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A new currency, anyone?

But Facebook needs to win people's trust first

Facebook's decision to develop a cryptocurrency for payments and transfers on its WhatsApp messaging platform has multiple implications. It imparts fresh energy and direction to a sector that's suffered in 2018. It implies rebranding for Facebook, which is struggling to overcome mistrust from both users and regulators after the revelations of data misuse. It could also transform the cross-border remittances business. India is said to be among the largest target markets for this new initiative. There are 200 million active WhatsApp users in India and it is the recipient of huge remittances, with over $69 billion flowing into the country last year. Apart from that, there is a large market for domestic remittances, which local payments banks are trying to exploit.

Over the past year, Facebook has put together a blockchain team of some 40 fresh hires, led by a former president of PayPal. It is said to be looking at developing and marketing a cryptocurrency based on the stablecoin principle, which reduces price volatility in cryptocurrencies. Facebook will create a reserve of hard currency assets, much like a central bank's currency board. It will launch a coin tied in value to the US dollar, or to a basket of currencies. This cryptocurrency would be transferred seamlessly using the WhatsApp platform. Users would be able to buy, sell and exchange the coin, using fiat currency. The instantaneous transfer would impart convenience to users, and Facebook would be able to undercut most players in the remittances market by charging lower fees, because it already possesses much of the infrastructure and the user base, for this to run efficiently. It might possibly consider letting users transact for goods and services, within the Facebook-WhatsApp system using this cryptocurrency. Given a global user base of over two billion, that could mean massive traction.

The key difference between a stablecoin and a normal cryptocurrency such as bitcoin is that the value of the stablecoin is tied at a fixed rate. A stablecoin can be issued only on the currency board principle if the requisite fiat currency is held in reserve. This eliminates the wild swings caused by speculation. Bitcoin and other "untied" cryptocurrencies have taken a hammering in the past year, with prices trending down by 70 per cent and more.

Regulators such as the Reserve Bank of India, the tax authorities, and other central banks would have to agree to allow this mode of operation. Facebook would need to create a network of agents and relationships, on the lines of other payments banks, and entities such as Visa and Western Union, to ensure easy exchange of cryptocurrencies for fiat currencies and vice versa. It would, presumably, need to generate KYC data from every user who gets on board this system. It would need tight audit systems to ensure that the currency board doesn't violate norms and a system for extinguishing coins in case the fiat currency outflows.

None of this will be easy. Regulators are deeply suspicious of cryptocurrencies and stablecoin issuers such as Tether have run into problems in terms of audits of reserves. Facebook itself has caused outrage by selling data generated by users, who may now be reluctant to offer KYC. It has also incurred the ire of governments by enabling the spreading of fake news on both WhatsApp and Facebook. So it will need to overcome a trust deficiency and comply with multiple norms.

On the other hand, Facebook has enormous experience in working with regulators and legislators, precisely because it has had such problems. It has the infrastructure and the resources to get such a system operational quickly. And, if it can persuade users to part with KYC data, it will add another set of key variables to its already formidable databases. If this system does roll out, it could cause revolutionary changes in the global financial system.

Leading the global tech revolution

A handful of Indian technology visionaries are leaders of the new industrial revolution that is taking place in the second decade of the twenty-first century

S K SARKAR

PHOTOS: BLOOMBERG

1. Sundar Pichai, CEO, Google 2. Ajay Banga, CEO, Mastercard 3. Satya Nadella, CEO, Microsoft 4. Indra Nooyi, PepsiCo's first woman CEO 5. Dinesh Paliwal, CEO, Harman International

TIME magazine once carried a report titled "India's leading export: CEOs". The report, which appeared in 2011, was about the "rise and rise" of India-trained business minds. It spoke about top Indian leaders of global firms who succeeded due to "talent and drive" and not necessarily because they were Indians. Those featured in it included Sanjay Jha, who was then the chairman and chief executive of Motorola; Berkshire Hathaway's Ajit Jain, who was at that time — and still continues to be — one of those tipped as Warren Buffett's successor in competition with the world's most successful investor's own son Gregory Abel; Indra Nooyi, the first woman CEO of PespiCo, who was at the helm of the global soft drinks giant for 12 years; former Citigroup CEO Vikram Pandit, who held that position for five years until he resigned in 2012; and Ajaypal Singh Banga, who is CEO of Mastercard.

The report quoted a study of S&P 500 companies, which found more Indian CEOs then than any other nationality except American. Indians led seven companies; Canadians four. Another study by two professors from Wharton and China Europe International Business School in 2009 about C-suite executives in Fortune 500 companies revealed complete domination by Indians, with two mainland Chinese, two North American Chinese and 13 Indians claiming the honour.

