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Thoutam Ramu
Research Scholar, School of
Inter & Trans Disciplinary
Studies, IGNOU, New Delhi,
Delhi, India

MGNREGS: Challenges and opportunities in the implementation of digital payment systems

Thoutam Ramu

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Abstract

India's Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is the largest wage employment programme in the world with about 25 crore registered workers and nearly 10 crore active workers. It is the only scheme which came into effect by an act of parliament in the history of India's rural development or poverty alleviation programmes. Its objective is to provide livelihood security to rural households by providing at least 100 days of wage employment in a financial year. MGNREGS guidelines 2006 provided for the payment of wages to workers within (15) days of closure of muster. Government of India has been implementing digital payment system known as Direct Benefit Transfer (DBT) from 2013 in the payment of Wages to NREGS workers. It is ensuring transparency and accountability in the system.

This digital payment system is largely successful with about 70,000 crores payment to nearly 9.5 crores active workers in 2023-24 financial year. Thus DBT/ Digital payment system is ensuring timely payment of wages to workers without any inordinate delays and avoiding multiple levels. This system has also eliminated middle men, brokers corrupt practices from the system. It also eliminated ineligible and duplicate beneficiaries from receiving Govt. benefits. Government has saved about 42530 crores of NREGS funds by implementing digital payment system upto March, 2023.

Besides these opportunities, there exists several challenges and bottlenecks in the implementation of DBT in MGNREGS. Large number of workers from disadvantaged and vulnerable sections of the society lack financial literacy financial inclusion and even digital financial inclusion. Many workers are still without Bank or Post office Accounts and Aadhaar number. Hence this article focuses on contemporary challenges in the digital payment/ DBT system in the implementation of MGNREGS. It also provides for systems and approaches to convert these challenges into opportunities so that NREGS scheme leads to inclusive and sustainable development in the country.

Keywords: MGNREGS, digital payment system, Direct benefit transfer (DBT), wage employment, livelihood security

1. Introduction

Mahatma Gandhi National Rural Employment programme (MGNREGS), marks a new paradigm shift in the history of India's poverty alleviation and rural development programmes. It came into effect by an Act of parliament with effect from 02.02.2006. It was first implemented in the selected 200 districts of the country in 2006 and later extended to 130 more districts in 2007. It became operational throughout rural India with effect from 1.04.2008.

Its objective is to provide livelihood security to rural poor households by providing a minimum 100 days of wage employment in a financial year. It also aims at creating durable community assets besides providing guaranteed wage employment to poor households. The works taken up under MGNREGS include water conservation, soil conservation, afforestation, horticulture, land development solid waste management etc.

"The non-negotiables" in MGNREGS are historical and revolutionary. These include payment of wages to jobseekers within 15 days, equal wages for equal work; provision for unemployment allowance, ban on the use of machines and contractors. Further, panchayat raj institutions (PRIs) are given greater role in the implementation of MGNREGS right from planning to monitoring and evaluation. Gram panchayat is the implementing authority of MGNREGS at village level.

There are nearly 25 crore registered workers and 10 crore active workers in MGNREGS. So

Corresponding Author:
Thoutam Ramu
Research Scholar, School of
Inter & Trans Disciplinary
Studies, IGNOU, New Delhi,
Delhi, India

far, 221.19 crore person days of employment was generated to rural poor households. Besides the person days, 8.80 crore of durable community assets were created so far since its inception.

"MGNREGS has been a largely successful programme wherein India withstood the odds while the whole world including USA and Western Europe experienced the adverse effects of economic depression in the year 2008. Besides providing employment and livelihood security, MGNREGS is ensuring inclusive development with nearly 37% of SC, ST active workers and nearly 58% of person days availed by women jobseekers.

2. Objectives

1. To study the digital payment systems or Direct benefit transfer (DBT) in MGNREGS
2. To examine the opportunities in the implementation of digital payment system/DBT under MGNREGS
3. To examine the major challenges in the implementation of digital payment system/DBT under MGNREGS
4. To suggest or recommend the potential solutions for converting the challenges into opportunities under MGNREGS.

