

# Aadhaar linking cuts NREGS wage delays, fund transfers also increase

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New Delhi: Linkage of MGNREGS accounts with an Aadhaar-linked payment (ALP) system significantly boosted efficiency of wage transfers, doubling funds transferred and increasing work allotted in times of distress as compared to previous years when demand actually dropped during economic stress due to leakage and delays in payments.

An Indian School of Business study that examined annual data for blocks which had drought conditions in financial years 2012-2017 showed clear changes in the pre- and post-ALP system with regard to work generated, individuals and households benefited and the speed and volume of bank transfers that point to an increased uptake of the workfare programme.

On a broad scale, irrespective of distress conditions, there was an increase of over Rs 2 crore in amount disbursed in banks after ALP. There was a manifold rise in direct transfer beneficiaries with funds transferred in FY 2015 totalling over Rs 9 crore and the figure rising to Rs 14 crore in FY 2016, a 50% jump in a year.

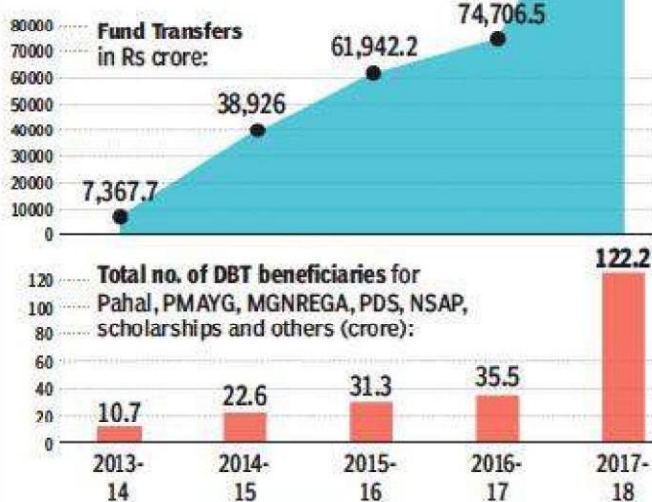
In the post-ALP period, the average of individuals and households allotted work increased by 12,597 and 7,579. In the pre-ALP period, households and persons demanding work declined across blocks facing drought — delayed payments and leakages made those seeking succour look for more immediate, even if less paying, options to tide over the bad times.

"We have looked at the annual data and analysed distress in terms of a 75% or

## FASTER TRANSFERS

### BEFORE AADHAAR-LINKED TRANSFERS:

Multi-level system from gram panchayat to state HQ made MGNREGA prone to delays and corruption. During economic distress, work allotted declined instead of increasing



**POST-AAADHAAR LINKED PAYMENT:** Funds transferred to banks increased from Rs 9.2 crore to Rs 14 crore from FY15 to FY16. Work allotted for households and individuals increases by 8.35% and 20% in drought-affected blocks. Faster wage transfers make MGNREGA 'counter cyclical' or ensure demand rose in economic distress

50% deficiency of rainfall and also in terms of high temperatures. These can be seen to be conditions that cause rural distress," said ISB's Prof Ashwini Chhatre, who said ALP made the scheme "counter cyclical" — higher demand in times of economic distress. This was in contrast to the scheme being "cyclical" (demand dropping when economic activity shrinks) which defeated the purpose of MGNREGS.

The target population seemed to have learned of quicker payments with the provision of jobs becoming counter cyclical, with an increase of 625.62 (households) and 2,492.84 (persons) allotted

work. When compared to an average of 7,477 households and 12,433 individuals, there was an increase of 8.5% and 20%. The study, 'A Friend Indeed: Does the Use of Biometric Digital Identity Make Welfare Programmes Counter-Cyclical', was authored by Shradhey Parijat Prasad, Nishka Sharma and Prasanna Tantri. "The magnitude of increased work in distressed blocks is higher in post-ALP. We also find that the total muster rolls filled and total persons worked increases in distressed block years only after implementation of ALP," they wrote.

Chhatre said the paper did not examine exclusions and

there were reports of delays in terms of transfers between the Centre, states and banks. But on the whole, the volume and speed of transfers, as seen by annual data, had gone up, aided by rules requiring fund transfer orders to be prepared within 15 days of work done.

The policy implications are significant as with MGNREGS becoming counter-cyclical, any increase in demand could well indicate signs of stress. These need not be related to deficient rainfall, that can be mapped through meteorological means, but also point to specific and localised reasons that can prompt governments to launch closer investigations.

The big difference in ALP is that it does away with the cumbersome old payment system that was multi-layered — gram panchayats notified mandal offices which passed on the payment demand to state offices which then cross-checked and released funds that travelled down from district to mandal offices and were transferred to gram panchayat accounts for final distribution to beneficiaries.

The government's drive to generate bank accounts through the Jan Dhan Yojana that also sought linkage with mobile phones and Aadhaar made verification of identity and the poor beneficiary's access to her account a much more efficient and foolproof process while eliminating a host of intermediaries.

Post-ALP, the increase in average number of muster rolls filled was 5,727 and the average of households that reached 100 days went up to 621 households. The average person days worked was 3,26,019 days. On an average, amount disbursed to bank accounts was Rs 2.7 crore.