

## Direct Benefit Transfer: A Catalyst for Enhanced Efficiency in Mahatma Gandhi NREGS Implementation

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### Abstract

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is one of the most popular wage-generation and social security programs of the government, providing a hundred days of unskilled employment in a financial year to a household in a rural area. Apart from wages, individuals can also benefit from assets created under the scheme. To overcome delays in wage payments, ghost workers, and frauds, Direct Benefit Transfer (DBT) was implemented. The DBT represents a significant evolution in public service delivery aimed at curbing inefficiencies and ensuring more equitable wage distribution. Traditional cash-based wage payments in Mahatma Gandhi NREGS were fraught with delays, corruption, and pilferage, often undermining the program's objectives of poverty alleviation and rural employment. DBT seeks to address these issues by directly transferring wages into beneficiaries' bank accounts, ensuring greater transparency and accountability. Existing studies highlight the benefits of DBT in reducing delays and leakages in welfare schemes, yet challenges remain in regions with poor digital and banking infrastructure. This paper uses secondary data to assess DBT's role in enhancing the program's performance and explores the effects of DBT on the efficiency of wage disbursement in Mahatma Gandhi NREGS. The authors discuss the challenges faced in rural areas, particularly concerning banking and digital access, and suggest policy recommendations for enhancing DBT's impact by employing a mixed-method approach. Data from government reports, field studies, and secondary literature will form the basis of the analysis. They suggest that DBT has improved Mahatma Gandhi NREGS performance by streamlining wage payments and enhancing transparency and that targeted reforms would maximize DBT's potential in rural development and employment creation.

**Keywords:** *DBT, PFMS, MGNREGS, Wages, Payments*

## Introduction

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is a flagship program of the Indian government that enhances livelihood security in rural areas. It guarantees 100 days of wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work. As of 2024-25, 16.2 crores of households were registered, and nearly 8.1 crores are active workers under Mahatma Gandhi NREGS. Across the country, 1,920 million person-days have been generated, with an average of 41.5 days of employment per household. During this financial year, GoI allotted an 86,000 crore budget, and as of October 2024, 62.34 crore incurred the expenditure with an average wage rate of Rs. 269.50 per day per wage seeker, which will vary by state. By using information technology, digital infrastructure was built to provide transparency and accountability in the scheme's entire gamut workflow. 99.9 % of muster rolls were generated electronically. 98% of job cards seeded with Aadhaar of the wage seekers across the country and 99.8% of wages paid directly to beneficiaries' bank accounts. 57.2 % of women person-days and 41.3% of SC/ST participation were recorded in the MIS of Mahatma Gandhi NREGS ([nrega.nic.in](http://nrega.nic.in)). A total of 2.87 million works have been undertaken, and 10.12 million works are in progress in 2024-25. This year's focus areas are climate resilience, water conservation, rural connectivity, and green energy initiatives—convergence with other schemes enhanced integration with PM-KISAN, Jal Jeevan Mission, and National Rural Livelihood Mission.

## MGNREGS and PFMS Integration

PFMS is an online platform developed and implemented by the Controller General of Accounts (CGA), Ministry of Finance, Government of India. It aims to facilitate a sound public financial management system for the Government of India. Integrating Mahatma Gandhi NREGS with PFMS has been a significant step towards improving the efficiency and transparency of the scheme. This integration has streamlined the financial management of the Mahatma Gandhi NREGS, ensuring that funds are disbursed and utilized promptly and transparently. This integration's key aspects include directly transferring wages to beneficiaries' bank accounts through Direct Benefit Transfer (DBT), reducing intermediaries and potential leakages, enabling real-time monitoring of fund flow from the central government to state governments, and further to implementing agencies. It facilitates the just-in-time release of funds based on actual utilization. With the integration of PFMS, the beneficiaries are getting timely wage payments, which reduces corruption and leakages, thus increasing transparency. For the government, better fund management, enhanced monitoring and control, and data-driven decision-making will happen efficiently.

