

## **Executive Summary**

Timely payment of wages has emerged as one of the main challenges of MGNREGA over the last few years. As per section 3(2) of the Act, wages to the labourers have to be paid on a weekly basis and in any case not beyond 15 days from the date on which work was done. Against a backdrop of growing number of workers whose wages were unpaid or for vendors who supplied materials, the Government introduced a MIS based system of fund management, called Electronic Fund Management System (e-FMS). It came into effect during 2012-13, and by the end of financial year all the districts in Karnataka were under this new system of fund management. With a view to assess the impact of e-FMS, an evaluation study was undertaken to answer the following key questions:

1. If e-FMS system reduced the time in receiving wage and material payments?
2. Whether this system reduced intervention of middlemen and instances of corruption?
3. Has the system avoided parking of funds?
4. Are the beneficiaries able to withdraw money from the banks as and when required or do they face difficulties in dealing with banks with respect to withdrawal and any other issues?

In addition, there were over a dozen evaluation questions that were answered in this study. These questions pertained to issues such as the functioning of grievance redressal system, capacity of the personnel handling the software, issues pertaining to training, payment of compensation for unemployment and delayed wages, elimination of the role of middlemen and improved transparency in the system, etc. Evaluation was carried out by a sample involving 4301 MGNREGS workers drawn from 8 districts of the state (two each from the four administrative zones), 62 material suppliers, 920 elected representatives, 293 Panchayat Development Officers. A mix of qualitative (FGDs) and quantitative methods were used besides an extensive desk review of the data made available in MGNREGS' web portal [ <http://mnregaweb4.nic.in> ]. Although evaluation was meant to be for the period 2013-14 to 2015-16, owing to time over-runs and logistic delays, the study covered the period 2013-14 to 2018-19

### **Findings of the Study**

In a large randomly selected sample of 6356 respondents as many as 2055 persons (32.33 per cent) reported that they had never worked even once in any of the MGNREGS works. Such a large proportion of inactive job card holders would dilute the findings of the study on the impact of steps taken to speed up wage payments so they were kept out of the analysis. Instead, data on the

remaining 4301 active job card holders were taken into consideration for data analysis. Among them, 3417 persons (79.45 per cent) had worked under MGNREGS at least once. Although, those who had worked at least two times (18.39 per cent) were much smaller in proportion, there is clear and strong relationship between timely or delayed payment of wages and the frequency of working under the scheme's projects. In other words, whether or not a worker remains active job card holder and works for wages in subsequent years was strongly predicted by whether or not wages were paid on time or there had been a delay. Timely payment of wages acts as an incentive to work on MGNREGS projects. Statistical 't' value in this regard was 7.944, which is considered to be significant.

The social category of respondents – in terms of whether they were grouped as SC, ST, OBC or General – and the frequency of their working in MGNREGS too is quite strongly related, with a 't' value of 3.172 at a significance level of 0.002. However, landownership status of the job card holders has a greater predictable value than their caste origins, in determining whether they work more frequently or less frequently. The 't' value in this respect is 4.942

One important finding of the study was that there is a widespread practice of work carried out of by hired workers elsewhere, or by use of machineries (JBC – an earth moving heavy vehicle, Tippers, etc) while showing that the works have been carried out by the registered workers. Presence of a large section of inactive job card holders, who reported 'never having worked', incidence of middlemen and or contractors (*Mestris*) to register seeking employment on behalf of the workers, and finally, lending out bank's Debit cards for withdrawal of wages deposited – all throw open the question of how dependent are workers upon employment guarantee schemes.

Most respondents reported not possessing their job cards at the time of interviews claiming that had handed over the cards to the GPs for either updating them for linking with Aadhaar Numbers or inserting or deleting names of workers, etc. Therefore it was not possible to obtain information pertaining to the specific projects they had worked on. Nor was it possible for us to determine whether or not digitally the particulars were authentic. The study had to depend on the stated opinions of the respondents in nearly all the cases.

