

# Creating a fair digital payments market

Local firms will be at a disadvantage if big tech companies are given plum roles



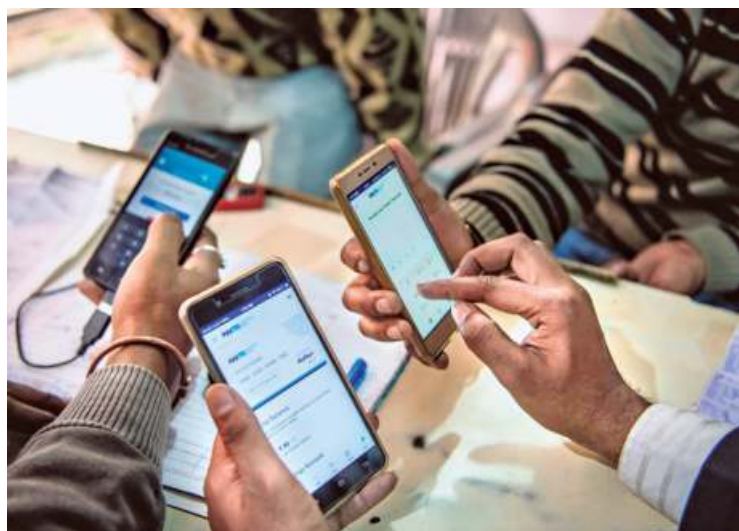
PADMASHREE GEHL SAMPATH

Since early last year, WhatsApp has busily piloted its payment system in India. WhatsApp Pay relies on the Indian government's Unified Payments Interface (UPI) system to facilitate inter-bank transactions. Regulatory approval that would allow its nationwide introduction is stuck on one point: the Indian government has asked WhatsApp to localise all data processing related to payment transactions in India and not on Facebook's servers in the U.S. This is well in line with the government's existing technology vision for the digital economy, which hinges on data localisation as the magic bullet to solve multiple problems ranging from prevention of personal data misuse to promotion of local enterprises. Unfortunately, it misses a number of other issues and hidden costs of this current deal and raises broader issues on big tech's foray into financial services, especially payments.

## The case of WhatsApp Pay

In the case of WhatsApp Pay, its parent company, Facebook, has come under scrutiny for harmful content, lack of privacy, and data misuse in recent years. The large amounts of social media data that Facebook sits on, its habit of using private user data to promote business, and its reluctance to adhere to policy have led to radical suggestions of breaking up big tech. Facebook, in response, has rolled out a new plan to reinvent its business, which is to build a new privacy-focused platform that integrates WhatsApp, Instagram and Messenger. This will provide end-to-end encryption for consumers and business services along with direct payment options. As *The Economist* recently noted, if this succeeds, it would make it more difficult to argue for big tech to be sliced up.

The only hitch in this new business plan is that Facebook is relatively new to the digital payments market and cannot gain a foothold in the U.S., where PayPal has the largest consumer base. This is where it becomes important to make WhatsApp



Pay successful in India. India is WhatsApp's largest market in the world with over 250 million monthly users. Once WhatsApp Pay catches on in India, Facebook intends to introduce it in other developing countries. Thus, the decision to allow WhatsApp Pay in India can catapult Facebook into the big league in the global digital payments market where companies like Alibaba's Alipay and Tencent's WeChat are making waves.

India's digital vision talks about data sovereignty and giving domestic firms an advantage. The digital payments market, with 800 million mobile users in the country of which more than 430 million have Internet access, is estimated to grow to over \$1 trillion by 2025. If India is serious about giving local firms an advantage, it should leverage this immense opportunity. With the right policy incentives, local firms could capture large shares of the digital payments market to become e-commerce players on a global scale, as China's experience shows. In China, domestic enterprises were strategically enabled to use the local market to emerge as global champions. Today, WeChat combines the functional features of several online platforms including Facebook, WhatsApp, PayPal and Uber Eats. Over 300 million users worldwide use WeChat payments for everything, right from ordering food to paying hospital bills, a model that all firms want to emulate.

But giving WhatsApp Pay a plum role in the digital payments market achieves the opposite because if the deal goes ahead, it will automatically give WhatsApp Pay a large advantage

over all other Indian firms that are currently operating without the advantage of relying on a large social media and messaging base as WhatsApp does. This creates a 'winner-takes-most' dynamic that competition authorities worldwide are becoming wary of: simply because WhatsApp already has the economies of scale and network externalities, it will manage to integrate it into an entirely new sector, with undue advantages that it should normally not benefit from. To top it all, Facebook will also receive a cut in all WhatsApp Pay transactions conducted in India. Similar concerns with market power can exist with allowing other large firms like Google Pay and Amazon Pay, but these will need to be assessed individually while making decisions for the national digital payments market. What matters most is that without a level playing field, even the most well-meaning policy incentives will not safeguard the expansion of local firms in the digital payments arena, thus severely limiting the capacity of local firms to benefit from the potential of India's own digital payments market.