## **Direct Benefit Transfer (DBT)**

DBT, which stands for Direct Benefit Transfer, is essential in implementing Mahatma Gandhi NREGS in India. DBT enables the government to transfer Mahatma Gandhi NREGS wages directly into workers' bank or post office accounts. This system replaces the earlier methods of cash payments or payments through village-level officials. It ensures that workers receive their total wages without any deductions or delays caused by intermediaries. Before DBT, wage payments often faced significant delays due to various administrative processes and the involvement of multiple intermediaries. With DBT, the payment process is streamlined, and funds are transferred electronically once the work is verified and approved. This has substantially reduced the time between work completion and wage receipt, often bringing it down from weeks or months to just a few days. The implementation of DBT has necessitated that all Mahatma Gandhi NREGS workers have a bank or post office account. This requirement has significantly boosted financial inclusion in rural areas. Many workers who were previously unbanked now have access to formal banking services. This access can lead to other financial services like savings, credit, and insurance.

DBT creates a precise digital trail of all transactions. Each payment is recorded electronically, making it easier to track and audit. This transparency helps reduce ghost workers, duplicate payments, and other forms of fraud. Workers can also check their account statements to verify they've received the correct amount, empowering them to report discrepancies. DBT has made the entire wage payment process more efficient. It reduces the administrative burden on local officials who previously handled cash disbursements. The electronic system allows for bulk processing of payments, making it easier to handle large transactions simultaneously. This efficiency also translates to cost savings for the government regarding reduced administrative expenses. The digital nature of DBT significantly reduces human errors in wage calculations and disbursements. The system can automatically calculate wages based on attendance and work, minimizing computational errors. It also ensures that payments are made to the correct account holders, reducing payments made to the wrong beneficiaries or accounts. DBT allows for real-time monitoring of wage payments at various administrative levels. This enables quick identification and resolution of issues. Many states have integrated DBT with Aadhaar (India's biometric identity system) to add security and accuracy in identifying beneficiaries.

## **APBS in Mahatma Gandhi NREGS Implementation**

The Aadhaar Payment Bridge System (APBS) is a unique payment system implemented by the National Payments Corporation of India (NPCI), which uses the Aadhaar number as a central key for electronically channelizing government benefits and subsidies in the Direct Benefit Transfer (DBT) scheme. Mahatma Gandhi NREGS job card holders' bank accounts are linked with their Aadhaar numbers. When wages are due, the government initiates a payment using the worker's Aadhaar number. NPCI routes the payment to the bank

where the Aadhaar number is linked. The bank credits the amount to the connected account. It ensures payments reach only genuine beneficiaries and thus eliminates ghost beneficiaries. Wage seekers can change banks without updating records with Mahatma Gandhi NREGS authorities.

### **Fallback Mechanisms in Mahatma Gandhi NREGS Payments**

Fallback mechanisms in Mahatma Gandhi NREGS are alternative payment methods and processes designed to ensure wage disbursement when the primary Aadhaar-based Payment Bridge System (APBS) fails or is unavailable. Fallback mechanisms are used when biometric authentication failures, Aadhaar seeding errors, bank account issues, connectivity problems in remote areas, and system downtimes. These fallback mechanisms ensure that Mahatma Gandhi NREGS workers receive their wages even when the primary payment system encounters issues. Implementing these fallback mechanisms has significantly reduced payment delays and worker grievances related to non-receipt of wages. While these alternatives ensure payment, they often take longer to process than the standard APBS method. The goal is always to resolve issues with the primary system rather than relying too heavily on fallbacks. The choice of fallback mechanism often depends on the specific reason for the APBS failure and the local infrastructure available. There's a constant effort to balance the need for alternative payment methods with the security and efficiency benefits of the Aadhaar-based system. The effectiveness of these fallback mechanisms varies across different states and regions, often correlating with the area's overall administrative efficiency and technological infrastructure.