Out of a sample of 4301 persons, 75 per cent had reported that there was no delay in wage payments in recent years, and that the delay was gradually declining ever since e-FMS had been introduced. Among those who reported delays, a larger section was from Yadgir (39.6%), Dharawad (37.0%), Dakshina Kannada (34.5 %) and Uttara Kannada (33.0%). More than technological factors, the delay was owing to the absence of signatories in office when required,

mismatch between the account particulars and what was stated in the wage bills, and the delay in preparation of wage bills by the team leaders (*Mestris*). Although these problems were also reported in the other districts, some districts experienced more frequently than the others.

The story is no significantly different for the material suppliers, 62 of them. Not one of them reported timely payment of their dues, the average time required ranged from 90 days to over 150 days. Their grievance was that there is greater administrative emphasis on clearing wages for workers than to the material suppliers.

At the field level, responses from wage workers was that they preferred e-FMS mode of payment directly to the Banks while material suppliers were not so much in preference. They did not seem to be as comfortable with the transparency of the processes. For, material suppliers are also '*Mestris*' and they find it hard to deal with inactive workers in registering demand for employment, submitting wage claims and finally having to run behind the workers to withdraw money that may have been credited.

The desk data review, however, shows a different picture. Not only is there an evidence of reduction in delays in wage payment, there is a strong evidence of increased rate of acceptance of work when offered in the years of e-FMS. Given the strong association between timely wage payment and incidence of working on MGNREGA, the enhanced rate of work acceptance demonstrates the positive effect of timely wage payment through e-FMS. This is true of all the districts in the sample and in the state as a whole. This trend is applicable to those who worked for full 100 days in a calendar year.

The second most important impact of improved timely wage payment is reduction in the number of times that the workers had to visit an ATM kiosk or the bank to ascertain whether or not wages had been credited. Going by the statements made by the respondents, the frequency had come down from over six times of visit to the bank to 3 to 4 times. The PDOs, in turn, pointed out that the anxiety of whether or not wages were credited leads them to start going to the bank from the very next day of FTOs being signed and uploaded. Yet, there continues some delays beyond prescribed time limit of 3 days (T) because of unavailability of one or the other signatories on time, not having the Book of Measurements certified by the concerned official (Block level Engineers), hardware problems such as breakdown of computers, unavailability of internet when needed. Delays are also due to lack of available funds and not reconciling payments on time. Unfortunately for the evaluation, it was not possible to access the data at Bank level to assess the time taken to process and credit the payables once the FTOs have been uploaded. For, the problem persists

owing to gap between FTO and actual credit of money into the accounts. Not merely the workers, even the officials at the GP level convey the message to workers and/or *Mestris* that mere digital signing of an FTO amounts to the money having been credited soon after.

There is a continued decline of individual bank accounts for each worker, and crediting of the proceeds separately for each worker's bank accounts. Not all of them have bank account linked with their job cards; the less educated or less informed worker has to depend on trusted ones whom we may refer to as 'Banking Middlemen', to assist them to make a transaction in the bank or at the ATM kiosk. All these add to the costs of transaction with a bank. To add to the hardship the workers would often take the trouble to go by foot, or a vehicle to a kiosk only to find that 'the machine is out of order,' 'no cash available,' 'no electricity or power supply', or that wage has not been credited. Just as bank accounts and Aadhaar numbers are being linked to the Job Cards, so too there must be a compulsory option of SMS alerts to inform any debit or credit into the account. Better still, as and when wage payment is approved and money credited into the account concerned, a registered mobile phone should receive a special SMS in the local language to inform money have been credited. This facility will save at least one or two trips to the bank or ATM.

