

Authors

Karthik Muralidharan
University of California, San Diego

Paul Niehaus
University of California, San Diego

Sandip Sukhtankar
University of Virginia

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Building State Capacity: Evidence from Biometric Smartcards in India

By **KARTHIK MURALIDHARAN, PAUL NIEHAUS, AND SANDIP SUKHTANKAR**

Antipoverty programs in developing countries are often difficult to implement; in particular, many governments lack the capacity to deliver payments securely to targeted beneficiaries. We evaluate the impact of biometrically authenticated payments infrastructure (“Smartcards”) on beneficiaries of employment (NREGS) and pension (SSP) programs in the Indian state of Andhra Pradesh, using a large-scale experiment that randomized the rollout of Smartcards over 157 subdistricts and 19 million people. We find that, while incompletely implemented, the new system delivered a faster, more predictable, and less corrupt NREGS payments process without adversely affecting program access. For each of these outcomes, treatment group distributions first-order stochastically dominated those of the control group. The investment was cost-effective, as time savings to NREGS beneficiaries alone were equal to the cost of the intervention, and there was also a significant reduction in the “leakage” of funds between the government and beneficiaries in both NREGS and SSP programs. Beneficiaries overwhelmingly preferred the new system for both programs. Overall, our results suggest that investing in secure payments infrastructure can significantly enhance “state capacity” to implement welfare programs in developing countries. (JEL H53, H55, I32, I38, J65)

*Muralidharan: Department of Economics, University of California, San Diego, 9500 Gilman Drive, La Jolla, CA 92093 (e-mail: kamural@ucsd.edu); Niehaus: Department of Economics, University of California, San Diego, 9500 Gilman Drive, La Jolla, CA 92093 (e-mail: pniehaus@ucsd.edu); Sukhtankar: Department of Economics, University of Virginia, Moore Hall, 240 McCormick Road, Charlottesville, VA 22903 (e-mail: sandip@sukhtankar@virginia.edu). We thank Suresh Anagot, Ashish Banerjee, John Collins, Gordon Dahl, Roger Gordon, Ramesh Haran, Gordon Hanson, Ravi Lall, Arun Karim, Suresh Kumar, Monica Singh, Ash Tane, and several seminar participants for comments. We are grateful to officials of the Government of Andhra Pradesh, including Reddy Subrahmanyan, Koppala Raju, Shashi Kumar Singh, Raju, Raju, G. Vijaya Lakshmi, AVV Prasad, Kalyan Sekhoni, Suresh, Kalyan Rao, and Madhuri Rao, as well as Gular Natarajan for their continued support of the Andhra Pradesh Smartcard study. We thank officials of the Unique Identification Authority of India (UIDAI), including Pradeep Srikant, Ram Sivas, Shantanu, and R. Sekhar for their support, and Tam Conduway Services (TCS) and Rao Mori, Ramana, and Shubra Dixit for their help in providing us with administrative data. This paper would not have been possible without the outstanding efforts and input of the 1,000+ IPA project team, including Vipin Arora, Anand, Kalyan Bhat, Prabhakar, Karim, Paul Madhupratyap, Michael Kaur, Rupa Kishore, Mahesh Kumar, Suresh Kumar, and Pradeep Kumar. We are deeply grateful to the OpenStax Network—especially Jagat Saha, C. V. Madhukar, Surya Menon, Ashu Sika, and Dhawal Kothari—for the financial support and long-term commitment that made this study possible. We also thank IPA, Yale University, and the Bill and Melinda Gates Foundation for additional financial support through the Global Financial Inclusion Initiative. The authors declare that they have no relevant or material financial interests that relate to the research described in this paper.

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