AADHAAR, NO STANDOUT PERFORMER IN WELFARE DELIVERY

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"Aadhaar has curtailed leakages of government subsidies... Through Aadhaar, **savings worth 90,000 crore** have accrued to the government," said Ajay Bhushan Pandey, then CEO of the Unique Identification Authority of India (UIDAI) and current Revenue Secretary, in UIDAI's **2017-18 annual report**.

But not so fast, say Professors Karthik Muralidharan, Paul Niehaus and Sandip Sukthankar. They have just published a **new working paper** in the prestigious National Bureau of Economic Research, which details findings from an extensive empirical study of the impact of Aadhaar in reducing leakages and accruing fiscal savings.

When Aadhaar was conceived a decade ago, the rationale postulated was: India spends nearly three trillion rupees a year across several core welfare programmes such as Public Distribution System (PDS), LPG, Mahatma Gandhi National Rural Employment Guarantee Act etc; roughly 30-40% of this is lost in leakages; leakages are largely due to 'ghost' and 'duplicate' beneficiaries using fake identities to avail these benefits; a unique identity biometric scheme can eliminate these leakages and vastly improve efficiency in welfare delivery. In fact, the former Union Minister, Arun Jaitley, even renamed the Aadhaar Bill to 'Targeted Delivery of Financial and other Subsidies, Benefits and Services' Bill, making it amply clear that Aadhaar's primary, if not sole purpose, was to improve welfare delivery efficiency. The Bill's renaming was also a clever by half attempt to legislate it as a **money bill**, thereby avoiding debate and scrutiny in the Upper House.

This new research paper, the first comprehensive field study of Aadhaar, offers a sobering counter to all of us, "Aadhaarphiles", who truly believed that Aadhaar was the panacea for India's leaky welfare regime.

Professor Muralidharan and the rest of the team tell us that Aadhaar by itself has no impact in reducing leakages significantly. They conducted a scientifically designed study of the PDS system in Jharkhand covering 15 million beneficiaries using the technique of **randomised control trials** (RCT). The study was set up in a manner where one set of beneficiaries went through the Aadhaar-based biometric authentication while the other group used the old system of procuring their ration. The results were then compared to see if Aadhaar-based biometric authentication had any impact in reducing leakages.

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The study concluded that Aadhaar-based biometric authentication had no measurable benefit. Aadhaar-based biometric authentication did not reduce leakages due to elimination of ghosts and duplicates, as widely perceived. On the other hand, they found that Aadhaar-based biometric authentication increased transaction costs for beneficiaries. That is, to claim ration worth 40, beneficiaries in the Aadhaar system incurred an additional 7 of costs than those in the old system, because of multiple trips to authenticate themselves and the opportunity cost of time spent. This is a whopping 17% extra cost burden of the value of the benefit they were entitled to receive.

To make matters worse, Aadhaar-based biometric authentication also introduced what empirical scientists call Type I error of exclusion. In simple terms, Aadhaar authentication falsely rejected genuine PDS beneficiaries who were then denied their ration supplies. The study finds that nearly 10% of legitimate beneficiaries were denied their ration either because they did not have their Aadhaar linked to their ration card or due to an exclusion error.

In summary, the study states that there was no direct impact of Aadhaar in reducing leakages but it denied ration to 10% of genuine beneficiaries and increased costs by 17% to those that were forced to get their ration using Aadhaar. They conclude that Aadhaar authentication for PDS in Jharkhand caused "some pain with no gain". Put simply, Mr. Pandey's boast of 90,000 crore savings solely due to Aadhaar is hollow.

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These findings are sure to shock many who genuinely believed Aadhaar could be the 'game changer' in welfare delivery. The study was undertaken by eminent scholars using scientific techniques and published in a respected academic journal. So, there is no need to doubt its veracity or intent. The findings of Professor Muralidharan and the rest of the team also expose many larger fault lines in India's approach to policy making.

There was widespread belief among the policy elite that ghosts and duplicates were the scourge of India's welfare delivery and that Aadhaar would eliminate this. But this belief was never empirically tested. It was deemed to be true simply because the intellectual elite said so. Based on this belief, an entire story was concocted about improving welfare efficiency through eliminating ghosts and duplicates with Aadhaar and a whole new law was enacted to this effect.

Many studies now establish that ghosts and duplicates are not the significant cause of leakages. Would it not have been better to have undertaken a robust pilot project of scale to test the belief about ghosts and duplicates, before embarking on it nationwide?

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This is much like the boisterous claim of policy economists for over a decade that a multitude of State taxes are a drag on inter-State commerce and hence a nationwide Goods and Services Tax (GST) by stripping States of their fiscal autonomy is badly needed. There was no empirical evidence to back this claim. Three years after GST, the promise of vastly improved inter-State trade and a two percentage point boost to GDP seem distant while States are hurting badly with sole dependence on the Centre for their taxes.

The other fault line in policy making that this new study exposes is the engineer's way of measuring policy outcomes only through the prism of numerical efficiency. In an engineer's world, if say, nine people are denied welfare due to a system error while nine million are benefited through greater efficiency, then it is considered a net benefit for society and the policy is given a thumbs up. But in a sociologist's world and in a liberal society, a policy that could run the risk of denying welfare to just a few people, putting their lives at risk, is not worth implementing regardless of how many millions it benefits. Aadhaar was held hostage to the engineer's worldview of policy efficacy.

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