Taking the sample as a whole, we find that 41.25 per cent of respondents reporting access to a commercial bank at less than a kilometer of distance. This is indeed a good feature of rural banking service in the face of ambitious introduction of e-FMS. About 40 per cent of workers have the option of going by foot to the bank to check on their accounts and / or to operate their accounts. If we include with this group another having bank at a distance of between 1.00 to 2.50 kilo meters, we have over 55 per cent beneficiaries having bank facility at less than 2.50 kms. Those with a bank at 2.51 to 5.00 kms make up 25.53 per cent and as a whole over 75 percent make up having a bank at less than 5.00 kms. However, a focus on our sample districts, Yadgir and Uttara Kannada districts, we are led to witness quite a high share of those with the bank at over 10 kms. of distance. In Uttara Kannada this distance is shared by 25.07 per cent while in Yadgir the share is even larger (37.29 respondents). Indeed, much of the criticism that our respondents had against e-FMS was owing to a fear over possibility of crediting of wages which in turn may be adjusted against outstand loan amounts or towards interests due. As a few Bankers pointed out, one of the reasons for complaints against delayed payments is because many MGNREGS workers may not be clear as to which account may have been linked to e-FMS transactions.

From the point of the evaluation, what is crucial to know is that most persons who were reporting the number of visits made to check on bank were also emphasizing that the incidence has now declined considerably. This is because they do receive the wages much sooner than before.

However, while evidence suggests that e-FMS has improved timely wage payment, and minimizing of parking of funds, the field data suggest that a) much delay is prior to uploading of the digital data or signing of FTOs; b) the functionaries at the GP or TP are unable to follow up on delayed payments once the FTOs are digitally signed; c) and that there is a need for an improved system of flow of information over the delays at the nodal bank level. Finally, compensation for delayed wage payment – whether the delay is at the GP/TP or ZP level or at the nodal bank levels – attempts need to be made for an automated generation of alerts for delay compensation due. As such claiming of compensation voluntary by the workers or vendors has been almost non-existent as a practice.

Two broad generalisations may be made in respect of gender differences in the study's findings: first that any difference in respect of gender differences that there may be is only narrow, and certainly not more than eight per cent points between men and women. Secondly, any difference that is found is more out of pre-FTO or post-deposit phenomenon than it being due to e-FMS as such.

### **Recommendations**

A few recommendations are submitted as part of the evaluation. If found acceptable, some of these are to be followed up with the Union Government; since the programme and especially the softwares are centrally designed and made use of. State governments may not have the freedom to modify them.

1. Notify the basis for rejecting FTOs, rejecting claims for delay compensation and unemployment allowance to make e-FMS more transparent and accountable. [Pp. 70- 72; Table 14].
2. Minimize or streamline the pre-FTO transactions so as to hasten the digital signing of FTOs. [Table 7 to 10]
3. Enable the software to generate automatic alerts of payments rejected or delayed by the Bank; compensation to be paid for delayed payment and / or unemployment allowance to workers. Such alerts should reach both the GPs, and the affected workers. [Pp. 85-90; Table 19 and Figures 26 to 29].
4. Make it mandatory for the Banks to send out SMS alerts, free of costs, to indicate the status of claims submitted – for claims for wages, compensation and / or unemployment allowances. [Pp. 85-90; Table 19 and Figures 26 to 29].
5. MGNREGS workers are to be trained in regard to banking procedures including operating the ATMs. [Pp. 87-89; Figure 29].

Evaluation of Impact of Wage and Material Payments to the Beneficiaries (Labourers & Suppliers) through e-FMS since Inception of the System under MGNREGA in Karnataka.

6. Urgent need to upgrade the computer and software skills of DEOs and Bill Collectors. [Tables 9 and 10]
7. Offer incentives to PDOs to involve themselves in e-FMS work, especially in acquiring skills of computers and software applications. [Tables 9 and 10.]
8. Institute a formal registration of grievances – whether about delay in payment of wage and material costs, or other matters pertaining to MGNREGS. [Table 22 and 24]. Grievances, once registered, should be brought under the orbit of *Sakala* programme of the Government of Karnataka.
9. Take steps to fill up vacancies at the GP, Block and District level of key functionaries, especially those dealing with e-FMS technology in keeping with the growing volume of work and varying nature of grievances. [Tables 21 and 22]