## Fallouts for privacy

The largest fallouts of granting market approval to a global player will be in the area of privacy. In the particular instance of WhatsApp Pay, the deal will give Facebook access to data that all firms want to emulate. However, India is yet to cash in. By Vignesh Radhakrishnan & Niharika Pandya

Facebook will still have access to meta-data on all payment transactions, which can be matched with the data that the company already has access to on Instagram, Messenger and WhatsApp for the same users. With all of that, Facebook will be able to match user profiles on its social media websites with the user profiles that are authenticated by the UPI system in India. This would not only make Facebook the second biggest identification issuer in India after the Indian government, it would also make Facebook the best repository of data covering all areas of life – social and financial – on all Indian users. This kind of data pooling would never be allowed in the U.S. where financial privacy laws protect against such an outcome, so why should this be allowed in India? Similar risks exist in the case of Google Pay or Amazon Pay, where payments data can be matched with other existing repositories with outcomes that are not desirable and may/may not be as drastic as in the case of WhatsApp Pay.

These examples of big tech and finance help illustrate some of the complexities of digital markets. To address safe digital transformation, we need a policy that focuses on the nitty-gritty of implementation and coordination. We need to be clear on how digital technologies will transform different sectors, especially finance and payments, with a view to promoting competition, enabling local firms, protecting consumer welfare and promoting data sovereignty. In the specific case of the digital payments market, we need the elaboration of clear guidelines that enable the development of a digital payments market, going beyond requirements for storing and processing payments. Data localisation is costly, and consumers not only need protection that these compliance costs will not be passed on to them by businesses, but they also need clarity on how their data will be stored, for how long, and what uses will be prohibited. Local firms will need much more space and support in the digital payments market to be able to create new jobs, new prospects and digital dividends. These are crucial to guarantee the rights of all Indians as we move from a cash-based to a cashless economy.

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# A WASH for healthcare

Without adequate water, sanitation and hygiene amenities, infection control is severely compromised



POONAM KHETRAPAL SINGH

Healthcare facilities are many and varied. Some are primary, others are tertiary. Many are public, some are private. Some meet specific needs, whether dentistry or occupational therapy, and some are temporary, providing acute care when disaster strikes.

Whatever their differences, and wherever they're located, adequate water, sanitation and hygiene (WASH) amenities, including waste management and environmental cleaning services, are critical to their safe functioning. When a healthcare facility lacks adequate WASH services, infection prevention and control are severely compromised. This has the potential to make patients and health workers sick from avoidable infections. As a result (and in addition), efforts to improve maternal, neonatal and child health are undermined. Lack of WASH facilities also results in unnecessary use of antibiotics, thereby spreading antimicrobial resistance.

As a joint report published earlier this year by the World Health Organization and the UN Children's Fund (UNICEF) outlines, WASH services in many facilities across the world are missing or substandard. According to data from 2016, an estimated 896 million people globally had no water service at their healthcare facility. More than 1.5 billion had no sanitation service. One in every six healthcare facilities was estimated to have no hygiene service (meaning it lacked hand hygiene facilities at points of care, as well as soap and water at toilets), while data on waste management and environmental cleaning was inadequate across the board.

## Enhancing primary health-care

In WHO's South-East Asia region, efforts to tackle the problem and achieve related Sustainable Development Goal (SDG) targets are being vigorously pursued. As outlined at a WHO-supported meeting in New Delhi in March, improving WASH services in healthcare facilities is crucial to accelerating progress towards each of the region's 'flagship priorities', especially the achievement of universal health coverage. Notably, improving WASH services was deemed essential to enhancing the quality of primary healthcare services, increasing equity and bridging the rural-urban divide.



A World Health Assembly Resolution passed in May is hoping to catalyse domestic and external investments to help reach the global targets. These include ensuring at least 60% of all healthcare facilities have basic WASH services by 2022; at least 80% have the same by 2025; and 100% of all facilities provide basic WASH services by 2030.

For this, member states should implement each of the WHO- and UNICEF-recommended practical steps. First, health authorities should conduct in-depth assessments and establish national standards and accountability mechanisms. Across the region, and the world, a lack of quality baseline data limits authorities' understanding of the problem. As this is done, and national road-maps to improve WASH services are developed, health authorities should create clear and measurable benchmarks that can be used to improve and maintain infrastructure and ensure that facilities are 'fit to serve'.

