



# A bridge to nowhere

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## **Poor people are running from pillar to post as the Aadhaar payment bridge routinely obstructs their welfare benefits**

- Perhaps you will remember “l’affaire Airtel” — the mass diversion of LPG subsidies to Airtel wallets that came to light in 2017.
- The subsidy money was returned, Airtel was fined by the Unique Identification Authority of India (UIDAI), and the world moved on.
- This is an instance of what might be called “diverted payments” — bank payments being redirected to a wrong account, without the recipient’s consent or knowledge.
- What has escaped attention is that diverted payments have become a widespread problem in recent years, not so much for the middle class as for powerless people such as old-age pensioners and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) workers.
- The main culprit is the Aadhaar Payment Bridge System (APBS).

### **Shaky foundations**

- The basic idea of the APBS, an offspring of the National Payments Corporation of India (NPCI), is that a person’s Aadhaar number becomes her financial address.
- Instead of having to provide multiple account details (say, her name, bank account number and IFSC code) to receive a bank transfer, she only has to provide her Aadhaar number.
- To understand the dangers of this “bridge”, we must rewind to 2014, when the Jan Dhan Yojana (JDY) was launched.
- In the frantic drive that followed, millions of bank accounts were opened and seeded with Aadhaar in a haphazard manner, under relentless pressure from the Central government.

## **Given short shrift**

- Haphazard seeding continued well beyond 2014 because the government wanted to bring all direct benefit transfer (DBT) payments — pensions, scholarships, subsidies, MGNREGA wages, and so on — under the Aadhaar payments umbrella.
- Government departments started sending bulk lists of bank accounts and Aadhaar numbers to the banks for accelerated Aadhaar seeding.
- Meeting the seeding targets was the top priority and due verification, once again, took the back seat.
- Thus the groundwork required for APBS to work — reliable seeding of bank accounts with Aadhaar — had simply not been done when the APBS was rolled out.
- The seeding mess, it seems, was sought to be cleaned up by making “e-KYC” compulsory.
- Compulsory e-KYC became a nightmare for poor people, for a number of reasons: some did not know what they were supposed to do, others had problems of biometric authentication, others still struggled with inconsistencies between the Aadhaar database and the bank database.
- Among the worst victims were old-age pensioners.

## **A risky bridge**

- But there is worse: without waiting for the seeding mess to be cleaned up, the APBS was forced on millions without consent.
- Mapping (the induction of an Aadhaar-seeded account into the APBS), according to NCPI and UIDAI guidelines, should be based on an explicit request from the customer.
- This gives a measure of protection to educated middle-class customers.
- Recent discussions with local managers of 10 different banks spread across Ranchi district revealed that they make no clear distinction between seeding and mapping.
- The two steps are essentially conflated, based on default options and symbolic consent — sometimes just a signature on a photocopy of the account holder’s Aadhaar card, or below a consent line printed in English.
- The result of this premature and coercive imposition of the APBS is that diverted payments have become a serious problem in Jharkhand.

- Others affected are MGNREGA workers who are already discouraged by delays in wage payments, they have to contend now with diverted payments and other pathologies of the APBS.
- A recent study of the Indian School of Business (ISB), based on an analysis of more than 10 million payments in 2014-18, concludes that 38% of all the APBS payments of MGNREGA wages in Jharkhand “redirect wages to a completely unrelated account”.
- This study should have set alarm bells ringing, but little has been heard of it so far.

### **Lack of accountability**

- We end with a few overarching remarks.
- First, diverted payments are not the only problem associated with the APBS.
- There are others, discussed elsewhere, such as rejected payments — another nightmare for powerless DBT recipients.
- Second, these problems are magnified by a pervasive lack of accountability.
- Guidelines for resolving payment problems are conspicuous by their absence.
- Third, none of this seems to perturb the agencies that are promoting the APBS and related financial technologies.
- Similarly, nobody appears to be in charge of enforcing the consent norms and other “guidelines” issued by the NPCI.
- The RBI may be the nominal regulator, but the real action is at the NPCI, the UIDAI and other strongholds of the Aadhaar lobby.
- The UIDAI did take cosmetic damage control measures from time to time in the last two years.
- Judging from Jharkhand’s experience, however, the pathologies of the APBS continue to cause havoc on the ground.
- An independent and participatory review of the system is long overdue.