



The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2026

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium provided the original work is properly cited.

Is "Digital Governance" a Permanent Solution to State Capacity, or a Technological Fix Masking the Need for Reforms?

~Prathamesh Wagh

India's Digital Public Infrastructure (DPI), commonly known as the India Stack, represents a significant advancement in governance mechanisms. Comprising core elements such as Aadhaar for digital identity, the Unified Payments Interface (UPI) for seamless transactions, and data sharing protocols, DPI has facilitated Direct Benefit Transfers (DBT) that deliver subsidies, pensions, and welfare payments directly into beneficiaries' bank accounts. This approach has circumvented intermediary layers, thereby diminishing bureaucratic hurdles and minimizing leakages inherent in conventional systems. The government has reported cumulative savings of over ₹3.48 lakh crore (approximately US\$42 billion) through elimination of ghost beneficiaries and duplicate claims up to 2024¹. During the COVID-19 pandemic, DPI enabled swift distribution of emergency aid to over 400 million individuals within weeks, underscoring its capacity for rapid scaling and operational efficiency.²

The efficacy of DPI arises from its ability to automate processes, thereby limiting human intervention in allocation decisions, which historically fostered corruption and opacity. A widely cited study by Muralidharan, Niehaus, and Sukhtankar (2016) found that only about 15 paise of every rupee spent on welfare reached the intended beneficiary in traditional systems.³ By integrating biometric verification via Aadhaar, DBT has reduced leakages by an average of 12.7 percentage points in states that implemented biometric authentication, without significantly reducing access for genuine beneficiaries. This has also propelled financial

¹ Government of India, "DBT Report 2023," Ministry of Finance.

² World Bank, "India's Digital Response to COVID-19" (2021).

³ Muralidharan, K., Niehaus, P., & Sukhtankar, S., "General Equilibrium Effects of (Improving) Public Employment Programs" (NBER Working Paper 2016).

inclusion, with the proportion of adults having a bank account rising from 53% in 2014 to over 78% by 2021.⁴

Nandan Nilekani, the chief architect of Aadhaar and co-founder of Infosys, has repeatedly described DPI as the "rails" for India's future economy. In 2023, he stated: "India's DPI will be the basis for using AI... We have built the digital highways; now the traffic of innovation will flow."⁵ He further emphasized the demand-driven nature of adoption: "There is no way Aadhaar could have worked but for the fact that people needed this thing. It was pulled by demand, not pushed by supply."⁶

Notwithstanding these accomplishments, digital governance should not be viewed as an enduring remedy for deficiencies in state capacity. Rather, it operates as a technological overlay that alleviates manifestations of profound institutional shortcomings without resolving underlying causes. India's bureaucratic challenges trace back to colonial structures, excessive centralization, insufficient personnel training, and entrenched resistance to innovation. While DPI excels in routine, transactional functions, it falters in areas demanding nuanced discretion such as policy design or regulatory oversight.

Scholarly critiques highlight persistent exclusion errors. Biometric authentication failures disproportionately affect manual labourers and the elderly, with failure rates estimated at 3–12% in field conditions.⁷ The rural-urban digital divide remains stark: as of 2024, only 41% of rural Indians use the internet compared to 71% in urban areas.⁸ Moreover, over-reliance on private technology partners raises concerns about data sovereignty and long-term vendor lock-in.

Potential solutions to tackle such failures include devolving powers to local levels in India, particularly through strengthening the Panchayati Raj Institutions (PRIs) established by the 73rd Constitutional Amendment Act of 1992. This is essential for enhancing genuine state capacity and bridging the gap between centralized bureaucracy and grassroots needs. However, effective devolution must be paired with instituting robust accountability systems to prevent

⁴ Global Findex Database, World Bank (2021).

⁵ Nandan Nilekani, Keynote address at India Digital Summit, February 2023.

⁶ Nandan Nilekani, interview with *The Economic Times*, 2019.

⁷ Drèze, J., Khera, R., & Somanchi, A., "Aadhaar and Food Security in Jharkhand: Pain without Gain?" *Economic & Political Weekly* (2017).

⁸ IAMAI-Kantar ICUBE 2024 Report.

elite capture, corruption, or inefficiency; these include mandatory social audits, regular Gram Sabha meetings for citizen oversight, transparent financial reporting and CAG audits, performance-based incentives under frameworks like the Panchayat Devolution Index, and mechanisms such as downward accountability through community monitoring and upward reporting to state authorities.

Similarly, to achieve genuine state capacity, DPI must be complemented by comprehensive civil-service reforms (e.g., Mission Karmayogi), lateral entry of domain experts, decentralization of decision-making, and outcome-based performance evaluation. Without these structural changes, digital governance risks becoming what scholars term a "technological fix" an efficient patch that delays painful but necessary institutional surgery.

In conclusion, while India's DPI has dramatically enhanced transactional efficiency and fiscal savings, it is not a substitute for deeper administrative reform. As Nilekani himself cautioned in 2024: "Technology can take you 70% of the way, but the last 30% requires political will and institutional change."⁹ A synergistic approach that harnesses digital tools while simultaneously overhauling bureaucracy offers the only sustainable path toward building a twenty-first-century state.

