

# STATE OF AADHAAR REPORT

2017-18 | EXECUTIVE SUMMARY



SPONSORED BY:  OMIKYAR NETWORK

MAY 2018



## KEY TAKEAWAYS

Aadhaar's coverage is widespread, but the quality of the data has room for improvement.

**1.5X** more self-reported errors in Aadhaar compared to voter IDs

*Demographic error-rate in Aadhaar is 8.8% vs. 5.7% for voter ID*

A majority of Indians value privacy, but also approve of linking Aadhaar to services.

**87%** rural residents approve mandatory linking of Aadhaar

*Approval for mandatory linking of Aadhaar to government services; for private services, corresponding figure is 77%*

Aadhaar's analog version (the letter) is much more widely used to open bank accounts than its digital version (e-KYC).

**17%** bank a/c holders used Aadhaar e-KYC to open a/c

*67% used Aadhaar letter; rest used other IDs; data for most recently opened bank account*

Exclusion from food ration (PDS) due to Aadhaar-related factors is significant, but lower than non-Aadhaar factors.

**2.2%** of food ration recipients in Rajasthan excluded monthly due to Aadhaar-related factors

*This extrapolates to ~1.2 million people per month in Rajasthan; non-Aadhaar factors account for 6.5% (or ~ 3.7 million people) of food ration (PDS) recipients excluded per month*

## About IDinsight

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IDinsight leads learning partnerships across Asia and Africa, working with governments, multilaterals, foundations, social businesses, and innovative NGOs. We have worked with more than 70 clients across 17 states in India and more than a dozen countries. We work across a range of sectors, including digital ID, education, financial access, governance, health, and sanitation.

We have offices in Dakar, Johannesburg, Lusaka, Manila, Nairobi, New Delhi, San Francisco, and Washington, D.C. To learn more, visit [www.IDinsight.org](http://www.IDinsight.org), and follow on Twitter @IDinsight.

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Omidyar Network is a philanthropic investment firm. We create opportunity for people to improve their lives by investing in market-based efforts that catalyse economic and social change. In India, we focus our efforts on helping the hundreds of millions of lower-income Indians, from the poorest among us to the existing middle class.

Omidyar Network has committed more than \$1 billion to for-profit companies and nonprofit organisations that foster economic advancement and encourage individual participation across multiple areas, including Digital Identity, Education, Emerging Tech, Financial Inclusion, Governance & Citizen Engagement, and Property Rights.

To learn more, visit [www.omidyar.com](http://www.omidyar.com), and follow on Twitter @omidyarnetwork #PositiveReturns.

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## Comments or questions

We welcome your feedback on this report. Please write to us with your comments or questions to [StateofAadhaar@IDinsight.org](mailto:StateofAadhaar@IDinsight.org).

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*Unless specified, all data cited in the executive summary are from our survey and apply to rural areas of Andhra Pradesh, Rajasthan, and West Bengal.*



## INTRODUCTION

Aadhaar provides identification to more than 1.2 billion Indian residents. Its scale, ability to uniquely identify individuals, and digital interface make it a compelling identification platform. These same features also raise questions about privacy, data security, and exclusion. The current debate on Aadhaar is binary in nature: either Aadhaar should be jettisoned or scaled aggressively. However, the facts on the ground—as revealed by our three-state survey on Aadhaar, the largest to date—support a more nuanced approach. Our report’s key takeaways explain why.

*IDinsight’s State of Aadhaar initiative aims to catalyse data-driven discourse and decision-making in the Aadhaar ecosystem. This report, the initiative’s flagship output, aims to provide a holistic and empirically grounded assessment of the state of Aadhaar.*



Note: Numbers indicate randomly sampled rural households in each state

# AADHAAR PLATFORM

Aadhaar has rapidly become the foundational identity document of Indian residents. It has achieved near-universality in its coverage and acceptance in India. We review key highlights of what has worked, what has not, and recommended next steps.

