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PM Modi's Aadhaar program wins World Bank praise amid 'big brother' fears

By Bloomberg | Updated: Mar 16, 2017, 06.20 PM IST

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By Jeanette Rodrigues

A new internet is being built: it has 1.1 billion users, a third of the world wide web. [Indian banks](#) are running transactions on it and [Microsoft](#) has embedded it into [Skype](#).

The biometric identifier program Aadhaar -- or "foundation" in Hindi -- has taken on a life of its own, authenticating loans and job seekers, pensions and money transfers across India. And last week's landslide state election win could embolden Prime Minister Narendra Modi to push Aadhaar beyond its early cost-saving goal, even as questions are raised about the security of its data and the proliferation of private companies seeking to profit from the information it stores.

Other countries are also looking at similar programs, but research shows it's best to develop one standardized system so people can carry their IDs wherever they go in the world, said Paul Romer, chief economist at the World Bank.

"The system in India is the most sophisticated that I've seen," Romer said. "It's the basis for all kinds of connections that involve things like financial transactions. It could be good for the world if this became widely adopted."

Identification is the first step to accessing services such as health and education in a world where 1.5 billion people can't prove who they are. The United Nation's Sustainable Development Goals aim to provide legal IDs to all by 2030, triggering the creation of a range of platforms that offer basic rights to citizens of poorer countries while allowing those in the advanced world granular control over their digital data, such as school or medical records, and streamlining immigration.

Fingerprints, Iris Scans

An ambitious government-run project -- just like the Internet at the time of its creation decades ago -- Aadhaar began in 2009 to target payments to the poor across India's vast hinterland.

Other governments are already interested in its potential. Countries such as Tanzania, Afghanistan and Bangladesh have visited India to talk about the system, said [Nandan Nilekani](#), billionaire co-founder of the technology company Infosys Ltd. and former chairman of the Unique Identification Authority of India, who created Aadhaar. Russia, Morocco, Algeria and Tunisia have also indicated their interest in Aadhaar, R.S. Sharma, chairman of the telecom regulatory authority of India, told the Mint newspaper in July 2016.

"They're all keen to see how they can replicate this in their countries," Nilekani said by phone. "This is a great example of how governments can build the most modern digital public infrastructure, and make it available as a public good to everybody."

In its World Development Report 2016, the World Bank said "a digital identification system such as India's Aadhaar, by overcoming complex information problems, helps willing governments to promote the inclusion of disadvantaged groups."

Here's how it works: a unique 12-digit number is assigned to Indian residents, backed by biometrics including fingerprint and iris scans stored in a central database. If an individual wants to open a bank account or buy a mobile [SIM card](#), they need to provide their Aadhaar number and place their finger on a scanner. This action permits the bank or utility to ask the Aadhaar database to verify their credentials.

Earlier, a sheaf of documents were needed as proof of identification, a tough task in a country of 1.3 billion where 40 percent aren't registered at birth and 30 percent can't even read or write their own name.



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About 99 percent of adult Indians hold an [Aadhaar ID](#) that links to some 84 government services, which will soon include the whole of India's food distribution system, the world's biggest welfare program. The Aadhaar is saving Modi's administration about \$2 billion a year and this could rise to \$7 billion by March 2018, or 0.35 percent of gross domestic product, according to research firm [CLSA](#).

Skype Lite

The private sector is also benefiting from Aadhaar. Reliance Jio Infocomm Ltd., controlled by India's richest man Mukesh Ambani, sold 100 million sim cards in six months -- or about seven each second -- by using this system to verify customers' IDs, while Google is in talks with the government to use Aadhaar.

Smaller companies are creating blood donation registries based on it, and people can withdraw money or make cashless transactions using Aadhaar without needing a secret code or even a card. Microsoft Corp. in February created a lightweight version of Skype for Indians, who can use Aadhaar to identify themselves.

"What's happening is Aadhaar servers are saying 'yes, this person is who they are saying they are'," said Eve Maler, vice president of innovation and emerging technology at ForgeRock Inc., who's worked with governments including New Zealand on data protection. The question is, she says, "how much information comes along with that authentication event"?

'Big Brother'

For all its potential, Aadhaar has also been criticized as enabling the creation of a 'Big Brother' surveillance state.

Indeed, Modi opposed Aadhaar before coming to power, saying it violated national security and the privacy of citizens. Now he counts it as a key part of his push to move India towards cashless transactions and save money on the payment of social security benefits.

"Centralized databases, even if the information contained therein on any one individual is kept to a minimum, pose a risk," said Dakota Gruener, executive director at ID2020, a public-private partnership that aims to create digital IDs for refugees.

There has been no incident of misuse of Aadhaar biometrics leading to identity theft and financial loss during the last five years, the issuing authority said in a statement on March 5, in response to a spate of news reports about breaches. However in a briefing it said it had shut 12 private websites and 12 mobile applications and was on the verge of closing 26 more for illegally obtaining Aadhaar numbers or enrollment details.

Privacy at Risk

The debates surrounding Aadhaar -- identity proofing, privacy -- are similar to those playing out in the wrangling over the revision of standards governing the Internet, as government and business struggle to find the perfect tool to authenticate people's identity and safeguard their data.

The U.K. announced in 2010 it was scrapping a plan for a national identity register after objections that it infringed on civil liberties, but it continues to issue biometric residence permits for foreigners. France is debating a mega database for biometric details of citizens. The U.S. Federal Trade Commission said identity theft complaints were the second-most reported in 2015, even as calls intensify to create a biometric identification for all legal U.S. workers.

Aadhaar is designed on the principle of "optimal ignorance," said Nilekani. While Aadhaar knows you're using the system to identify yourself on Skype, for example, it's never privy to the details of the call. Microsoft says it deletes all Aadhaar data once the call has been disconnected.

The problem is not so much with Aadhaar, said Romer, who founded a technology company in 2000, but with the many private firms collecting large amounts of data about people.

"It should be part of the policy of the government to give individuals some control over the data that the private firms collect and some control over how that data is used," he said.

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