

Technology and Governance: Comparing China's Social Credit and India's Aadhaar

Ekta Singh

Assistant Professor, Public Policy and Governance, Ambedkar University Delhi
ektajnu7@gmail.com

China has been experimenting with a 'social credit' system which would be rolled out fully by 2020. Identified as an important component for perfecting a 'socialist market economy' and ushering in 'social governance', the idea is to establish a 'sincerity culture' by rating trustworthiness of individuals and companies. The officially stated aim is to provide benefits to the trustworthy and punish the untrustworthy. The move has been proclaimed as carrying forward the 'scientific development view' and building a 'harmonious socialist society'. There is already a debate as to whether this marks the arrival of 'digital dictatorship' in China ending its 'fragmented authoritarianism' and to that extent is unique to that setting, or it marks the arrival of a 'global age of the algorithm' (Loubere and Brehm 2018) raising global concerns.

China's model is perhaps, not an isolated case. India's Aadhaar project has raised similar concerns about issues of data privacy, mass surveillance, and technocratic modes of governance. There have been several reports of exclusion and disruption in welfare linked to Aadhaar. It is to be noted that unlike China where social credit system seems to be 'extremely popular' as per a 2018 survey of about 2,200 Chinese citizens in which 80 percent of the respondents actually favored the

system (Minter 2019), in India the unfolding of Aadhaar project from the very beginning was contested. The constitutional validity of Aadhaar scheme was challenged through a number of writ petitions wherein the various cases questioned different aspects of the Aadhaar project ranging from, the Aadhaar Act of 2016, the government's push to link Aadhaar numbers with SIM cards, bank accounts and PANs in order to increase enrolment, and the move to make Aadhaar mandatory for availing benefits and subsidies, among others.

A comparative lens to the issues and concerns raised in the wake of China's social credit and India's Aadhaar points to the potential dangers of 'big data' in ushering in a surveillance state apparatus and also points at the blurred boundaries between democracy and an authoritarian setting when it comes to social control. Having said that, the contested trajectory of Aadhaar project as against silent, even enthusiastic embrace of social credit also points at the divergent implications of regime type for policy innovation.

Modeling Trustworthy Citizens: China's Social Credit System

Launched at the national scale in 2014, the aim of China's social credit system which would be

operational nationwide by 2020 has been to rate trustworthiness of Chinese citizens in meeting their promises, abiding by legal rules, moral norms and professional ethics. First proffered in 2007, the system (as officially declared) was originally intended to ‘rectify and standardize the market economy order’ (State Council General Office 2014).

Since 2011, ‘social credit’ has been used as an umbrella concept to denote both market regulation and social governance. At present there is no single social credit system operating in China. Local governments have their own versions of the system. Besides the government, private corporate players have been making use of social credit scores. The most notable has been Zhima Credit (or Sesame Credit), a subsidiary of Chinese retail giant, Alibaba which uses algorithms to construct social record scores for its customers based on data provided by an affiliate company called Ant Financial. It was in 2015 that Ant Financial along with seven other fintech companies was granted approval by the People’s Bank of China to develop their own private credit scoring systems. Through the company’s app, *Alipay* consumers can voluntarily choose to be scored in a range between 350 and 950 based on factors like credit history, contract fulfillment capacity, personal characteristics, behavior and preference, and interpersonal relationships. Those with high social credit scores have been able to avail a range of benefits from Alibaba businesses and their partners. In 2017 the government declined to renew the licenses for the private pilots over conflict of interest concerns. So presently the private pilots though approved are not licensed. The danger however lies in collaboration between such private projects and government when the government includes the data collected by private sources in its assessment of citizens (Kobie 2019).

Aimed at molding behavior, the ultimate aim of social credit system is to create ‘model’ citizens by rewarding ‘good deeds’ and penalizing unwarranted behavior assessed through one’s credit score (Zeng 2018). The word ‘credit’ is the English translation of the Chinese term – *xinyong*- ‘a core tenet of traditional Confucian ethics, which can be traced back to the late 4th century BC. In its original context, *xinyong* is a ‘moral concept’

that indicates one’s honesty and trustworthiness’ (Zeng 2018).

