Chapter 8

Direct Benefit Transfer Using Aadhaar: Improving Transparency and Reducing Corruption

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ABSTRACT

This chapter illustrates how Aadhaar, India’s unique identity number, has been used to develop applications such as direct benefit transfer and micro payment solutions that improve existing governmental processes and lead to economic development. This chapter details the Aadhaar success stories of Direct Benefit Transfer in removing corruption and implementing transparency. Successful applications include Pradhan Mantri Matru Vandana Yojana (PMMVJ), State Health Society (Bihar), Aadhaar Enabled Payment System (AePS), Nutrition and Health Tracking System (NHTS), Aadhaar Enabled Public Distribution System (AePDS), and Aadhaar Enabled Fertilizer Distribution System (AeFDS). Specific process improvement case studies illustrate purchasing new SIM cards and land transfer to support the authentication and removing fake entries. The chapter addresses administrative technology and legal challenges, which the initiative faced during its implementation.

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INTRODUCTION

Governmental priorities that have emerged in recent years include the need to strengthen individuals’ social security and improve delivery mechanisms for poverty alleviation. These efforts ensure that vulnerable groups can withstand unforeseen shocks to income and continue to access basic goods and services at affordable prices. On the Indian subcontinent, the inability to verify individual identity has been one of biggest barriers to ensuring access to benefits and subsidies.

Over the years, the Indian government has initiated many systematic, large-scale plans or schemes for improving social welfare, but their effectiveness has been limited by corruption. In 1985, Prime Minister Rajiv Gandhi famously remarked that, “Of every rupee spent by the government, only 17 paise (17%) reached the intended beneficiary” (“Fund leakage,” 2009). At that time, the problem was only vaguely understood as corruption, but an important mechanism for misappropriation was widely known to involve fake or duplicate beneficiaries. Traditional identity databases in India have been fraught with problems of fraud and duplicate or ghost beneficiaries. New methods to ensure individuals’ access to social security benefits, environmental protections, and public health services are required to secure India’s future.

With this objective, the Unique Identification Authority of India has started providing an Aadhaar (Unique Identification Number) to confirm the identity of every individual living in India. Aadhaar is designed to enroll residents into a database based on proper verification of their demographic and biometric information. This will ensure that public programs can rely on accurate participant data from their beginning. This allows country to strengthen its nine Digital India pillars deemed essential for effective governance (Ministry of Electronics, n.d. b).

In addition, Aadhaar provides a process to ensure access to financial products and services appropriate for helping weaker sections of the economy and low-income population groups to achieve financial inclusion. Financial inclusion has become one of the most critical aspects for India’s national growth and development. For this purpose, the Reserve Bank of India has encouraged expansion of bank branches, especially in rural areas. Aadhaar attempts to remove ineligible beneficiaries from these Direct Benefit Transfer and Digital initiatives schemes.

This chapter begins with an overview of the Aadhaar implementation, then provides a detailed description of political challenges, technology challenges and legal challenges as they are addressed by the design of the database implementation. We conclude with the significant consequences of Aadhaar in terms of the financial inclusion of otherwise un-served Indian citizens.

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