



## Concerns for Aadhaar In India

**For Prelims:** [Mahatma Gandhi National Rural Employment Guarantee Scheme \(MGNREGA\)](#), [Unique Identification Authority of India \(UIDAI\)](#), Decentralised ID (DID)

**For Mains:** Impact of [Digital India](#) on Security and Privacy of Citizens.

[Source: TH](#)

### Why In News?

Recently, In the midst of India's extensive digital infrastructure development, Moody's report "**Decentralized Finance and Digital Assets**" has underscored that the world's largest digital identification program frequently denies services to users.

- The report raises concerns about the dependability of biometric technology, while also sounding a warning about potential privacy and security risks.

### What are the Key Highlights of Moody's Report?

- **Privacy and Security Concerns:**
  - The rating agency termed [Aadhaar](#), and a new crypto-based digital identity token called **Worldline**, as two digital ID systems in the world that stand out due to their scale and extent of innovation.
  - However, they have "drawn scrutiny, especially concerning privacy and security".
  - Aadhaar leads to the concentration of sensitive information with specific entities and increases the risks of data breaches.
- **Biometric Authentication Concerns:**
  - The Rating Agency remarked in its report about the government's adoption of [Aadhaar](#) for routing [Direct Benefit Transfers](#) to beneficiaries of welfare schemes such as [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#) etc, which is hindering their effective Implementation.
  - Aadhaar biometric faces hurdles, including the burden of establishing authorization and concerns about biometric reliability.
  - Aadhaar system enables access to public and private services, with verification via **fingerprint or iris scans** and alternatives like One-Time Passcodes (OTPs).
- **Concerns Related to Service Denials:**
  - The [Unique Identification Authority of India \(UIDAI\)](#) administers Aadhaar, aiming to integrate marginalized groups and expand welfare benefits access.
  - The system often results in **service denials, and the reliability of biometric technologies**, especially for manual labourers in hot, humid climates, is questionable.
- **Issues Related to Centralisation of Data:**
  - Moody's made a pitch for **decentralized ID (DID) systems** such as **digital wallets**, based on [blockchain capabilities](#) that give users more control of their private data and can reduce online fraud.

## What is the Government's Response to Moody's report?

- **Recognition by International Agencies:**
  - Government held that a number of international agencies, including the **IMF** and the **World Bank**, have lauded Aadhaar and several nations have also engaged with the **Unique Identification Authority of India (UIDAI)** to understand how they may deploy similar digital ID systems.
- **Facilitation of Schemes like MGNREGA:**
  - Government said that 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.
- **Advantages of Direct Benefit Transfer:**
  - Government stressed that even payment to workers under the scheme is made by directly crediting money into their account and does not require the worker to authenticate using their biometrics.

## What are the Decentralized Systems?

- In a **centralized system, a single entity** such as a bank, social media platform or government electoral roll **controls and manages a user's identifying credentials** and their access to online resources.
  - Managing entity can dispose of the **user's identity data for internal or third-party profiling purposes.**
- However, **the adoption of DID** — where personal data is saved in a user's **digital wallet** and identity verification takes place not via a single, centralized institution but on a decentralized digital ledger such as a blockchain.
  - It **increases privacy and reduces the amount of personal information** held by intermediaries.
  - It can be stored and managed in a user's **portable and reusable digital wallet**, rather than by a government, business, employer, or other entity.

## What are the Challenges Related to Decentralised ID Systems?

- Digital IDs, centralized or not, **can have negative social repercussions**, since they may strengthen group identities and political divides, particularly if offered by technology and social media companies with significant monopolistic influence.
- Consolidation of control within these entities could **lead to a concentration of power** over individual identities, shaping perceptions and interactions in the digital realm.
- Further polarization of group identities and political affiliations would **undermine the goal of a united and diverse digital space.**

## What is Aadhaar?

- Aadhaar is a **12-digit individual identification** number issued by the Unique Identification Authority of India on behalf of the Government of India. The number serves as proof of identity and address, anywhere in India.
  - The Aadhaar number is **unique for each individual** and will remain valid for life time.
  - 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.
  - Establishes identity of individuals **on the basis of demographic and biometric information.**
  - It is a **voluntary service** that every resident can avail irrespective of present documentation.

## What are Direct Benefit Transfers?

- **Aim:**
  - It has been visioned as an aid for simpler/faster flow of information and funds to the

beneficiaries and to reduce the fraud in the delivery system.

▪ **Implementation:**

- It is a mission or an initiative by the government of India started on 1st January 2013 as a way to reform the government delivery system.

▪ **Central Plan Scheme Monitoring System (CPSMS)**, the earlier version of the **Public Financial Management System (PFMS)**, of the Office of Controller General of Accounts, was chosen to act as the common platform for routing of the Direct Benefit Transfer.

▪ **Components of DBT:**

- Primary components in the implementation of DBT schemes include the Beneficiary Account Validation System, a robust payment and reconciliation platform integrated with the [Reserve Bank of India \(RBI\)](#), [National Payments Corporation of India \(NPCI\)](#), [Public & Private Sector Banks](#), [Regional Rural Banks and Cooperative Banks](#) (core banking solutions of banks, settlement systems of RBI, Aadhaar Payment Bridge of NPCI) etc.

## UPSC Civil Services Examination Previous Year Question (PYQ)

### **Prelims**

**Q 1. With reference to “Blockchain Technology”, consider the following statements: (2020)**

1. It is a public ledger that everyone can inspect, but which no single user controls.
2. The structure and design of the blockchain is such that all the data in it are about cryptocurrency only.
3. Applications that depend on basic features of blockchain can be developed without anybody’s permission.

**Which of the statements given above is/are correct?**

- (a) 1 only
- (b) 1 and 2 only
- (c) 2 only
- (d) 1 and 3 only

**Ans: (d)**

### **Mains**

**Q 1.** Two parallel-run schemes of the Government, viz the Aadhaar Card and National Population Register (NPR), one as voluntary and the other as compulsory, have led to debates at national levels and also litigations. On merits, discuss whether or not both schemes need to run concurrently. Analyze the potential of the schemes to achieve developmental benefits and equitable growth. **(2014)**