The moralistic origin has however been contested and it is argued that *Xinyong* or interpersonal trust has been a dynamic concept closely linked to *guanxi*. It emerged as ‘a sort of compensatory mechanism for the lack of confidence in the legal system’ in Chinese business transactions and overtime began to be preferred over impersonal law. In this sense, rather than viewing *xinyong* and *guanxi* as having moral origins, they ‘are in fact modes of adaptation for operating in particular historical and environmental conditions’ (Tong 2014: 14). The ‘trust deficit’ is increasingly recognized in China as hindering both economic growth and social cohesiveness. It is in this spirit that in recent times, Xi Jinping has emphasized the need to resurrect the moral credibility of the Party which should aim, not to make people materially affluent but ‘satisfied and fulfilled’ (Brown 2016). The profit motive has clearly gone overboard and market ethos need regulation. Social credit with its emphasis on moral values while providing ample opportunities for monitoring the population seems a perfect mechanism.

Control through information is not new in China. Described as ‘Digital Leninism’ (Heilmann 2008), social credit has been seen as a contemporary version of socialist China’s dossier (*dang’an*) under which ‘each individual who entered the educational system had a dossier, regarded as an essential component to facilitate entry to a university or (urban) state-owned work-unit (*danwei*). The dossier involved intricate information such as family background (bourgeois, feudal, worker or peasant), parents (occupation) and stacked it with information (whether member of the Young Pioneers or the Communist Youth League, both stepping stones to enter the Party)’ (Viswanath 2018). In addition to such personal information, Social Credit System seeks to use information to incentivize ‘proper behaviour’. In fact, social credit system in making credit score the criteria for rewards and punishments is an attempt to expand market integration and engagement. Trust has been since long, identified as a fundamental ingredient of market relations. A culture of responsibility is sought to be inculcated through the new system to address problems related to “market failure”.

Credit transactions (as against regular commodity transactions which are premised on immediate *quid pro quo*) rely on trust thereby bringing in economic and non-economic aspects. What social credit seeks to do is ‘institutionalize’ trustworthiness beyond business. The informal character of *xinyong* and *guanxi* are sought to be guaranteed by engineering trustworthy citizens and business firms. There is also a noticeable shift in the nature of trust that is expected with the technological interventions. It is no longer the personalistic idea of trust that has been dominant in Chinese culture.

While trustworthiness can be manipulated in an age of technology driven world, social credit system seems to put high costs for diluting trustworthiness. While high social credit score brings with it numerous benefits like cheaper loans, housing and easier access to travel documents, a low credit score invites several constraints. Naming and shaming by blacklisting firms and individuals is often resorted to so as to ensure compliance. Sanctions affecting one’s reputation have included publicly disclosing information on untrustworthy individuals and businesses on National Credit China website and other news websites.

However, the inherent problem with algorithms to rate trustworthiness is that it is incapable of contextualizing behavior (Botsman 2017). Failure to abide by expected norms of behavior may not always be the result of irresponsibility. Real life situations and constraints might as well force failure to match with stipulated behavior. The challenge therefore is to ensure how algorithms can capture complexities of real life situations. Botsman (2017) has rightly noted the one-sidedness of trustworthiness that the social credit system demands without itself being trustworthy.

While high social credit score brings with it numerous benefits like cheaper loans, housing and easier access to travel documents, a low credit score invites several constraints.

Technologising the Poor: India’s Aadhaar project

India’s Aadhaar project raises concerns similar to China’s social credit system. The most contentious aspect of the project has been its linkage to welfare programs. An Aadhaar database links the demographic and biometric information (iris scans, fingerprints, facial photograph) of residents to a unique 12-digit number, that forms the biometric identity of the citizen. Touted as *Aadhaar: Aam Aadmi ka Adhikaar* (Aadhaar: The Right of the Common Man), the Unique Identification Development Authority of India (UIDAI) has been charged with implementing the program. As per the claims, its database allows for instantaneous identity verification, facilitates targeted delivery of goods and services, and make misappropriation virtually impossible.

While the contemporary discourse on Aadhaar has focused primarily on facilitating efficient delivery of welfare, the origin of the project (which was initiated in 1999 by NDA government in the wake of Kargil war) was for very different reasons than what is claimed today. It was primarily for security reasons that it was initiated to provide each resident of India a unique number linked to his or her biometrics (Ramakumar 2010).