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### **Snippet**

This is a short snippet of work carried out by the authors. They interviewed 800 Mahatma Gandhi NREGS wage seekers in the eight districts of Telangana State. These districts included Mahaboobnagar, Jogulamba Gadwal, Nagar Kurnool, Suryapet, Medak, Siddipet, Nizamabad, and Bhadrachalam. Detailed analysis of the Focused Group Discussions (FGDs) showed that 70 percent of the wage seekers were facing issues with Mahatma Gandhi NREGS payments. The various reasons included:

- 40 percent of the wage seekers are facing trouble in linking with Aadhaar seeding
- 30 percent of the wage seekers are facing trouble with mobile numbers and bank account number link
- 20 percent of the wage seekers are facing links with the Aadhaar, mobile number, and bank account

One of the primary reasons for the above was that the wage seekers had a bank account linked with a mobile number that was not linked with the Aadhaar and vice versa. This led to the loss of wages for the wage seekers despite their doing the work. The issue had been reported to the APO/PO, who immediately reported them to the bank for resolution. It was noted that educating wage seekers on Aadhaar seeding and linking bank accounts and mobile numbers is one of the crucial steps for successfully implementing the program.

The authors also took note of the challenges in implementing fallback mechanisms. It was understood that ensuring timely identification of failed transactions was necessary. One way out of this problem was maintaining multiple payment systems simultaneously. The authors have observed that training ground-level staff in various payment methods will also help resolve the issue of delayed payment or no payment to wage seekers. Balancing security with accessibility is one key point to consider when discussing challenges in implementing a fallback mechanism. Moreover, it is essential to understand that Aadhaar integration in DBT for Mahatma Gandhi NREGS is crucial, and it involves seeding Aadhaar numbers with job cards and bank accounts. Aadhaar is also made for identity verification during work allocation and at the time of payment of wages. The Aadhaar-based payment through the Aadhaar Payment Bridge System (APBS) has emerged as one of the robust fallback mechanisms. It helps reduce fraud and forgeries but has raised concerns about the privacy of Aadhaar card holders and the exclusion of those without Aadhaar. The authors would like to stress that DBT in Mahatma Gandhi NREGS faces several challenges despite its benefits. From the observations drawn in eight districts of Telangana State, it was seen that inadequate rural banking infrastructure, low digital literacy, and technical glitches were common reasons for the failure of DBT through APBS.

The wage seekers had reported that due to biometric mismatches of Aadhaar linking errors, they stood at losing their hard-earned wages. One of the major concerns was connectivity issues in the remote areas. There were privacy concerns and debates around using Aadhaar for financial transactions. Since many scams have been reported, it was observed that wage seekers are pretty hesitant to come forward for Aadhaar seeding. Another issue witnessed by the authors was the limited banking infrastructure in remote areas. Out of the eight districts covered by the authors, Mahaboobnagar and Bhadrachalam have tribal communities in remote areas. They do not have basic infrastructure. The wage seekers shared that technical issues like server downtime and connectivity problems posed a big challenge. Surprisingly, a few wage seekers opined that they had reused resistance from some local officials who seemed to have benefitted from the old system. The wage seekers shared with the authors that there was a grievance redressal system, and addressing grievances related to electronic payments was a big showdown. A handful also showed that if someone did not have a bank account or had issues with Aadhaar linking, the person most likely stood at a loss of wages.

The authors observed through this case of eight districts from Telangana State that addressing these challenges requires ongoing and persistent efforts, strengthening of infrastructure development, capacity building, and system improvements.

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### Recent improvements

The authors have observed that it is more so the same grievance reported from the field, as has been cited in many papers. To overcome the challenges, it has been suggested that a fallback mechanism be devised, such as introducing alternative payment methods for failed APBS transactions. The authors emphasize timely grievance redressal to enhance the system and address Aadhaar-related payment issues. Regular camps for updating the biometric information of beneficiaries are also suggested.