## 1.2 BILLION

residents currently enrolled on Aadhaar platform with over 90% adult saturation in most Indian states (UIDAI 2018)

## 271 MILLION

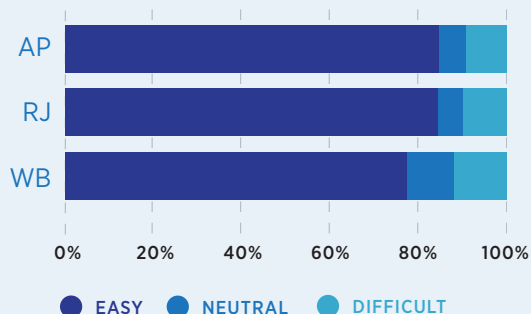
unique individuals used their Aadhaar to digitally authenticate themselves in Feb 2018 (UIDAI 2018). Even more use Aadhaar's analog version (the letter)

### 1. WHAT HAS WORKED?

Most people have an Aadhaar number and most felt it was easy to enroll

We find no evidence of differences in enrolment by gender, caste, religion, or education level.

#### USER PERCEPTION OF AADHAAR ENROLMENT PROCESS



In Andhra Pradesh and West Bengal, a relatively small number of people were wrongly charged an enrolment fee. However, in Rajasthan 24% paid a fee.

### 2. WHAT HAS NOT WORKED?

Aadhaar data has more self-reported errors than the voter ID database

#### ERROR COMPARISON (VOTER ID VS AADHAAR)

	IN VOTER ID	IN AADHAAR
ANDHRA PRADESH	2.4%	8.0%
RAJASTHAN	2.6%	4.8%
WEST BENGAL	10.4%	12.2%

#### ERRORS WITHIN AADHAAR

	NAME	ADDRESS	DOB
ANDHRA PRADESH	3.8%	1.2%	2.6%
RAJASTHAN	1.5%	0.7%	2.4%
WEST BENGAL	5.6%	1.7%	3.5%

People also encountered more challenges with the process of updating their Aadhaar, compared to the process of enrolling, such as paying higher-than-required fees.

### 3. EMERGING POLICY RECOMMENDATIONS

Facilitate updates to correct Aadhaar data

To reduce the number of errors in Aadhaar data, conduct "update campaigns" and set up camps, similar to the enrolment camps that were well-received and worked well in increasing Aadhaar coverage.

Reinforce awareness of fees and processes for enrolment and updates

Of those who paid higher-than-required fees, majority were unaware of the actual cost. Conduct awareness campaign around fees and processes, especially for vulnerable groups. Install a strong grievance redress mechanism.

# AADHAAR AND FINANCIAL INCLUSION

The “Jan Dhan” banking scheme, Aadhaar, and mobile (together called “JAM”) are meant to play a pivotal role in the inclusion of unbanked, and underbanked, into the formal financial sector. There are two main channels through which Aadhaar can help increase financial inclusion:

1 Open a bank account with an Aadhaar letter or e-KYC

2 Increase account usage through microATMs & DBTs

## 48 TO 138 MILLION

increase in e-KYC verifications from FY 2016-17 to 2017-18 (NPCI 2018)

## 435

govt. schemes use DBTs to transfers benefits to bank accounts (some via Aadhaar), incentivising account usage

### 1. WHAT HAS WORKED?

Aadhaar has become a common proof-of-ID for bank account opening

The ubiquity of Aadhaar and its universal acceptance has meant a high proportion of people use it to open a bank account. However, 66.9% used their Aadhaar as an analog, paper ID not e-KYC (used by 17.2%).

#### USE OF AADHAAR IN OPENING MOST RECENT BANK ACCOUNT



- USED AADHAAR AS ID
- USED AADHAAR E-KYC
- DID NOT USE AADHAAR

### 2. WHAT HAS NOT WORKED?

Use of microATMs remains low; e-KYC may not quicken a/c opening

Only 17% of account-holders had recently used a microATM.

No meaningful difference in time reported to open an account with e-KYC vs. traditional KYC.

#### % OF RESPONDENTS WHO GOT ACCESS TO AN ACCOUNT WITHIN 1 DAY



- DID NOT USE E-KYC
- USED E-KYC

### 3. EMERGING POLICY RECOMMENDATIONS

Strengthen business correspondent network

Too few people currently have access to alternatives to brick-and-mortar banks. Ready access to microATMs could change this; however, the network supporting business correspondents (BCs) needs to be strengthened.

Push toward mobile-based financial services

In the absence of a sustainable BC network, there is opportunity for mobile-based financial services to provide greater access to accounts, and help reduce dormancy. These services are able to use Aadhaar as an identity platform.

# AADHAAR AND FOOD RATION (PDS)

Aadhaar is envisioned as a key reform in India's social protection programmes for the poor, especially the delivery of food ration subsidies via the Public Distribution System (PDS). Aadhaar's two main uses in PDS have grown steadily over the last year.