Overtime Aadhaar enrolment has been pushed through by making it a pre-requisite not only for availing welfare benefits but also a requirement for many other transactions like filing income tax returns, among others. When it comes to the claim about streamlining welfare, scholars have vehemently argued that Aadhaar does not address authenticity fraud, rather has turned out to be an instrument of exclusion denying welfare benefits to those who do not possess Aadhaar card (Khera, 2015). There have been hunger deaths in recent times owing to unavailability of Aadhaar with the recipients. The argument about Aadhaar-enabled savings by plugging fraud has also been contested. The biometric verification process of Aadhaar has been found to be particularly unfriendly for the most vulnerable—the elderly, the sick and the differently-abled (Khera 2018a). In addition, Aadhaar has invoked fears of data privacy heralding the age of surveillance.

Beginning with the Aadhaar Act, 2016 which was passed as a Money Bill without much debate, the process through which Aadhaar has made headway has been controversial. Since then there have been multiple reports of data leakage. The Supreme Court in the Aadhaar Judgement of 26 September, 2018 upheld the validity of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits, and Services) Act, 2016. While stating that Aadhaar cannot be made mandatory for availing benefits under welfare schemes, it prohibited private companies and other business interests from using Aadhaar-based eKYC for establishing the identity of an individual for authentication and any other purpose. The Judgement further stated that Aadhaar will not be mandatory for opening bank accounts. Reportedly, the removal of eKYC based on Aadhaar adversely affected 'Aadhaar Pay', a payment mechanism launched in 2017 aimed at financial inclusion by enabling people with or without credit and debit cards to use their Aadhaar number for digital transactions. The system has had two components- Bharat Interface for Money (BHIM) Aadhaar Pay, a merchant app to receive payments from customers digitally and Aadhaar-enabled Payment System (AePS) which allows users to withdraw or transfer funds or check account balances using biometric authentication through micro-ATMs. Incidentally, private companies since then have been resorting to Aadhaar based verification through an offline mode.

With the adjournment of Rajya Sabha *sine die*, Aadhaar and Other Laws Amendment Bill which sought to circumvent the Supreme Court Judgement by reinstating its usage by private entities would have lapsed. However, days before the 16th Lok Sabha was set to dissolve the Centre, on February 28, 2019 issued the Aadhaar and Other Laws (Amendment) Ordinance, 2019 reviving the commercial use of Aadhaar number in contravention of the earlier Supreme Court Judgement. Recourse to the ordinance route to dilute Aadhaar Judgement points at the shallowness of democracy in India.

Age of Surveillance Capitalism: Comparing Social Credit and Aadhaar

Aadhaar and Social Credit must not be looked at as isolated cases but as cases symbolizing the intrusive capacity of technology in the absence of proper safeguards. The increasing salience and intrusion of technology however cannot be read as an autonomous advancement. The emerging landscape needs to be analyzed in the context of a new logic of accumulation taking shape, described as 'surveillance capitalism' (Zuboff 2015).

Unlike China, where the authoritarian setting precludes open debate and resistance around the social credit system, in India there has been consistent opposition to Aadhaar project. The Aadhaar debate resonated with the global concern over use of big data and raised issues around data protection and ethical and legal dimensions of private or public entity using individual data without consent or even knowledge. The several security breaches that have been reported over the last few years further lent credence to such concerns. What makes Aadhaar comparable to Social Credit is in the very fact that if 'seeded' into every database, as has been happening Aadhaar becomes the 'key' to integrate the hitherto 'disconnected data silos' pertaining to an individual opening the possibility of profiling an individual and mass surveillance an ever present danger (Khera 2018b). In China, it is not just the sheer scale of data that the Party State would be in custody of but more importantly, in the absence of an effective legal system to protect personal data, 'individuals risk being reduced to transparent selves before the state in this uneven battle' (Chen and Cheung 2017). The authorities have been collaborating with internet giants and private companies like Baidu, Alibaba and China Unicom for the use of big data. In contrast to China, where the roll out of social credit system has been following the typical 'modelling approach' wherein successful regional experiments are replicated nationally (Heilmann 2008), India has been adopting a top-down approach in making Aadhaar mandatory and linking it with welfare schemes and other necessary transactions. However, both the projects align in so far as both have ended up creating high cost associated with

non-compliance. The Aadhaar project seems to be in the early stages towards a full version of something similar to China's social credit. At this stage, it is the exclusion and nativism that defines Aadhaar as it seemingly stands for the identity proof of citizenship.

