	Central government/ payment agency
8	Sent to Post Office/Bank	After notionally passing through the State Employment Guarantee Fund it is then sent to the Post Office/Bank.	Central government/ payment agency
9	Deposited in workers account	The Sponsor Bank deposits the money into the worker's account.	Central government/ payment agency

Source : Authors' Calculations

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