1 Aadhaar seeding (aims to remove duplicate and fake entries from databases)

2 Aadhaar-based biometric authentication (aims to prevent access to non-genuine persons)

**72% TO 82%**

increase in percentage of seeded PDS beneficiary households across all states in India (source in main report)

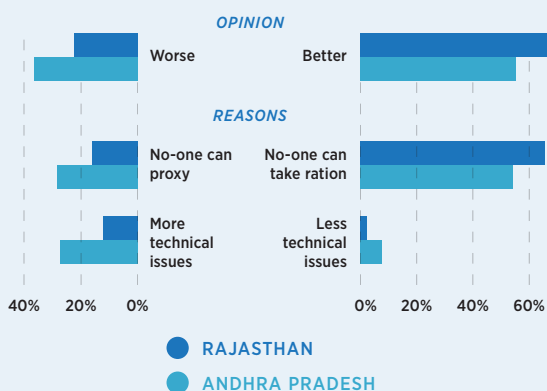
**35% TO 57%**

increase in percentage of PDS shops using e-PoS devices pan-India (Lok Sabha 2018)

## 1. WHAT HAS WORKED?

Households feel secure that no one else can take their ration

Majority in Andhra Pradesh and Rajasthan prefer Aadhaar-based PDS delivery as they perceive biometric authentication prevents identity fraud.



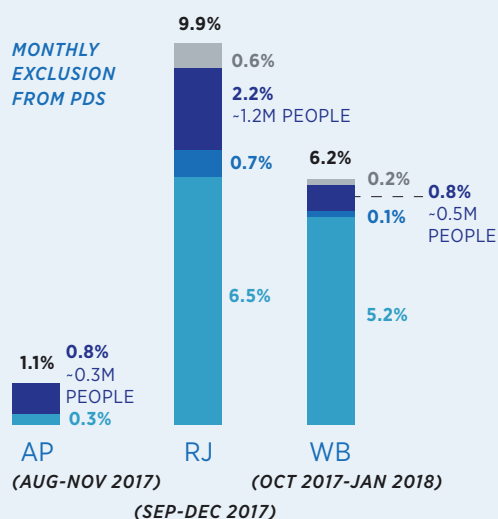
But biometrics is also the reason a quarter of the beneficiaries consider the system worse, as it reduces flexibility to send a proxy to collect ration on one's behalf.

For a more comprehensive treatment of these topics, please read the full report. To download the report, the technical appendix with tables, and learn about our research methodology, please visit [www.StateofAadhaar.in](http://www.StateofAadhaar.in).

## 2. WHAT HAS NOT WORKED?

Exclusion from receiving benefits due to Aadhaar-related factors significant

0.8%, 2.2%, and 0.8% of PDS beneficiaries in rural Andhra Pradesh, Rajasthan, and West Bengal, respectively, are excluded from their entitlements due to Aadhaar-related factors. This extrapolates to ~2 million individuals monthly. However, non-Aadhaar reasons, such as ration unavailability, contribute much more to exclusion from PDS.



- NON-AADHAAR REASONS
- AADHAAR AND NON-AADHAAR REASONS
- AADHAAR REASONS ONLY
- UNKNOWN



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### 3. EMERGING POLICY RECOMMENDATIONS

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To reduce programme exclusion, re-consider monthly biometric authentication

Explore alternative technologies (e.g., offline authentication) or processes (e.g., annual verification) that provide a similar secure experience, but reduce Aadhaar-related exclusion.

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Enforce rules allowing alternate IDs or authentication mechanisms

Mechanisms are in place to ensure benefits are not denied due to Aadhaar; enforce these strongly. Awareness of other authentication means (e.g., mobile OTP) is low: popularise them.

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### LEGAL HIGHLIGHTS OF THE AADHAAR PLATFORM

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In August 2017, the Supreme Court ruled that privacy is a fundamental constitutional right.

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An overwhelming majority of Indians care about their right to privacy; more than 96% of respondents stated it is important for them to know how their Aadhaar information is used by the government.

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### AADHAAR AND TELECOM: QUICK HIGHLIGHTS

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77% of respondents approved of the mandatory linking of Aadhaar to services, including mobile

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More than 50% of respondents who got a SIM card in late 2016 or after, used e-KYC to do so



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