

Jan Dhan Yojana, Aadhaar, mobile platforms: An anti-poverty system in peril?

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Silvia Masiero discusses the usage of the JAM trinity (Jan Dhan Yojana, Aadhaar, and mobile platforms) in the prospected move from existing anti-poverty programmes to a system based on cash transfers.



With the advent of information technology in the public sector, embraced by many state governments in India, relations between e-governance and anti-poverty policy have become a matter of scholarly interest. In a [previous blog post](#), I have outlined the links between computerisation of the Public Distribution System (PDS), the main Indian food security net, and its prospected substitution with a system based on direct transfer of benefits. Technology can be instrumental in reforming anti-poverty schemes, and the reforms presently discussed by the NDA government are indeed being integrated with a novel information infrastructure.

The view of centralised anti-poverty programmes as suboptimal, as compared to more flexible and targeted social safety nets, has already found expression in contemporary India. The policy shift to a targeted PDS in 1997 is a case in point, in which leakage to the non-poor was addressed by making subsidies conditional to poverty status. Nonetheless, high leakage rates have persisted in the PDS, largely due to illegal diversion of subsidised goods to the market: as the [Shanta Kumar Committee Report](#) highlighted, leakage rates are high enough to recommend a shift to a cash transfers policy. A similar line of thought has been expressed on the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), by economists who [argued in favour of downsizing](#) this anti-poverty scheme to prepare its substitution with direct transfers.

The use of IT infrastructures to enact a policy shift to cash transfers was, however, not fully articulated before the inception of NDA's term in office. In a recent [Government of India report](#), a clear vision on how to “wipe every tear from every eye” is detailed: a composite digital infrastructure, referred to as the “JAM trinity” – an acronym for Jan Dhan Yojana, Aadhaar, and mobile platforms – has been established to devise a new anti-poverty system, based on direct transfers rather than heavy bureaucracies. The JAM trinity consists of three components:

- The **Pradhan Mantri Jan Dhan Yojana**, launched by the Ministry of Finance in August 2014, is a financial inclusion scheme aimed at providing each household with a bank account, with the option of opening zero-balance accounts too. Bank accounts will serve as the backbone infrastructure to allow transfer of benefits to those entitled.
- **Aadhaar**, a flagship scheme of the previous INC government, is a project aimed at unique identification of citizens, through a 12-digit number and registration of biometric details. While the Supreme Court of India has forbidden to make it mandatory for social safety schemes, Aadhaar is still an option to ensure targeting of benefits: it uses biometrics to maximise accuracy of identification, and minimises access by non-entitled users.
- Finally, **mobile platforms** are pliable to many uses in social safety nets. In particular, when benefits are received, mobile notifications empower users to claim and collect their cash. Several mobile-based schemes are already into place as pilot projects around the nation.

Hence, as of its composite structure, the JAM trinity has been devised to carry a clear policy of decentralisation. This is aimed at dismantling heavy bureaucracies, on which leakage and ineffectiveness are often blamed, and shifting to effective direct transfers of benefits to the poor.



Aadhaar enrollment. Image credit: Sonali Campion

How viable is this radical, market-oriented policy decision? A caveat relates, in the first place, to the potentially too prompt lumping of IT infrastructures with deconstruction of bureaucracies. E-governance measures embody policy decisions, and can even, for that matter, be used to oppose marketization: to cite an example above all, that is the case of Karnataka, whose use of biometrics has been oriented to *strengthening* the PDS rather than dismantling it. The Karnataka system, which I have reviewed [on this blog](#), is far from perfect: its experience proves, however, that it is possible to use IT systems to enact PDS reform, and attain poverty reduction by that. Hence, a better PDS can be pursued *through* computerisation, rather than in spite of it.

Furthermore, the desirability of a shift to cash transfers – as reflected in today’s debate – is seriously questionable, especially in the light of [proven correlation](#) between improvements in the PDS and reduction of state-level poverty. Three considerations are paramount here. First, market incentives may be suboptimal in catering to vulnerable groups, for which equality of access (rather than flexibility) is the main value. Bureaucracies can be prone to leakage, but their structures are oriented to fairness, and to the defence of impartiality in the distribution of benefits. The same cannot be said of cash transfer systems, which expose the poor to price volatility and the fluctuations inherent in the market.

Second, when investigating the matter with recipients, a problem of material feasibility emerges: detachment from banking systems, in spite of the inception of Jan Dhan Yojana, is experienced by beneficiaries whose closest bank office is many miles away, and whose familiarity with a system relying on banking correspondents is minimum. Finally, dismantling the PDS today means ignoring [too many state-level stories](#), showing the power of policy improvement in delivering actual reduction of poverty indices.

The JAM trinity – as any piece of technology for development – is not *per se* optimal or suboptimal, but can be used with varying degrees of adequacy. Arguments in favour of lean structures, proposing to tackle leakage by attacking its bureaucratic foundations, may have a logic in the public sector, following the orthodoxy of minimal-state principles. But the use of IT as a means to dismantling existing anti-poverty nets, in favour of cash transfers, runs the risk of overlooking the security of access to entitlements, which should instead be at the core of social safety systems.

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