Balancing the costs and benefits of Aadhaar

At its launch nine years ago, Aadhaar was hailed by its proponents as a "game changer" for governance. Now, the Supreme Court (SC) is considering whether it should be "game over" for Aadhaar. As with many contentious policy debates, each side has its preferred narrative: Supporters claim that linking Aadhaar with social programmes has helped to reduce leakage and improve targeting of benefits. Detractors argue that savings are minimal and that such linking has increased the exclusion of genuine beneficiaries—for instance, through failures to read the fingerprints of elderly recipients or manual labourers or through power and connectivity failures that prevent authentication. Theoretically, both arguments are plausible, which makes this essentially an empirical question.

Over the past decade, we have studied the impact of the integration of biometric authentication into India's flagship social programmes across several locations and programmes. Our field work has spanned Andhra Pradesh (and present-day Telangana), Chandigarh, Dadra and Nagar Haveli, Puducherry, and Jharkhand; and the National Rural Employment Guarantee Scheme (NREGS), the public distribution system (PDS) and pensions. Altogether, we have conducted over 40,000 detailed, in-person surveys of programme beneficiaries, in random samples that are representative of the respective populations of programme beneficiaries.

Our research has revealed three main insights that should inform both policy and the SC. First, results depend enormously on the details of context, including the programme in question, the specific design of the authentication process, the level and nature of pre-existing fraud, and state-level implementation capacity. In Andhra Pradesh, for example, leakage from NREGS often took the form of "over reporting" of work with programme functionaries siphoning off allocated funds. Biometric authentication for payments (in the form of smart cards, an Aadhaar precursor) made this more difficult, reducing leakage by 41%. In Jharkhand, on the other hand, we found essentially no ghost PDS beneficiaries (perhaps reflecting the cleaning up of the beneficiary database that accompanied National Food Security Act implementation). Instead, most leakage here was not through identity fraud but quantity fraud, where legitimate beneficiaries were given only a fraction of their entitlement. Unsurprisingly, we find that Aadhaar-backed authentication has had no measurable effect on this form of corruption.

Second, it is important to distinguish between the decision to link (or seed) Aadhaar accounts to programme records (which may help to clean up beneficiary databases) and the decision to make Aadhaar mandatory for authenticating every transaction (which may raise the risk of exclusion error). In Andhra Pradesh, beneficiaries were encouraged and given multiple opportunities to obtain biometric IDs, but override mechanisms were left in place for them to receive payments even if they had not. This may be one reason why we found little evidence of exclusion, and widespread popular support for the reform: over 90% of beneficiaries preferred the new payment system. In Jharkhand, on the other hand, where Aadhaar was made fully mandatory at least in a subset of online ration shops, only 53% of beneficiaries preferred the new system.

Finally, there is a disconnect between the metrics of success currently available to the government and the measures that matter to beneficiaries. For example, our study of the direct benefits transfer pilots in the PDS in Chandigarh, Puducherry, and Dadra and Nagar Haveli found that over 20% of beneficiaries reported not receiving the cash despite government records showing disbursement to nearly all beneficiaries—because many beneficiaries were not aware that disbursements had been made or how to access them.

In light of these findings, a simple "yes" nor "no" approach to the question of mandatory Aadhaar is not warranted. The approach that works best will inevitably vary across place and programme.

Given this, the optimal approach for the SC may be to avoid blanket proclamations, and instead provide guidelines for the government regarding the use of Aadhaar-linked service delivery. This will also help the court stay out of intruding in policy decisions in the executive domain, and keep its focus on ensuring that the most vulnerable beneficiaries are protected during attempts to reduce leakage.

Specifically, these guidelines should require the government to publish responses to a set of basic questions about each planned use of Aadhaar authentication, such as: what specific problem does Aadhaar integration aim to solve, and what is the current extent of the problem? Is mandatory authentication of every transaction necessary to achieve the stated aims (as opposed to say annual Aadhaar verification of beneficiaries)? If so, what override mechanisms will be available as backstops in case legitimate beneficiaries are unable to authenticate, and for how long will these be left in place?

In addition, the guidelines should require the collection and publication of regular, independent, and representative data on the beneficiary experience, and in particular on programme access and exclusion error. These data should enable the calculation of the share of legally entitled benefits that legitimate beneficiaries are receiving, and enable the government to demonstrate progress on such metrics. Such data can also help verify that fiscal savings are genuine and not driven by exclusion of genuine beneficiaries.

Finally, the guidelines should place the beneficiary experience at the centre of the reform process and emphasize this over fiscal savings. For instance, one great benefit of Aadhaar-authenticated receipt of PDS benefits is the ability to make benefits portable across ration shops, and to empower beneficiaries with more choices—for example, a choice between cash and in-kind benefits in the PDS. Yet, few states or departments have leveraged the Aadhaar platform to implement such beneficiary-focused pilots or reforms.

The fundamental problem for service delivery in India is not Aadhaar or no Aadhaar, but the lack of systematic focus on the beneficiary experience. Aadhaar is a tool with the potential to reduce leakages and improve service delivery. But using this tool to improve the beneficiary experience (as opposed to hindering it) requires continuous effort and democratic oversight. Court guidelines to emphasize the beneficiary experience and independently measure and report it can make an important contribution.

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