Unlike China, where the authoritarian setting precludes open debate and resistance around the social credit system, in India there has been consistent opposition to

The rhetoric surrounding both the projects has been shifting since the time of their origin. The social credit system of China in any case is much more explicit in its agenda aimed at social control and would potentially encompass not only all aspects of lives of individuals and businesses but would also mark individuals for life and even for the next generation. The authoritarian setting with its weak legal institutional mechanism provides fertile ground for potential misuse of the social credit system. In a democratic context like India, the rise of populism has resulted in undermining of institutions which is a major cause of concern. However, what needs emphasis is that both China's Social Credit and India's Aadhaar have the ultimate goal of incentivizing and shaping market compliant behavior through surveillance. ■

REFERENCES

Botsman, Rachel. 2017. 'Big Data meets Big Brother as China moves to rate its citizens' <https://www.wired.co.uk/article/chinese-government-social-credit-score-privacy-invasion> (accessed on 16 March 2018).

Boyd, Danah and Kate Crawford. 2012. 'Critical Questions for Big Data', *Information, Communication and Society*, 15:5.

Brown, Kerry. 2016. *CEO China The Rise of Xi Jinping*, London and New York: I.B. Taurus.

Browne, Andrew. 2017. 'China uses 'Digital Leninism' to manage economy and monitor citizens', *The Wall Street Journal*, October 17, available online:

<https://www.wsj.com/articles/xi-jinping-leads-china-into-big-data-dictatorship-1508237820> (accessed on 05 September 2018).

Chen, Yongxi and Anne SY Cheung. 2017. 'The Transparent Self under Big Data Profiling: Privacy and Chinese Legislation on the Social Credit System', *The Journal of Comparative Law*, Vol. 12, No.2, pp. 356-378.

Clover, Charles 2016. 'China: When Big Data meets Big Brother' <https://www.ft.com/content/b5b13a5e-b847-11e5-b151-8e15c9a029fb> (accessed on 10 September 2018).

Heilmann, Sebastian. 2008. 'From Local Experiments to National Policy: The Origins of China's Distinctive Policy Process.' *The China Journal* 59: 1–30.

Khera, Reetika. 2015. 'UID: From Inclusion to Exclusion', Seminar, August, 672.

Khera, Reetika. 2018a. 'The poor are left to themselves', *The Hindu*, September 29,

Khera, Reetika. 2018b. 'Aadhaar Verdict: Big Data meets Big Brother' <https://www.livemint.com/Politics/OLTYZzCHQb9X6UFsn09IBI/Aadhaar-verdict-big-data-meets-big-brother.html> (accessed on 20 November 2018).

Kobie, Nicole (2019). 'The complicated truth about China's social credit system' <https://www.wired.co.uk/article/china-social-credit-system-explained> (accessed on 4 February 2019).

Loubere, Nicholas. 2017. 'China's Internet Finance Boom and Tyrannies of Inclusion.' *China Perspectives*,4: 9–18.

Loubere, Nicholas and Stefan Brehm. 2018. 'The Global Age of Algorithm: Social Credit and the financialisation of Governance in China' *Made in China Journal*, Vol.3, Issue 1, Jan-March.

Mehta, Pratab Bhanu. 2012. 'Laying a new aadhaar', *Indian Express*, 21 Oct,

Minter, Adam. 2019. 'Why Big Brother doesn't bother most Chinese', 25 January,

<https://www.bloomberg.com/opinion/articles/2019-01-24/why-china-s-social-credit-systems-are-surprisingly-popular> (accessed on 10 March, 2019).

Murrell, Audrey. 2018. 'Pushing the Ethical Boundaries of Big Data: A Look at China's Social Credit Scoring System' <https://www.forbes.com/sites/audreymurrell/2018/07/31/pushing-the-ethical-boundaries-of-big-data-a-look-at-chinas-social-credit-scoring-system/#4b8c9d3825e5> (accessed on

Ramadan, Zahy. 2017. 'The gamification of trust: the case of China's "social credit"', *Marketing, Intelligence and Planning*, Vol.36, Issue 1, pp.93-107.

