

Press Release

Study Finds Strong Positive Impacts from Using Biometric Smartcards to Transfer NREGS and Pension Payments in Andhra Pradesh

New Delhi, April 2, 2014: Prof. Karthik Muralidharan, Assistant Professor of Economics, University of California, San Diego, Non resident Fellow at NCAER, and an affiliate of J-PAL, presented results from a path-breaking three year study on the impact of using biometrically-authenticated Smartcards to make payments to NREGS and Pension beneficiaries in Andhra Pradesh. Prof. Karthik was heard as part of the distinguished lecture series of National Council of Applied Economic Research (NCAER), held at India International Centre today.

The Andhra Pradesh Smartcard Program used biometrically-authenticated Smartcards to make payments under NREGS and Social Security Pensions. This was one of the most promising attempts to increase state capacity to effectively implement programs in India's ambitious initiative to provide all residents with a biometrically-authenticated *Aadhar* number linked to bank accounts, which can be used to directly transfer benefits. Prof. Muralidharan presented results from a large-scale, scientifically rigorous, randomized impact evaluation of the AP Smartcard program on beneficiary experiences and leakage.

This study conducted jointly with Paul Niehaus (UCSD) and Sandip Sukhtankar (Dartmouth) suggests that investing in secure authentication and payment infrastructure can significantly enhance "state capacity" to effectively implement a broad range of programs. In his lecture titled '**Building State Capacity for Program Implementation: Evidence from Biometric Smartcards in India**', Prof. Karthik Muralidharan, said, "This evaluation is one of the largest randomized controlled trials ever conducted (over a universe of about 19 million people) and has clearly demonstrated that the AP Smartcard Program had a strong positive impact, was cost-effective, and also highly popular. Our research findings are highly relevant to understanding the likely impacts of Aadhar-integrated Direct Benefits Transfers across sectors, and show that the returns to investing in building state capacity for better programme implementation through secure payments and DBT's can be positive even over a relatively short period of two years."

He also said: "It is inevitable that there will be implementation challenges, but these can be easily overcome with good leadership, planning, and commitment from the government and implementing banks/TSP's. It is also likely that some interest groups may complain in the short run and that there may be genuine problems in some areas. But while complaints should be heard, it is important for policies to be based more on large-sample data and evidence rather than anecdotes. Without our large-scale study, we would not have known how much broad-based support the new program had."

Dr Shekhar Shah, Director-General, NCAER said, "It is absolutely fantastic that Prof. Karthik and his co-authors have invested in this rigorous study of the Andhra Pradesh Smartcards Programme. NCAER has supported Karthik's work in the last few years as part of

our commitment to promote evidence based policy making in India. The study clearly shows ways in which we can build state capacity for better programme implementation.”

CV Madhukar, Director Investments, **Omidyar Network India Advisors** said, “The AP Smartcard programme reinforces our belief that technology, when appropriately used, can create greater transparency and process efficiencies. J-PAL’s study results resonate with Omidyar Network’s core philosophy on providing every individual the opportunity to shape his and her own future.” He further added, “The results of this study can help governments think through this important issue and arrive at solutions that can benefit millions of aspiring Indians across socio-economic strata.”

About J-PAL

The Abdul Latif Jameel Poverty Action Lab (J-PAL) was established in 2003 as a research center at the Economics Department at the Massachusetts Institute of Technology. Since then, it has grown into a global network of researchers who use randomized evaluations to answer critical policy questions in the fight against poverty. J-PAL’s mission is to reduce poverty by ensuring that policy is based on scientific evidence, and research is translated into action.

About Omidyar Network

Omidyar Network is a philanthropic investment firm dedicated to harnessing the power of markets to create opportunity for people to improve their lives. Established in 2004 by eBay founder Pierre Omidyar and his wife Pam, the organization invests in and helps scale innovative organizations to catalyze economic and social change. To date, Omidyar Network has committed more than \$670 million to for-profit companies and non-profit organizations that foster economic advancement and encourage individual participation across multiple initiatives, including entrepreneurship, education, financial inclusion, property rights, government transparency, consumer Internet and mobile. To learn more, visit www.omidyar.com.

About NCAER

NCAER, the [National Council of Applied Economic Research](http://www.ncaer.org), was established in 1956 as part of Prime Minister Nehru’s vision for independent institutions that a newly independent India needed. It is the nation’s oldest and largest independent, economic think-tank, informing policy choices for both government and industry. For nearly six decades, NCAER has served the nation with its rich offering of research, data, and policy analysis to central and state governments, corporate India, the media, and informed citizens. It is one of a few think-tanks globally that combine analysis and policy outreach with deep data collection capacity, particularly for large-scale household and consumer surveys. NCAER is led by its Director-General and governed by an independent Governing Body headed by its President, Nandan M Nilekani, until recently the Chairman of India’s Unique Identity Authority. To know more, please visit: www.ncaer.org

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