**Table 1: Status of PFMS in Mahatma Gandhi NREGS**

Year	Total Transaction Through Aadhaar Based Payment (in Lakhs)	Amount Involved in Transactions sent to PFMS (in Lakhs)
2019-20	190616893	
2020-21	233938160	10598606.83
2021-22	195899730	10006616.50
2022-23	256170214	10452965.33
2023-24	453880464	10718263.36
2024-25	244744522	5804169.47

Source: [nrega.nic.in](http://nrega.nic.in)

The secondary data analysis was drawn from the Mahatma Gandhi NREGS website, and the table above shows the status of PFMS in Mahatma Gandhi NREGS. The total transactions through ABPS from 2019 to 2024-25 (up to October) have been listed. It can be seen that the amount disbursed has increased over the years.

**Table 2: State-wise Aadhaar Seeding - Total Transaction through Aadhaar-Based Payment (in Lakhs)**

State	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Andhra Pradesh	0	0	4210854	44915181	53073146	38330249
Arunachal Pradesh	64435	217619	166067	368648	1092505	442016
Assam	0	0	0	872143	6633784	4839945
Bihar	1881142	2006109	1331171	4509072	16935072	11058991
Chhattisgarh	15826332	18353451	15008737	17185333	23113895	15628401
Goa	0	0	342	10959	6481	5373
Gujarat	1894066	1898292	1907095	2034271	5160861	2913304



Haryana	679326	1070852	828604	775612	1551714	848033
Himachal Pradesh	1734609	1828691	1865925	1701203	5053251	3883943
Jammu And Kashmir	721897	1481411	982958	1783977	3865348	1819496
Jharkhand	5435203	7453587	5541190	14341676	29459012	13307370
Karnataka	8499730	10392911	10271713	9784047	20131966	13146775
Kerala	15247274	17036222	16690186	17224594	22086596	7987707
Ladakh	107878	95272	78547	94991	194401	64920
Madhya Pradesh	14577402	20213391	14460457	13926987	30897460	16363129
Maharashtra	4652055	4963992	4984580	5987786	17688876	12883989
Manipur	451973	794955	714016	1768210	987938	1365904
Meghalaya	334	157	372	44642	798896	992980
Mizoram	806289	733004	703613	996967	2065858	1232150
Nagaland	69396	73572	110885	220369	392383	316423
Odisha	8328186	13616223	10460935	16172036	28568812	10233311
Punjab	2347171	3066528	2465318	3359592	5808421	2924341
Rajasthan	21618456	24190312	20868799	21938558	35120203	19897852
Sikkim	204788	228683	194823	203936	300276	169664
Tamil Nadu	46953631	54201256	52700483	55348905	86699469	23108403
Telangana	0	0	0	2231378	18931919	18728207
Tripura	3582515	4254680	3611809	2747319	4135327	2480295
Uttar Pradesh	16774849	19830705	11263370	14262844	30781337	18532370
Uttarakhand	1430845	1650934	1207564	1191439	1884332	1007738
West Bengal	16568656	24089328	13148637	5	14	0
Andaman And Nicobar	845	865	513	6618	25416	7218
Dn Haveli And Dd	0	0	0	0	2998	22343
Lakshadweep	0	0	0	0	0	0
Puducherry	157610	195158	120167	160916	432497	201682
<b>Total</b>	<b>190616893</b>	<b>233938160</b>	<b>195899730</b>	<b>256170214</b>	<b>453880464</b>	<b>244744522</b>

Source: nrega.nic.in

The table above shows state-wise Aadhaar seeding and total transactions through ABPS made from 2019-20 to 2024-25. It can be observed from the table that there were states like Andhra Pradesh, Assam, Goa, Telangana, Dadar Nagar Haveli, and Daman-Du and Lakshadweep who had not initiated Aadhaar seeding in 2019-20, but by 2022-23, all except Lakshadweep had done the requisite.

