

# Examining the Role of ICT on Financial Inclusion in World's Biggest Public Employment Programme in Uttarakhand, India

## EXECUTIVE SUMMARY

This study examines how deployment of ICT in public employment programme is improving e-governance making and helping the workforce to access banking services for receiving their wages. The study draws on field work done among 118 Mahatma Gandhi National Rural Employment Guarantee Act (hereafter NREGA) beneficiaries in Chamoli district, located up in the Himalayan State of Uttarakhand, India. The beneficiaries of the promised 100 days employment guarantee scheme are finding work only for 36 days.

## INTRODUCTION

NREGA is the largest employment guarantee program in the world — guaranteeing 100 days of unskilled manual work to all rural households in India. NREGA affect 251.9 million beneficiaries or 15 per cent of India's population. The scheme is socially inclusive for 50% of the beneficiaries are women and 37 % belong to socially marginalized scheduled caste (20.26%) and scheduled tribe (16.62%) communities. The Act actually gives rural households the right to work — making it obligatory for the State to give them work on demand.

Implementation of NREGA is critically dependent on the smooth functioning of a computer based Management Information System through an ICT network interconnecting all the village council (called gram panchayat or GPs in short), blocks, districts, state capital and the Ministry of Rural Development (MoRD), Government of India, which is responsible for the effective execution of the scheme. Four major components contribute to making the NREGA end-to-end ICT-enabled eco-system, viz. (1) An information kiosk housing text-to-voice enabled and touch screen computers with biometric access to work details, job enrolment, and accrued wages, (2) A biometric and GPS verified attendance tracking system for formulation of worksite muster roll, (3) A community radio for promoting Scheme

awareness and encouraging critical dialogue, and lastly (4) A Web-portal displaying latest about activities at GP, Block, District, State and national level.

Nearly 100 million bank or post office accounts have been opened under NREGA (Government of India, 2014) and around 95 per cent of NREGA payments are made through this route.

## METHODS AND RESULTS

Mixed methods was used in this research. Data was collected in the month of February and March 2017 from 118 randomly chosen households. 79% of the respondent were women. Six focused group discussion was also conducted to elicit the views of NREGA beneficiaries, members of elected village council, government officials, and ordinary villagers. Two key informant interviews were conducted with a NGO leader and a Block Development Official. Extensive use of the NREGA website was made to collect information related to Chamoli district.

The district has 132 bank branches, 78 Business Correspondents, and an estimated 35 functional ATMs. The district has 8 post offices. To put this in perspective, each of the 140 bank and post office branches caters to on an average a population 2645 persons in the district. There is a bank or post office branch every 57 square kilometers.

## RESULTS, AND DISCUSSION

*Findings 1: NREGA promise of 100 days of work on demand has remained a distant dream for workers in Chamoli.* In 2016-17, 8324 households in Chamoli district were provided 131,832 person days of work. This works out to be a mere 15 days of work per household. The average number of days of employment in our sample survey was provided was 36.2 days, much below the stipulated 100 days by the NREGA.

*Findings 2: Most beneficiaries use basic banking service for withdrawals and deposits.* 106 respondents received their wage payments via banks while only 12 respondents received through post office accounts. 101 beneficiaries had joint

accounts with their spouses or children. 85 respondents, nearly 72% of the sample, opened the bank/ post-office account specifically to receive NREGA payments.

*Findings 3: Financial deepening particularly use of credit and insurance products have not taken off. None of the Jan Dhan Yojna account holders among NREGA beneficiaries sampled have received overdraft facility on their accounts even after six months of satisfactory account operation. Jan Dhan Yojna account holders are eligible for overdraft facility after six months of account opening. Only nine households have ever borrowed or taken a loan in the last 3 years.*

*Findings 4: Beneficiaries trust face to face banking, rather than doing transactions through connected devices. Also, most have basic phones. With the spread of smart phones, and better internet connectivity in Chamoli, mobile phone banking is likely to increase. None of the beneficiaries use mobile phones to conduct financial transactions. 51 beneficiaries (43%) use debit card for vendor payment and cash withdrawal. On the whole, 32 beneficiaries (27%) mentioned using mobile phone to access bank account, receive message of transaction by SMS.*

## CONCLUSIONS AND RECOMMENDATIONS

- 36 days of NREGA work is too low to have any meaningful impact on the income of the households and generate a surplus for savings kept in banking channels. At the minimum, the number of work days offered should not be less than 100 days to coincide with lean agricultural period.
- Our focus group discussions indicated that ghost NREGA clients may be as large as 20% of the registered beneficiaries in the district. Aadhaar (national unique identity number) seeding of all Job Cards and bank/PO accounts would minimize the instance of fraudulent payments. The Fund Transfer Orders issued should automatically match job card and Aadhaar card details for proper identification of the beneficiary. GPS-tagged photos of

assets created along with expenditure incurred by NREGA may be posted on the NREGA website to improve transparency, and allow voluntary inspection by citizens.

- Currently, the delay in paying wages extends between six months to one year. The Government must pay punitive interest charge of 18% per annum on any wage bill remaining unpaid beyond the stipulated time of 14 days.
- It is recommended to cut down delays in wage payment. Since Government of India (GOI) pays 100% of this labour component, it is suggested that Programme Officer of NREGA in the Block Office of the District issues a fund transfer order (FTO) for payment to the beneficiaries. Instead of the wage bill making its loops to the district and State capital, the bill could go straight to the Ministry of Rural Development, GOI, which can arrange for direct transfer to beneficiary accounts.

The prerequisite to successful implementation of employment guarantee schemes require robust end to end computer enabled MIS, backed by streamline administrative procedures. Without good administrative practices, ICT in isolation cannot ensure delivery of citizen friendly services.

## SOURCES

Government of India, (2014). *Mahatma Gandhi National Rural Employment Guarantee Act, 2005: Report to the People*, Ministry of Rural Development, New Delhi.

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## AUTHORS

M. Chakraborty | Senior Fellow | Indian Institute of Management Kashipur |Uttarakhand. India | Email: manabc@gmail.com  
Dr. M. Mukerji | Adjunct Faculty | Indian Institute of Management Kashipur |Uttarakhand. India.