Ramakumar, R. 2010. 'What the UID conceals', *The Hindu*, October 21,

State Council General Office, 2015. 'Planning Outline for the Construction of the Social Credit System, 2014-2020', <https://chinacopyrightandmedia.wordpress.com/2014/06/14/planning-outline-for-the-construction-of-a-social-credit-system-2014-2020/> (accessed on 12 November 2018).

Tong, Chee Kiong and Pit Kee Yong. 2014. 'Guanxi Bases, Xinyong and Chinese Business Networks' in Chee Kiong Tong ed. *Chinese Business: Rethinking Guanxi and Trust in Chinese Business Networks*, New York and London: Springer.

Viswanath, Anurag. 2018. 'China's Social Credit System: Big Brother is watching', *Financial Express*, 12 May, <https://www.financialexpress.com/opinion/china-as-social-credit-system-big-brother-is-watching/1164161/> (assessed on 10 December 2018).

Zeng, Meg Zing. 2018. 'China's social credit system puts its people under pressure to be Model Citizens', <https://thewire.in/society/chinas-social-credit-system-puts-people-pressure-model-citizens>, (assessed on 25 Jan 2018).

Zuboff, Shoshana. 2015. 'Big Other: Surveillance Capitalism and the Prospects of an Information Civilization', *Journal of Information Technology*, 30, pp. 75-89.

The views expressed here are those of the author and not necessarily of the Institute of Chinese Studies.

ICS ANALYSIS *Back Issues*

Issue No/ Month	Title	Author
No:80 Aug 2019	Emerging Tech Entities and Innovation: Case of Chinese Tech Companies	Rachit Kumar Murarka
No:79 Aug 2019	Nuclear Arms Limitation With China?	Samanvya Hooda
No:78 Apr 2019	The Curious Case of the BRI Shapeshifting in Africa	Veda Vaidyanathan
No:77 Apr 2019	Travel as a Metaphor: A Short Introduction to the Travelogues on China Written in Bengali	Barnali Chanda
No:76 Mar 2019	Prospects of a US-DPRK Rapprochement & Japanese Concerns	Vishnu Prakash
No:75 Mar 2019	Make in China 2025 – is it on Track?	Anil Wadhwa
No:74 Feb 2019	The Illusion of Universal Health Care: Medical Insurance as the Panacea	Madhurima Nundy
No:73 Jan 2019	Science, Technology and Innovation in China: Lessons for India	V S Ramamurthy
No:72 Jan 2019	India and China in the New Situation	Shivshankar Menon
No:71 Jan 2019	China-Vatican Deal: Determining Factors and its Implications	Navreet Kaur Kullar

PRINCIPAL SUPPORTERS TO ICS RESEARCH FUND

TATA TRUSTS



MINISTRY OF EXTERNAL AFFAIRS
GOVERNMENT OF INDIA



INDIAN COUNCIL OF
SOCIAL SCIENCE RESEARCH

GARGI AND VIDYA
PRAKASH DUTT FOUNDATION



JAMNALAL BAJAJ
FOUNDATION

PIROJSHA GODREJ FOUNDATION

ICS PUBLICATIONS



A short brief on a topic of contemporary interest with policy-related inputs



Platform for ongoing research of the ICS faculty and associates



Authored by the faculty, also emerging from research projects and international conferences



Draft paper of ongoing research

ICS JOURNAL



In its 55th year, *China Report* is a refereed journal in the field of social sciences and international relations. It welcomes and offers a platform for original research from a multi-disciplinary perspective, in new and emerging areas, by scholars and research students. It seeks to promote analysis and vigorous debate on all aspects of Sino-Indian relations, India-China comparative studies and multilateral and bilateral initiatives and collaborations across Asia.

China Report is brought out by Sage Publications Ltd, New Delhi.

Editor
Associate Editor
Assistant Editor
Book Review Editor

Sreemati Chakrabarti
G. Balachandirane
Rityusha Mani Tiwari
Vijay K Nambiar



INSTITUTE OF CHINESE STUDIES

8/17, Sri Ram Road, Civil Lines,
Delhi 110054, INDIA

T: +91 (0) 11 2393 8202

F: +91 (0) 11 2383 0728

<http://www.icsin.org/>

info@icsin.org

twitter.com/ics_delhi facebook.com/icsin.delhi
[ln.linkedin.com/icsdelhi](https://in.linkedin.com/icsdelhi) soundcloud.com/ICSIN
youtube.com/ICSWEB instagram.com/icsdelhi