Concerns of Aadhaar

Why in news?

The international credit rating agency, Moody's Investor Service, released a report, 'Decentralised Finance and Digital Assets' highlighting the vulnerabilities posed by centralised ID systems like Aadhaar.

Aadhaar
• Aadhaar is a *12 digit individual identification number* issued by the *Unique Identification Authority of India (UIDAI)* on behalf of the Government of India. • **Purpose-** The number serves as a proof of identity and address, anywhere in India. • **Unique ID**- Aadhaar will provide a *universal identity infrastructure* which can be used by any identity-based application. • **Enrolment for Aadhaar**- Any individual, irrespective of age and gender, who is a *resident in India* and satisfies the verification process laid down by the UIDAI can enrol for Aadhaar. • **Validity-** Life time • **Services-** Aadhaar number will help the residents to avail various services provided by banking, mobile phone connections and other govt and non-govt services in due course. • **DPI**- Aadhaar is the foundational Digital Public Infrastructure (DPI) of the India stack.

What does the report say about Aadhaar?

- **Centralised infrastructure**- The agency has red-flagged security and privacy risks to users of such centralised systems where a single entity controls and manages a user's identifying credentials.
- It advocates for decentralised digital identity systems instead of centralised biometric systems like India's Aadhaar.
- **Authorisation issues**- The report states that the Aadhaar system faces hurdles, including the burden of establishing authorisation and concerns about biometric reliability.
- **Service denials**- It often results in "service denials" for users and are unreliable in hot and humid conditions.

What is India's response to the report?

- **Trusted digital ID**- The government has strongly refuted these claims, terming Aadhaar as "the most trusted digital ID in the world."
- **MGNREGA database**- The government stated that the authors of the report are unaware that the seeding of Aadhaar in the MGNREGS database has been done without requiring the worker to authenticate using their biometrics.
- **Direct credit-** Even payment to workers under the MGNREGA scheme is made by directly crediting money in their account without worker's biometric authentication.

- **Contactless authentication**- The Moody's report also ignores that biometric submission is also possible through contactless means like face authentication and iris authentication.
- The option of mobile OTP (One-Time Passcode) is also available in many use cases.
- **International agencies**- The IMF and the World Bank, have lauded Aadhaar and several nations have also engaged with UIDAI to understand how they may deploy similar digital ID systems.
    - World Bank's report on G-20 Global Partnership for Financial Inclusion (GPFI), stated that the implementation of DPIs such as Aadhaar, Jan Dhan bank accounts, and mobile phones, has played a critical role in enhancing ownership of transaction accounts.
- **Citizen support**-The government emphasised that over a billion Indians have also expressed their trust in Aadhaar by using it to authenticate themselves over 100 billion times.
- **Lack of research**- The report does not cite primary or secondary data or research in support of the opinions presented in it. The investor service did not make any attempt to ascertain facts regarding the issues raised by it from the Authority.
- **Robust privacy protection-** Parliament has laid down robust privacy protections in the law governing the Aadhaar system and these systems are certified as per international security and privacy standards.

What is the rationale behind Aadhaar?

- **Unique identifiers**- During enrolment for Aadhaar, demographic details of individuals along with their biometric fingerprints and iris scans are collected as they are considered to be unique identifiers of individuals.
- **Eliminate ghost individuals**- Aadhaar aims to ensure that all residents have a unique ID and to curb corruption in accessing welfare programmes by eliminating "ghost" and "fake" individuals.
    - An individual is called a 'ghost' if they access rations in the name of a dead person, and a 'fake' if they access rations even though they are not officially entitled to it.
- By removing ghosts and duplicates, the government has claimed substantial savings in welfare schemes through the usage of Aadhaar.
- **Direct Benefit Transfer**- The government favours Aadhaar for several other government-to-citizen cash transfer programmes.

National Payments Corporation of India acts as a clearing house of Aadhaar-based payments.

- **Financial address**- Aadhaar becomes the financial address of the individual and cash transferred by the government gets deposited to the last Aadhaar-linked bank account.

Why is Aadhaar use concerning?

- **Quantity fraud**- Several organisations and researchers have provided evidence that

Aadhaar has no role in either detecting or preventing quantity fraud.
    - Example- Entitlement for a ration card holder is 35 kg of rice but the dealer only gives 30 kg
- **Multiple visits-** In many rural areas, people have to make multiple trips to ration shops, to authenticate with no guarantee that the authentication will work.
- **Service denials**- Lack of reliable internet, fading fingerprints among daily wage workers, lack of phone connectivity to get an OTP etc. lead to denials.
- **Vulnerable**- Older women, people with disabilities, or those living in remote areas are more prone to hardships and exclusions due to such stringent biometric authentication requirements.
- **Lack of data**- The data on the number of attempts to authenticate and the extent of authentication failures are not public.
    - Comptroller and Auditor General of India (CAG) report 2022 states that UIDAI did not have a system to analyse the factors leading to authentication errors.
- **Authentication failure-** In Aadhaar-based payments, error in any step results in payment failures. Different spellings in the job card and in the Aadhaar database can result in authentication failures.
- **Lack of financial literacy**- Most workers are unaware which account their Aadhaar was last linked to as financial institutions in rural areas tend to coerce workers to link their Aadhaar with bank accounts without consent.
    - For example, Aadhaar payments of people got redirected to Airtel wallets causing much confusion.
- **Misdirected payments**- Misdirected payments through Aadhaar are difficult to detect and are nearly impossible to resolve.
- **Delayed payments-** The government has also claimed that using Aadhaar in MGNREGA has reduced delays in wage payments.
    - A recent working paper using 31 million MGNREGA wage transactions demonstrates no statistical evidence of these claims and points to lack of sufficient funds as the reasons for delays.
- **Security concerns-** Banking correspondents are using the Aadhar enabled payment system (AePS) without any accountability framework.
    - Example- The Rs.10 crore scholarship scam in Jharkhand in 2020.

References

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2. UIDAI- What is Aadhaar
3. The Hindu- Government rebuffs Moodys Aadhaar views

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