TIME tried to unravel the secret of how Indians were getting all these top jobs. "It could be because today's generation of Indian managers grew up in a country that provided them with the experience so critical for today's global boss. Multiculturalism? Check. Complex competitive environment? Check. Resource-constrained developing economy? You got that right. And they grew up speaking English, the global business language," the magazine said.

The list of India-born CEOs running the world's biggest companies is growing and includes some higher-profile names, such as Satya Narayana Nadella, CEO of Microsoft, who succeeded Steve Ballmer in 2014; Sundar Pichai, CEO of Google; Anshu Jain, former co-CEO of Deutsche Bank, who quit the bank in 2015 and has since joined New York-based investment banking and brokerage firm Cantor Fitzgerald as president; and Dinesh Paliwal, president and chief executive officer of Harman, a wholly-owned subsidiary of Samsung Electronics.

According to statistics published by a top US recruiting agency, 10 of the top Fortune 500 American companies are run by Indian CEOs, of whom seven are working in the field of science and technology. A third of all engineers in Silicon Valley in 2005 were from India and seven per cent of high-tech company CEOs were Indians. Today the numbers are much higher, indicating the increasing Indian clout in Silicon Valley and the US science and technology sectors. Mr Pichai and Mr Nadella are the best-known brand ambassadors of India's prowess in terms of technological knowledge.

Mr Nadella has been credited with a major transformation of Microsoft during his three years as CEO, lifting the company from its dire state, which was struggling to navigate the difficult smartphone terrain dominated by the likes of Apple and Google. He found a new role for the company that could maintain its long-standing legacy in the Silicon Valley by engineering a transition to cloud computing. The acquisition of professional social networking site LinkedIn at $26.2 billion is the biggest in the company's deal history and has boosted the company's asset value.

Mr Pichai's ascendance is best captured by the power of Android, which has forced compatriot Satya Nadella to change the course of Microsoft into new territories. Mr Pichai, who became Google's Android chief in 2015, replacing Andy Rubin, had for almost a decade worked on products such as Google Toolbar, Google Gears and Google Pack, and eventually Google Chrome. His success has also been predicated on collaboration with other leading Android players like Samsung and other smartphone giants. One of his signal management achievements is the development of a new goal-setting process for the company under which employees are made to focus on one goal at a time, perhaps typical to the approach he himself followed while developing individual Google products.

While the domains of Mr Nadella and Mr Pichai are technologies that may already have peaked, there are others like Mr Paliwal, who are in evolving technologies of the future. Mr Paliwal is the president and CEO of Harman, which was acquired by Samsung Electronics in 2017 for $8 billion. He is helping shape the future of mobility through his vision of the "connected car" which promises to combine cutting edge technologies and data, AI and telematics to make futuristic concepts such as self-driving cars and car-home systems integration via the Internet of Things.

Mr Paliwal joined Harman in 2007 and has transformed the company into a customer-centric and innovation-driven technology leader, expanding the business in high-growth emerging markets and positioning the company as the premier tier-I partner to automotive companies around the world. He has been described as the link between Detroit and Silicon Valley. Under him, Harman has made a major push to deliver new features to vehicles via over-the-air updates. The company has signed up 17 automakers to use Harman's technology and reaches 25 million vehicles.

Harman International, which set up shop in India in 2009, has one primary factory in Pune with a total of 10,000 employees across cities and divisions. It has focused more strongly on wearables and in-car systems where its strength lies instead of home theatre that has been a slowing market of late. Mr Paliwal has imparted a global technological edge to operations, steering Harman's Indian expansion taking into account domestic expertise and burgeoning consumer demand.

"Autonomous for the sake of technology doesn't mean anything," says Mr Paliwal. "We can hopefully eliminate human error in driving. Also, we spend three hours a day sitting in a car; we can add one per cent of GDP with more productive use of that time."

Indian technological visionaries like Mr Nadella, Mr Pichai and Mr Paliwal, among others, are pioneering a technological resurgence that is benefitting both the US and Indian economies. They are leaders of the new industrial revolution that is taking place in the second decade of the twenty-first century.

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Cash transfer hurdles for NREGA workers

SIRAJ DUTTA

Finance Minister Arun Jaitley recently wrote a blog on the virtues of Aadhaar. Timed with the introduction of a bill in Parliament to enable private companies to access people's Aadhaar details (prohibited by the Supreme Court in a ruling in September 2018), it reiterates how Aadhaar has helped to save ₹90,000 crore. He also argues that Aadhaar-based payment of welfare benefits (loosely referred to as "direct benefit transfer" or DBT) has removed middlemen and ensured direct payment of subsidies into people's bank accounts. He seems unbothered with the fact that the claims of savings have never stood any scrutiny.