3. Methodology

The research study is based on the secondary data. The secondary data is extracted from the sources like Ministry of Rural Development (MORD) and NITI Aayog websites, Press Information Bureau (PIB) press releases, various reports and documents published by MORD, Cabinet Secretariat, various research articles published in journals and magazines.

4. Digital payment systems in MGNREGS

MGNREGS guidelines 2006 provide for the payment of wages to workers within (15) days of closure of muster. Thus it is an entitlement or right of the NREGS workers to receive the payment of wages for the work done by him.

In this context of timely payment of wages to workers, digital payment system assumes significance. Digital payment system can be defined as "the system of payment in which benefit or amount or wages are paid through digital mode i.e. electronic fund transfers".

4.1 Direct Benefit Transfer (DBT)

Government of India has been implementing digital payment system known as Direct benefit transfer (DBT) in MGNREGS in the payment of wages to workers w.e.f. 2013. Direct benefit transfer (DBT) system is "a process of transfer of benefit or amount or wages directly in to the accounts of beneficiaries or workers through JAM (Jan Dhan, Aadhaar, Mobile) trinity. Thus the payment of wages are made to 12 digit unique Aadhaar Code which is seeded with bank or post office account and mobile number through ABPS (Aadhaar based payment system). It ensures timely payment of wages and further increases transparency and accountability in the system.

Prior to 2013 only 37% of wage payments to workers are made through digital mode. Whereas since the introduction of new digital payment system i.e. DBT from 2013, the digital payment of wages reached 99% in 2018-19 FY according to the MORD (Ministry of Rural development) claims.

Since 1st January 2024, Government of India has made it

mandatory for all NREGS workers to receive the wages only through Aadhaar Based payment System (ABPS) only.

4.2 Step by step process of ABPS

The sequence of steps involved in ABPS is listed below

1. All NREGS worker's Aadhaar numbers shall be entered in the NREGS database i.e. 'NREGA Soft'.
2. Aadhaar number seeding of bank accounts by the banks concerned and shall be mapped with National payment corporation of India (NPCI) mapper.
3. When the pay order (Fund Transfer order FTO) is released by the programme officer (PO) of the Block/Mandal concerned, NREGA shares the files with PFMS(Public Fund Management System).
4. PFMS in turn shares the file with state sponsored banks.
5. Then state sponsored bank processes these payments through NPCI, debits the account, credits the amount into beneficiary's account Bank/ post office.

5. Results and Discussion

5.1 Opportunities in digital payment systems of MGNREGS

Digital payment system through DBT has revolutionized the wage payment system and brought in numerous opportunities to all the stake holders involved in MGNREGS.

1. It is ensuring timely payment of wages to workers. As per the MORD claims, 92% of the wage payments to NREGS workers are paid within 15 days of closure of muster. Thus, it has reduced the delayed payments to a larger extent.
2. Deduplication: Digital payment system (DBT) eliminated duplicate or triplicate beneficiaries. (I.e. Same beneficiary occurring multiple times), with 12-digit unique Aadhaar Id.
3. It eliminated ghost beneficiaries (dead or non-existent) from the system from getting benefits. For example, in Telangana and Andhra Pradesh alone 13-15 lakh dead, duplicate, migrated beneficiaries have been weeded out.
4. It minimized the multiple levels of fund transfer from centre, State, District, Block, Gram panchayat and ultimately to beneficiary.
5. It has increased openness, transparency and accountability in the scheme.
6. Another important opportunity is the elimination of middlemen, contractors, brokers from the system and plundering of public funds
7. It reduced the corruption at multiple levels and thus enhanced the integrity in the scheme.