## Educating the health workers

Second, health authorities should increase engagement and work to instil a culture of cleanliness and safety in all health-care facilities. Alongside information campaigns that target facility administrators, all workers in the health system – from doctors and nurses to midwives and cleaners – should be made aware of, and made to practise, current WASH and infection prevention and control procedures (IPC). To help do this, modules on WASH services and IPC should be included in pre-service training and as part of ongoing professional development. In addition, authorities should work more closely with communities, especially in rural areas, to promote demand for WASH services.

And third, authorities should ensure that collection of data on key WASH indicators becomes routine. Doing so will help accelerate progress by promoting continued action and accountability. It will also help spur innovation by documenting the links between policies and outcomes. To make that happen, WHO is working with member states as well as key partners to develop a data dashboard that brings together and tracks indicators on health facilities, including WASH services, with a focus on the primary care level.

As member states strive to achieve the 'flagship priorities' and work towards the SDG targets, that outcome is crucial. Indeed, whatever the healthcare facility, whoever the provider, and wherever it is located, securing safe health services is an objective member states must boldly pursue.

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# It no longer runs in the family

Political power in the Indian subcontinent seems to be drifting away from dynasties

SYED MUNIR KHASRU

Ever since the British left the Indian subcontinent, most South Asian nations have seen dynastic leadership. India's Congress Party, led by the Nehru-Gandhi family, has been in power for a better part of the country's post-Independence modern history. Similarly, the Bhuttos/Zardaris and the Sharifs led Pakistan for years. Sri Lanka was governed by the Bandaranaiques for years and the Rajapakas later. In Bangladesh, two political families – those of Sheikh Mujibur Rahman and Zia ur-Rahman – have dominated the political landscape.

That said, leaders belonging to political dynasties have not always had a glorious reign. We only need to consider the tragic fate that befell the Bhuttos – Zulfikar Ali Bhutto and his daughter Benazir Bhutto – both of whom died untimely deaths. In India, Indira Gandhi and her son Rajiv Gandhi were both assassinated.

At times, the end of one family's dominance brings the ascendance of another. We need to consider Sri Lanka's situation here, where rule by one family, the Bandaranaiques, was followed soon by the rise of another, the Rajapakas. As President, Mahinda Rajapaksa appointed his brothers to key positions.

## Examples of Imran, Modi

However, today, political power in the subcontinent seems to be drifting away from dynasties. In Pakistan, Imran Khan, a cricketer-turned-politician, and in India, Narendra Modi, a swayamsevak, have become Prime Ministers.

Here, the resignation of Rahul Gandhi as Congress president can be considered a significant development for India. Mr. Gandhi, who decided to relinquish the post after his party's defeat in the general elections, formally entered electoral politics as a 34-year-old MP in 2004 and was expected to have a major sway over India's youth. However, successive defeats of Congress in 2014 and 2019 have demonstrated that he

could not bring young voters into the party's fold. However, refreshingly, Mr. Gandhi desisted from playing the blame game.

## Inspiring hope

Further, while Mr. Gandhi may have failed to have his finger on the pulse of the electorate, he did inspire some hope for the future of his party by owning up to its lapses and seeking to forge a more democratic future for the organisation. Thus, his resignation has opened a pathway for educated, charismatic and able leaders to assume charge, not just those from his own family.

Mr. Gandhi sought to distinguish himself from his political adversaries by saying: "Where they see differences, I see similarity. Where they see hatred, I see love. What they fear, I embrace." He certainly made an indelible impression when he concluded his resignation letter with these powerful words: "It is a habit in India that the powerful cling to power, no one sacrifices power. But we will not defeat our opponents without sacrificing the desire for power and fighting a deeper ideological battle."

Looking at other countries, as South Asia sheds dynastic politics, space is being created for leaders like Nepal's K.P. Sharma Oli, Bhutan's doctor-turned-Prime Minister Lotay Tshering and The Maldives's Ibrahim Mohamed Solih.

However, voters need not reject a candidate solely because he/she is from a political family. There can be meritocracy even when a dynast works his way up the political ladder by virtue of his skills. The challenge here is to ensure that those from humble origins have the same access to the corridors of power as the most privileged. As one of the world's most vibrant democracies, India can inspire merit-based democratic societies. On that note, Mr. Gandhi has led by example.