The experience of DBT-based wage payments in the National Rural Employment Guarantee Act (NREGA) in Jharkhand stands contrary to the finance minister's claims. Since 2017-18, almost all NREGA wage payments of the state were made through DBT. This mode of wage payments has not only contributed to delays and uncertainties in payments, but is also responsible for non-payment in many cases.

For making DBT payments, a person's Aadhaar-seeded bank account has to be mapped with her Aadhaar at the National Payment Corporation of India (NPCI). The NPCI, a private entity, acts as a bridge between the payment agency and the payee bank that directs a person's subsidy amount to the bank last mapped with her Aadhaar. The bank then credits the money to the account seeded with that Aadhaar.

The government should do an honest assessment of the utility of the Aadhaar-based payment system and ensure safeguards in welfare transfers through private payments banks

According to official data, NREGA wages worth ₹170 crore were rejected for Jharkhand's workers in the last four years, because of errors in mapping of Aadhaar at NPCI or seeding it with bank accounts and other technical reasons. Out of these total rejections, payment of around ₹1 billion is still pending. Another common issue faced by workers is that of diverted payments. In a rush to meet account-opening targets in Jan Dhan Yojana, many workers who already had a bank account were made to open another account linked to their Aadhaar, usually without their knowledge.

Since there is no system of informing people about which of their accounts is linked with Aadhaar, workers often search for their wages in the wrong account. At times, wages are even credited to someone else's account that gets linked with the worker's Aadhaar due to errors in data entry. If these issues get resolved, workers get paid (although with delays of varying lengths). If not, they remain unpaid.

Issues related to biometric authentication-based electronic know-your-customer (e-KYC) banking norms (made mandatory for NREGA workers) are becoming increasingly common. For instance, in December 2018, Surai Mandi of Dangdug village of Boram block was still waiting, for wages for work done four months ago. To his surprise, in October he found that his wages were not credited in his Bank of India account that he usually operates, but in his ICICI Bank account. Unknown to him, this account was partially frozen by the bank, which only allowed crediting of money in the account, but not any withdrawal.

This account was opened by a private banking vendor, Financial Inclusion Network & Operations payments bank (FINO) in 2012-13. FINO provides ICICI Bank, among other banks, basic banking services such as opening of accounts and withdrawal of cash in areas that are away from bank branches. It functions through a network of banking correspondents (BCs) who use portable Aadhaar-based point of sale (PoS) machines to authenticate the identity of account holders. At some point in the last two years, Surai's account was seeded with Aadhaar by the BC through an e-KYC process without his knowledge and then linked at NPCI.

In December, officials at both the FINO head office and the ICICI Bank regional office in Ranchi were unsure about the reason for the partial freezing of Surai's account, but informed that it could be unfrozen only after successful re-verification of the e-KYC norms. Surai's account is yet to be unfrozen, because the e-KYC was rejected by the bank due to a mismatch in the spelling of his name in the ICICI Bank records and his Aadhaar. Several other workers of this block are also unable to withdraw their wages for the same reason.

The DBT payment system is being encashed by private entities for financial gains at the cost of workers. It is not uncommon for BCs to make workers punch their biometrics in the PoS machine without disclosing the reason for making them to do so. They try to get workers' accounts linked with Aadhaar to ensure DBT payments in those accounts, as they get a commission from banks on the total value of the financial transactions made through the PoS machine system. Incidents of BCs of various banking vendors charging commission from workers for cash withdrawal are also routinely reported from across the state.