This digital payment system and DBT was largely successful with about 70,000 crore rupees DBT payments to nearly 9.5 crore active NREGS workers in 2023-24 financial year. According to the MORD reports, Government have saved about 42,530 crore rupees of public money by implementing digital payment system (DBT) up to March 2023.

5.2 Major challenges in digital payment system of MGNREGS

In spite of the opportunities and benefits reaped through digital payment system/DBT under MGNREGS, there exist several contemporary challenges which need to be addressed for improving the efficiency of payment service

delivery under MGNREGS. Timely payment of wages to NREGS workers has been the major challenge in the implementation of digital payment system/DBT, till today, Also payment failures during backend processing is a cause of major concern. Major challenges in the implementation of digital payment system / DBT are listed below.

5.2.1 Aadhaar related errors

After Aadhaar enrollment of NREGS workers Aadhaar details have to be entered into NREGA Soft. These details have to be authenticated with aadhaar database. Spelling errors in the names, wrong entry of 12 digit Aadhaar Id number, finger print mismatching have been the most common Aadhaar related problems faced by the NREGS workers due to which their wage payments could not be made within 15 days.

5.2.2 Bank Account related issues

Bank Account related issues include wrong entry of bank account numbers in NREGA data base (NREGA Soft) KYC (Know Your Customer) and its updation etc., Sometimes bank branches closes the accounts of NREGS workers for the want of KYC updation due to which their wages could not be credited into their accounts. Also improper seeding of aadhaar with the bank account by the concerned bank is a cause of great concern.

5.2.3 Pay order (FTO) generation related issues

Many a times inordinate delay in the payment of wages was due to

1. Late submission of muster (labour attendance) reports by the Gram Rozgar Sevak (GRS) / Field Assistant (FA) to the Mandal/Block Computer Centre (MCC).
2. Non-entry of attendance by the data entry operator (DEO) of MCC within (2) days of closure of muster.
3. Delay in the measurement of work by Technical Assistants (TA) or Bare foot Technicians (BFT).
4. Delay in the check measurement of works by Engineering Consultant (EC) or Junior Engineer.
5. Delay in the generation of wage list by data entry operator (DEO) at MCC.
6. Delay in signing of FTOs by signatories within 8 days time.

5.2.4. Lack of IT Infrastructure at GP level & Block level

Most of the Gram panchayats and Blocks are taking hardships due to insufficient IT infrastructure like computers, printers, poor broadband/internet connectivity, low speed of internet and power problems which are responsible for delay in processing of payments.

5.2.5. Lack of financial and digital financial inclusion

India has been still confronting with poor banking infrastructure in rural areas, lack of bank branches in remote villages, under staffing and network and server problems are leading to the financial exclusion. Poor digital literacy levels in rural areas is also responsible for payment related issues under NREGS. Although opening of about 50 crore zero balance Jandhan accounts under Pradhan Mantri Jandhan Yojana (PMJDY) during the last decade (2014-24) has improved the inclusion status. But still much need to be done in the last mile service delivery.

5.2.6. Problems in last mile service delivery

Digital payment system/DBT has many layers of authorities but cutting edge point of contact with beneficiary for encashing the wage amount is critical in the entire payment system. The beneficiaries are facing hardships in visiting bank branches several times coming all the way from remote villages for withdrawal of their hard earned wage money. RBI's new initiative of Bank or Business Correspondent (BC) system has been reducing this last mile service delivery problem to some extent. But these BC's are not sufficiently trained, and are paid with low commissions. These factors are hindering their work performance in delivering payment services to the last mile.

5.2.7. Lack of awareness about receiving wages by beneficiaries

It is very pity that most of the times NREGS workers are not aware of as to why their wages have not been credited into their accounts. They do not know the reason as well as whom to approach and how to approach for getting their hard earned wages.

5.2.8. Incorrect notion of definition of 'wage paid' by MoRD

Ministry of rural development (MORD) is considering FTO generation itself as wage payment to NREGS workers. But even after the generation of FTO the wages of many wage seekers have not been credited into their accounts for months together due to the 'rejected payments' and 'suspended payments' on account of above discussed technical problems. In all such cases, it is improper to consider the workers as workers of receiving timely payments (within 15 days).