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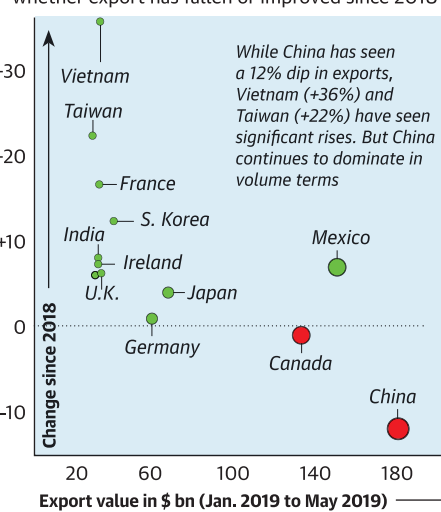
## DATA POINT

### Shifting origins

The U.S. has seen a drop in imports from China due to the tariff war between the two countries. Vietnam and Taiwan have benefited from the tariff escalation with their exports to the U.S. surging. However, India is yet to cash in. By Vignesh Radhakrishnan & Niharika Pandya

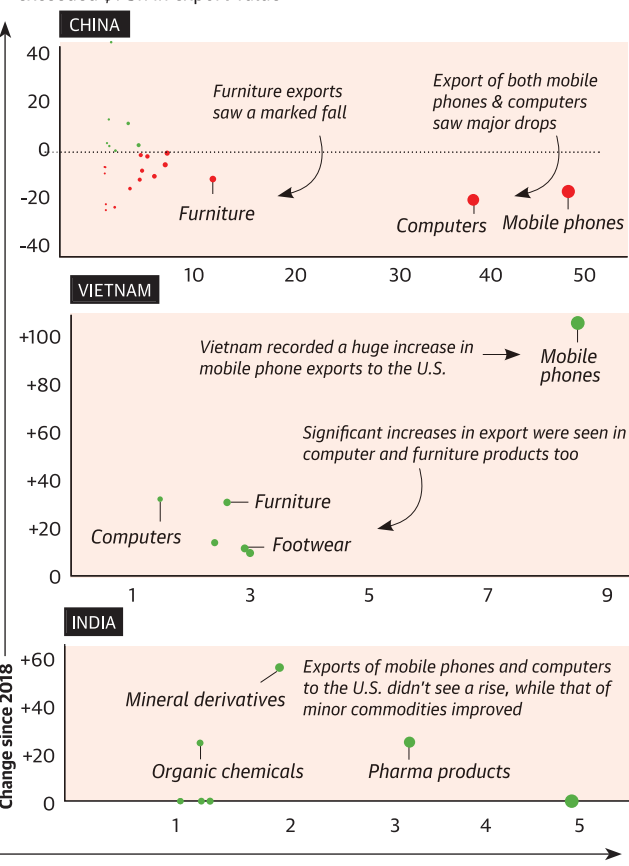
### Ebbs and flows

Graph 1 plots the volume of goods sent to the U.S. by select countries between Jan. and May 2019 against the change in volume from the same period in 2018. The size of the circle corresponds to export volume in 2019. The colour indicates whether export has fallen or improved since 2018



### Gains and losses

The graphs plot the same indicators as those in graph 1 for select nations: China, Vietnam and India for specific commodities. Each circle is a commodity. The graphs consider commodities which exceeded \$1 bn in export value



## FROM THE ARCHIVES

FIFTY YEARS AGO JULY 16, 1969

### Hurdles to reconciliation

The chances of reconciliation between the Prime Minister and the "Syndicate" over the Presidential nomination are being hampered by an almost conspiratorial atmosphere of crisis being built up by the busybodies on both sides on the eve of the Congress Parliamentary Party meetings this week-end. It was thought by some well-meaning intermediaries that they would be able to calm tempers after the dust had settled - and the debris of the explosion in the Parliamentary Board had been cleared - but unfortunately the hot-heads in both the camps are running around with oil cans instead of water and stoking fires in the name of stamping them out in good time. The Prime Minister, Mrs. Indira Gandhi, has not yet come face to face either with the Deputy Prime Minister, Mr. Morarji Desai, or the Home Minister, Mr. Y. B. Chavan, after the showdown in Bangalore. And no Cabinet or committee meetings have been fixed for the next day or two to avoid their personal embarrassment before they are ready to sit together again to transact Government business and settle some pending policy matters before Parliament meets on Monday [July 21]. The Prime Minister, Mrs. Gandhi to-day called on the acting President, Mr. V. V. Giri, who told her that there was no question of his withdrawing from the Presidential contest.

A HUNDRED YEARS AGO JULY 16, 1919.

### Coal Prices. Strong Labour Criticism.

A White Paper is issued [in London] showing the basis on which the box shilling increase in the cost of coal per ton is calculated. The deficiency in working the coal industry for twelve months beginning July 16th is estimated at over forty six millions sterling. The output is estimated at 217 million tons. Deducting the quantity on which increased price will not be effective namely 56 million tons comprising 18 millions for consumption at collieries, six million for miners' use and 32 million sold at open market prices above the minimum for export and bunkers, there remains 161 million tons over which the estimated deficiency is spread necessitating an increase in price of 5-9½ Gs. The increase in the price of coal is absorbing the public. Manufacturers are drawing the gloomiest picture of the effects on home export trades. The estimated cost of Lancashire cotton industry is five millions extra and all industries are proportionately affected. The miners are furious at the Government announcement.