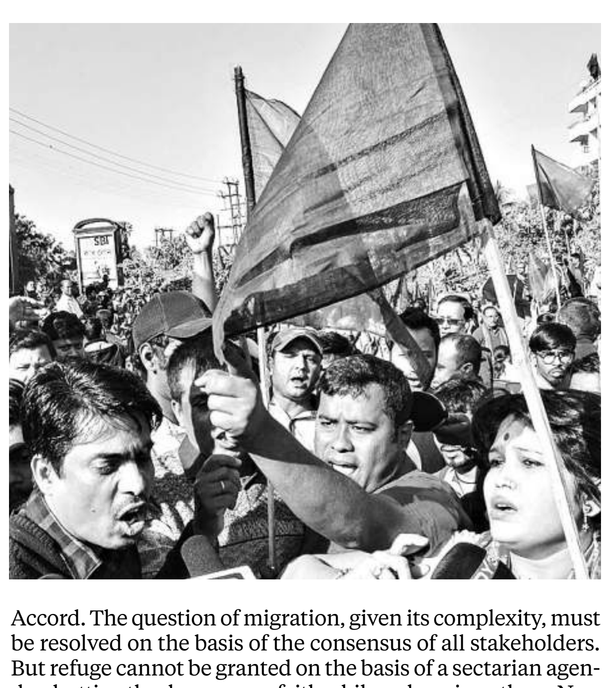
The situation is likely to be similar in other states as well. These are just some of the Aadhaar-related payment issues faced by the poor. Over the past few years, many activists and researchers have highlighted these problems. One hopes that the government wakes up to the mess, does an honest assessment of the utility of the Aadhaar-based payment system and ensures adequate safeguards in welfare transfers through private payments banks.

The writer works on the National Rural Employment Guarantee Scheme and other welfare programmes in Jharkhand

OTHER VIEWS

Resolve migration issues on the basis of consensus

Refuge cannot be granted on the basis of a sectarian agenda



Not all fires are natural; some are lit because of political imperatives. The unrest that was witnessed in Assam and some other parts of the Northeast after the passage of the Citizenship (Amendment) Bill in the Lok Sabha reaffirms this suspicion. The bill, endorsed enthusiastically by the Bharatiya Janata Party that is in power at the Centre and in that state, seeks to grant citizenship to six persecuted faiths — Muslims are the only exception — who came to India before December 31, 2014, fleeing three neighbouring countries. The BJP's game plan in Assam has been to politically exploit the collective anxiety concerning unchecked migration. But Assam seems to have seen through this divisive game. The Asom Gana Parishad, whose foundation can be traced back to the anti-foreigner agitation, has parted ways with the National Democratic Alliance government because of its bitter opposition to the bill.

The AGP, along with those constituencies that claim to defend the Assamese identity, refuses to view migration through the prism of religion: They are opposed to illegal settlers irrespective of faith and contend, not without reason, Accord. The question of migration, given its complexity, must be resolved on the basis of the consensus of all stakeholders. But refuge cannot be granted on the basis of a sectarian agenda, shutting the door on one faith while welcoming others. New India, under the BJP, is being forged on the idea of exclusion.

The Telegraph, January 11

Waste dumping a problem

Clean Ganga Mission in jeopardy

When the National Clean Ganga Mission was launched in 2015, a common criticism was that the project would come a cropper if it did not address the problem of municipal solid waste (MSW) flowing into the river. The mission did have plans of bolstering the network of waste treatment plants across the Ganga's 2,500 km stretch. However, an analysis of the river's water by the Quality Council of India has proved the naysayers right. The study points out that 66 of the 97 towns along the river have at least one drain that flows into the Ganga and notes that only 19 towns across the river's basin have a plant to treat MSW. Till November last year, the project had completed treatment plant (STP) coverage it had envisaged. Such plants perform sub-optimally because a large part of India's urban population lives outside sewerage networks.

Last year, Union Minister of Water Resources Nitin Gadkari said that the government would try to ensure a 70 to 80 per cent improvement in the Ganga's water quality by March 2019. However, by all accounts, the Clean Ganga Mission has adopted the same top-down approach which proved to be the undoing of earlier projects to clean it. The failure to reach out to local communities has been particularly telling when it comes to dealing with MSW.

The Indian Express, January 11

Worrying economic trends

Govt has limited fiscal head room

The first advance estimate of gross domestic product (GDP) growth for 2018-19 released by the Central Statistics Office on Monday paints a mixed picture of the economy. The GDP growth rate for the full year is projected to be at 7.2 per cent, which is significantly higher than the growth rate of 6.7 per cent achieved last year. Many sectors of the economy are projected to do better than they did last year in the aftermath of the twin shocks of demonetisation and the roll-out of the Goods and Services Tax. A worrying trend in the economic data is the recent sequential deceleration in growth over consecutive quarters. On the brighter side, investment spending, which has ailed the economy for long, is expected to pick up finally.

One of the significant near-term risks to the economy is the general election that is expected to be held in May. The projected slowdown in the second half of the fiscal despite the fall in global oil prices is a worrying sign. Ahead of the general election, the government may wish to help growth by boosting spending, but any such move would be ill-advised. With the fiscal deficit exceeding the Budget estimate by 15 per cent in just the first eight months of the fiscal year, the government cannot crank up spending without severely affecting its finances, along with investor confidence in the economy.

The Hindu, January 11