5.2.9. Lack of strong and robust grievance redressal mechanism

Many a times NREGS wage seekers find in ignorance as to approach whom and how in case of non-receipt of their wages. Lack of strong and robust grievance redressal mechanism at field level especially Gram Panchayat/ Block levels is a cause of great concern.

6. Recommendations

The following recommendations are made and utmost necessary so as to further improve the digital payment system in reaching the benefits to the last mile.

1. Creating awareness among NREGS workers about the digital payment process/DBT system through Information, Education & Communication (IEC) campaign.
2. The regular publication of payment failure data in Grampanchayat and at NREGS work sites would improve the payment system and transparency in the scheme.
3. Greater coordination is required between various stakeholders and organisations involved in the payment system/e.g. such as RBI, National Payment Corporation of India (NPCI), Core bank, state sponsored banks, post offices and the Rural development department.
4. Regular distribution of wage slips every fortnight to the NREGS wage seekers at Grampanchayat office or worksites. So that NREGS workers will come to know about their wages receipts
5. A strong and robust grievance redressal mechanism at

Grampanchayat and Block offices must be instituted. First Monday of every fortnight may be designated as public hearing day at GP/Block levels for hearing and resolving payment related problems of NREGS workers.

6. Further the Lead District Manager (LDM) of lead bank of the district can be designated as District grievance redressal authority for resolving payment related issues.
7. Banking or Business Correspondent (BC) system must be strengthened by imparting training under Deen Dayal Upadhyaya Grameen Kaushal Yojana (DDU-GKY) and making their activity viable. Also more women BCs may be involved by selecting from among SHGs in their respective villages.
8. More trained Bare foot Technicians (BFTs) have to be engaged to overcome delays in the measurement and check measurement of works.
9. More Effective and monitoring mechanism on timely digital payment systems/DBT must be established to ensure timely payments.
10. Banking infrastructure has to be improved in rural areas and particularly in remote villages. In addition to bank branches and BCs, Fair Price Shops (FPS) Agricultural Credit Cooperative Societies (PACS) need to be involved in providing last mile payment service delivery to NREGS workers.
11. IT Infrastructure has to be improved in Gram panchayat and Block offices by providing high speed broad band internet connectivity, sufficient number of computers, printers and UPS.
12. Wage seekers data base (NREGA Soft) has to be purified with regards to their Aadhaar, Bank Account, Mobile numbers, Job card etc by conducting "database purification week" to reduce Aadhaar, Bank Account and seeding related issues in the payment of wages.
13. Training and capacity development of cutting edge NREGS functionaries like Gram Rozgar Sevak (GRS) Technical Assistants (TA) data entry operators (DEO's) must be given once in every year during lean agricultural season for timely submission and data entry of musters.

7. Conclusion

It is beyond doubt that MGNREGS is largely successful wage employment and livelihood security programme to rural poor households in India in the last two decades. It is also a constructive programme in terms of creation of durable community assets in rural areas. The introduction of digital Payment system/DBT In 2013, has improved the timely payment of wages to NREGS workers increasing the percentage of timely payments to 92%.

In spite of these novel initiatives, there exists contemporary challenges in the timely payment of wages and providing last mile service delivery to NREGS workers. The measures such as purification of NREGA database (NREGA Soft), training and skill development of field level NREGS functionaries, strengthening of banking infrastructure in rural areas and IT infrastructure at Grampanchayat/Block level coupled with strong and robust grievance redressal mechanism would go a long way in improving the last mile-payment service delivery system in MGNREGS. Ministry of Rural development (MORD) and NITI Aayog and state Governments have to take these collective measures so as to make the implementation of MGNREGS effective which

leads to inclusive and sustainable development in the country.

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