Secure Digital Payments: Improving Public Welfare Programs

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HIGH COSTS OF DELIVERING GOVERNMENT TRANSFERS
SECURE PAYMENTS AS STATE CAPACITY

AADHAAR
SEVERAL GROUNDS FOR OPTIMISM AS WELL AS SKEPTICISM

Optimism
- Reduce leakage; improve payment experience
- Expand feasible set of anti-poverty policies
- Leapfrog literacy constraints to Financial Inclusion
- Will be a “game changer” for governance (former FM)

Skepticism
- Complex implementation challenges
- Subversion by vested interests
- Exclusion errors
- Reduced incentives for officials to implement programs
- Cost effectiveness based on untested assumptions
AN AMBITIOUS PROJECT THAT REQUIRED MANY PARTNERS TO SUCCEED

J-PAL Global, CEGA, Omidyar Network, Unique Identification Authority of India (UIDAI), Government of Andhra Pradesh
Rollout was randomized at sub-district level in 8 districts with 20 million people.
ASSESSING IMPLEMENTATION

• GoAP achieved 50-60% coverage in rolling out carded payments over 2 years

• Some relevant US Comparisons
  – Replacing checks with EBT in Social Security took 15 years
  – Healthcare.gov

• Evaluation based on “as is” evaluation under real-world implementation (and corresponding challenges)
  – Several ‘process’ insights shared with Govt. of India
SIGNIFICANT POSITIVE PROGRAM IMPACTS ON SEVERAL DIMENSIONS

- **Time to collect (Min)**
- **Payment lag (Days)**
- **Payment deviation (Days)**
- **NREGS Leakage (%)**
- **SSP Leakage (%)**

**Graphs**

- **Control**
- **Treatment**
OVERWHELMING SUPPORT FOR THE PROGRAM

NREGA
- New system: 91%
- Old system: 3%
- Neutral: 6%

SSP
- New system: 93%
- Old system: 3%
- Neutral: 4%
**IMPACT**

- **Govt. of AP**
  - Almost scrapped program in mid 2013
  - Results presented by PS & CS to CM to continue program

- **Govt. of India**
  - Some uncertainty about program continuation with new govt.
  - Results presented to PM/FM multiple times

- **Broader Impact**
  - Several public lectures in India (chaired by top officials)
  - Op-eds by us as well as others
  - Results used widely by other stakeholders in FI/DBT
SIGNIFICANT POSITIVE PROGRAM IMPACTS ON THE RURAL ECONOMY
TRANSFORMING THE WELFARE STATE?

- Secure payments allow two classes of interventions
  - Implement existing policies better (AP Smartcards)
  - Replace distortionary subsidies w/ income transfers (food, energy)
- Most policy-relevant area may be food security
  - Default of PDS plagued with leakage; can cash transfers do better?
  - Both beneficiary preferences & nutrition impacts need to be determined
- Our work in Bihar and (now) Rajasthan directly speaks to this
  - Offer randomly-selected HH the option of exchanging in-kind entitlements for an experimentally varied cash transfer
  - In pilots - ~80% of HH in Bihar prefer cash; take-up rate is ~60% at even half the value of the subsidy! Nutrition impacts will be seen in the full study
  - Powerful way of politically de-risking the process of policy experimentation
SUMMARY

• Secure payments can have transformative impact on the delivery of anti-poverty programs in developing countries
  – But, implementation details really matter

• Theoretically-grounded rigorous empirical evaluation (and iterative feedback into design and implementation) can be a critical complement to the technology itself
  – Rapid feedback on implementation, impact, and voter preferences
  – Insulate against policy-making by anecdote
  – Grounds marketing hype in reality (OLPC, Micro-finance)
  – Better design can mitigate against heterogeneity
  – Growing policy-maker demand for evidence at highest levels
  – Exciting times to be innovating and evaluating in this space