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Building State Capacity: Evidence from Biometric Smartcards in India

By KARTHIK MURALIDHARAN, PAUL NIEHAUS, AND SANDEP SUGHTANKAR

Antipoverty programs in developing countries are often difficult to Antipoverty programs in accompany constructs site optime algorith to implanents: in particular, many governments lack the capacity to deliver payments securely to targeted beneficiaries. We evaluate the impact of biometrically authenticated payments infrastructure ("Samatcardh") an beneficiaries of employment (NECGS) and per-sion (SSP) programs in the Indian state of Andhra Prakesh, using a lowno scale experiment that madomic of the adhra of Sanottardh a large-scale experiment that randomized the rollout of Smortcard) over 157 subdistricts and 19 million people. We find that, while incom-pletely implemented, the new system delivered a faster, more predict-The programment of the new system delivered a faster, more predic-table, and less corruge NREGS payments process without adversely affecting program access. For each of these autcomes, neutreent officing program access. For each of these autcomes, neutreent officing program access. For each of these autcomes, neutreent experiment and the second programment of the interven-tion, and there was also a significant reduction in the "leakage" of funds hereven the government and hemeficiaries in both NREGS and SSP programme. Beneficiaries overwhelmingly profered the new sys-tem for both programs. Overall, our results suggest that investing in secure psymetri infrastructure can significantly enhance "states. (JELH53, H55, 132, 138, J65)

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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.

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