# AADHAAR-BASED PAY A BAD IDEA FOR MGNREGS

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

To enjoy additional benefits

CONNECT WITH US

January 29, 2024 01:37 am | Updated 07:51 am IST

COMMents

SHARE

READ LATER

MGNREGS workers in West Bengal's Purulia. | Photo Credit: The Hindu

On January 1, the Rural Development Ministry made Aadhaar-Based Payment Systems (ABPS) mandatory in the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). This is after five deadline extensions by the Union government, disregarding several memorandums by workers to the Ministry to not make ABPS mandatory.

There are two modes of wage payments in MGNREGS: account-based and ABPS. For the first, wage transfers use the workers' name, bank account number, and the IFSC code of the bank branch. For ABPS, a few steps are minimally needed. First, a worker's Aadhaar number must be seeded with their job card, which means authenticating her job card details with the Aadhaar database. Authentication is successful only when all the details including spelling and gender in the job cards match with those in the Aadhaar database. Second, their Aadhaar must be linked to their bank account. Third, the Aadhaar number of each worker must be mapped correctly through their bank branch with a software mapper of the National Payments Corporation of India, which acts as a clearing house of ABPS. The Aadhaar number acts as the financial address and cash transferred gets deposited to the last Aadhaar-linked bank account. Incorrectness in any of the above steps for ABPS means that the worker is denied work, does not receive wages, or is not paid in their preferred account. Consequently, workers have to spend hundreds of rupees and lose several days of their livelihood to fix these technological glitches.

The government has claimed that ABPS would remove duplicate job cards, reduce wage payment delays, and have lower payment rejections. Aside from some uses in assessing duplicates, the other claimed reasons stand on questionable grounds. In fact, even the realities of deleting duplicates are fraught with errors. No publicly available audits on the procedures followed by officials in deleting job cards and the valid scientific assessment of the gains of such an exercise are available. On the contrary, two recently published research papers in Economic and Political Weekly show how officials have resorted to deleting job cards owing to pressure from the Union government to meet 100% of the Aadhaar seeding targets. Since different administrative units are involved in creating different documents in rural areas, spelling mismatches are common. Even UIDAI has certified that only the biometrics are correctly captured while the demographic details are left to the discretion of local officials. In their paper, Anjor Bhaskar, Arpita Sarkar and Preeti Singh present testimonies of officials who ascribe the reasons for such rampant deletions to the pressure to meet Aadhaar seeding targets. They also

present strong evidence of exaggerated savings claims due to Aadhaar. In response to a question in the Lok Sabha, the Rural Development Ministry reported that [there was a 247% increase in job card deletions in FY 2022–23](#) compared to previous years. In the last two years alone, job cards of over 7 crore workers got deleted. As per the government's own data, as on January 11, 2024, out of a total of 25.6 crore registered workers, only 16.9 crore workers are eligible for ABPS while all workers are eligible for account-based payments.

**Editorial | [Faulty compulsion: On the issue of MGNREGS and Aadhaar seeding](#)**

In a press release on January 1, 2024, the Ministry has tried to justify making ABPS mandatory in MGNREGA. No credible evidence supporting the decision was provided. Rather, it stated, among other things, that a working paper released by a public research and advocacy group-LibTech has been referred, which claims that there "is no significant gain with ABPS vis-à-vis bank account payments and it is just 3% more in case of ABPS… keeping the scale of Mahatma Gandhi NREGS, this 3% gain is also a very significant gain."

We welcome that the MoRD has taken cognisance of this paper. But sadly it misrepresents the findings and incorrectly cites that the paper "endorses ABPS." Let us see why. Based on a sample of 3.2 crore wage transactions, the paper analyses if there is any statistically significant difference in the time to transfer wages using account-based payments and ABPS. If all the transactions using the two payment modes were considered and then one observed that ABPS was quicker than account-based by 3%, then the Rural Development Ministry's claims of 'gains' could be considered a talking point. But LibTech's study is based on a sample of 3.2 crore transactions. In a sample dataset, principles of statistical science dictates that only if the difference is statistically significant can we claim that one payment system is more efficient than the other. But the difference was not statistically significant, which provides evidence that the ABPS is not quicker than account-based payments.

The government has also claimed lower rejection rates in ABPS compared to account-based payments. The paper finds no statistically significant difference between the rejection rates in the two modes of payments either. In summary, the paper refutes the Ministry's repeated claims of higher efficiency in wage payments using ABPS. Timely payments is only a function of the government allocating adequate funds. With adequate funds, the time taken to pay workers will not be different whether it uses ABPS or account-based payments. The difficulties in resolving problems with ABPS far outweigh the difficulties in resolving problems with account-based payments and so we advocate for account-based payments.

***Chakradhar Buddha is affiliated with LibTech India, a centre based in CORD; Anuradha De is affiliated with LibTech India; Rajendran Narayanan is affiliated with LibTech India. He also teaches in Azim Premji University, Bangalore***

COMMents

SHARE

[employee benefits](#) / [welfare](#) / [Aadhaar](#)

BACK TO TOP

[Terms & conditions](#)  |  [Institutional Subscriber](#)

Comments have to be in English, and in full sentences. They cannot be abusive or personal. Please abide by our [community guidelines ](#)for posting your comments.

We have migrated to a new commenting platform. If you are already a registered user of The Hindu and logged in, you may continue to engage with our articles. If you do not have an account please register and login to post comments. Users can access their older comments by logging into their accounts on Vuukle.

**END**