**Table 3: Amount Involved in Transactions sent to PFMS (in Lakhs)**

State	2020-21	2021-22	2022-23	2023-24	2024-25
Andaman And Nicobar	634.3282	611.418	317.1047	458.0678	225.2083
Andhra Pradesh	645469.069	535064.1	681863.73	901392.589	608842.228
Arunachal Pradesh	50394.2787	50950.575	59442.8988	59372.1463	17068.8257
Assam	257904.777	243860.21	212546.56	246987.224	104740.155

**Source:**

Bihar	658132.802	658785.49	688877.917	798402.022	477398.607
Chhattisgarh	460965.153	397881.17	382480.922	396418.644	237595.205
Dn Haveli And Dd				108.8818	457.4317
Goa		26.36	417.2514	301.3879	144.7631
Gujarat	136880.386	174765.59	218183.214	208258.326	111547.782
Haryana	81672.5352	71752.227	48997.5559	60332.3484	38178.8274
Himachal Pradesh	100406.167	110207.52	157648.334	132628.535	99381.8604
Jammu And Kashmir	161088.548	116654.46	99194.6451	123616.961	57048.3533
Jharkhand	321704.722	350214.9	299696.132	382441.056	162386.98
Karnataka	574088.892	629444.58	707379.338	688869.891	363529.201
Kerala	388832.196	405445.16	367798.459	399838.646	162245.497
Ladakh	5081.1192	5871.9338	7485.3981	7228.267	2184.7596
Madhya Pradesh	928561.269	842668.68	818438.898	727143.081	425522.562
Maharashtra	206205.583	236145.76	273255.222	457981.621	376223.159
Manipur	72496.2171	66914.099	68506.1072	67217.365	31720.4986
Meghalaya	136932.543	114953.12	127562.729	109952.678	78947.7242
Mizoram	56048.3612	54605.358	54802.0622	72414.3897	32020.8343
Nagaland	43799.8524	67428.046	105591.086	77909.9987	13739.7097
Odisha	602729.196	606198.06	572095.085	549787.3	280349.016
Puducherry	2640.4122	1518.8542	2396.4729	6200.1321	2846.755
Punjab	125808.627	127925.32	141019.922	135332.326	75554.3836
Rajasthan	999250.866	1038104.2	1031646.48	949145.538	669281.372
Sikkim	10696.4206	11877.62	11244.1434	13061.2296	7155.504
Tamil Nadu	856825.67	988809.29	1217980.33	1354929.48	552268.909
Telangana		12719.334	362573.662	410116.986	
Tripura	109388.523	110556.64	105022.612	115825.173	65873.659
Uttar Pradesh	1295309.04	901670.82	1219289.3	1167462.51	694749.93
Uttarakhand	87587.9225	63843.469	95043.3283	73616.2046	44864.5414
West Bengal	1221071.36	1009142.1	314168.431	23512.3495	10075.2334
<b>Total</b>	<b>10598606.8</b>	<b>10006616</b>	<b>10452965.3</b>	<b>10718263.4</b>	<b>5804169.47</b>

[nrega.nic.in](http://nrega.nic.in)

It may be noted that the amount involved in transactions sent to PFMS (in lakhs) has increased from 2020-21 to 2024-25.

## Conclusion

The integration of Mahatma Gandhi NREGS with PFMS represents a significant step towards efficient, transparent, and accountable public finance management in India's rural employment sector. While challenges remain, the integration has largely been successful in improving the implementation of Mahatma Gandhi NREGS. The authors recommended that there is a need for a digitalization process. The integration with other government schemes can lead to better digital inclusion of the masses. Enhanced data analytics for program optimization can be done if all data is maintained. They suggest integration with UPI would allow UPI-based



wage transfers that will, in turn, increase flexibility. This is the age of Artificial Intelligence. The authors suggest exploring AI technologies for faster verification and error reduction. They also suggest pilot projects for testing the Blockchain for enhanced transparency and traceability in case any grievance is raised.

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