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THE IDEAS PAGE

WHAT THE OTHERS SAY

"It was an exciting moment for millions of home fans as well as Pakistanis abroad when Sarfraz Ahmed's men first entered the field on Tuesday to take on the star-studded World XI."
—DAWN

A higher opportunity

India can become a global hub for higher education. Much can be achieved without government having to do the heavy lifting



ECONOMIC GRAFFITI

BY KAUSHIK BASU

A LONGSTANDING PROPOSITION in economics, under the label of "industrial policy", emphasises the importance of the government choosing special sectors to focus on and incentivise. The expectation is that this will create enough spillovers to drive up overall growth. Industrial policy has had its share of demurrers, arguing that the state should not get into picking winners and losers; but the fact is that it has been used to great effect by Britain, Germany and other nations during the Industrial Revolution and by China in recent times.

Without entering that debate, I want to point to two areas where the Indian government should put in special effort: Medical tourism and higher education. India made huge strides in the former in the early 1990s, but this sector seems to be running out of steam, with other emerging nations taking the lead. We need more effort here. The other sector where the prospect is big is a global hub for higher education. In both these sectors, much can be achieved, without the government having to do the heavy-lifting. Given my own expertise, I focus here on the second.

From ancient Greece to 19th century Britain and 20th century United States, there is evidence that when nations do well in higher education and research, they do well in economic development. For historical reasons, India has a huge strength here. First, while India's colonial history did plenty of harm, it conferred one advantage. When leaving India, luckily the English could not take away their language. English is the world's most important language and India's strength in it is a natural advantage today. Second, thanks to the far-sightedness of India's founding fathers and, in particular, Jawaharlal Nehru, India took major steps in nurturing higher education and scientific temperament, setting up the IITs, the IIMs, and promoting some fine universities.

One can see the advantage this history

fessors and so salaries vary vastly. I wish the world were not like this but it is and, to succeed, India has to give this freedom to the private universities. Some of these universities, it is likely, will start up partnerships with universities in the US, UK and elsewhere, and that should be welcomed.

In the US today, in many good universities, annual tuition fees are above \$60,000. If Indian universities are given the freedom, they could charge, say, \$20,000, provide comparable education and still make a profit. For a four-year education, this means a saving of over \$1,60,000 to the student. It is likely that students would come to India not just from developing nations but also, rich countries. The big advantage of this is that the government does not have to do much beyond creating an enabling environment. The return

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talent pool to create value".

Of course, regulation will be needed but the main aim of the regulation must not be to control salaries, curricula, and speech on campus, but to ensure that students are not cheated. Several of India's private teaching institutes mislead students by giving them false information about their placement record and tuition costs. Some of them let students in for a small fee and then raise charges midway through the education. We will need intelligent, lean regulation to deter such behaviour.

In this new setting, the quality of universities will vary, with only a handful being of top international standards. That is unavoidable. If we try to have 800 universities (as of February 2017, India had 789) of uniform standard, they can only be uniformly mediocre.

Going digital

All technology is vulnerable. What is needed is mitigation of risks of Aadhaar, not its abrogation



AJAY BHUSHAN PANDEY

THE SUPREME COURT has declared the Right to Privacy a fundamental right, albeit subject to reasonable restrictions in legitimate state interest. In this context, the role of Aadhaar in transforming India will surely be debated. India has embarked on a major revolution towards a transparent economy through digital payments. Digital payment, thus far, has been the exclusive privilege of a few who could afford debit or credit cards and could handle pins, passwords, OTPs and so on. India's cash-to-GDP ratio is around 12 per cent, among the highest in the world. The share of digital payments is said to be about five per cent of total personal consumption or even lower at two per cent of total transactions, which are among the lowest in the world. Now with 1.17 billion Aadhaar cards and an equal number of mobile phones, we have the opportunity to take digital payment to the masses.

Aadhaar will help India leapfrog traditional payment systems such as cheques, drafts, debit cards, POS (point-of-sale) devices and transition to modes of digital payments not seen even in the most advanced countries. BHIM with UPI was launched by the prime minister on December 30, 2016. UPI will have a far-reaching impact because it is India's own internet of digital payments. UPI is real time and fully interoperable across all banks. There are 350 million smartphone users in India, who can use UPI to make digital payments up to Rs 1 lakh without any card or POS device. Merchants can also use the Bharat QR Code to receive payments.

There are 300 million Indians living in rural and urban areas, who do not have credit cards, debit cards, smartphones or feature phones or who are not financially literate to handle PINs, passwords etc. How do they pay digitally? For them, BHIM-Aadhaar, launched by the prime minister on April 14, will prove to be convenient. In this mode, a retail corner shop would not need an expensive POS device such as a debit or credit card swipe machine. He can use his own smartphone with a fingerprint scanner, which

the payment systems based on physical signatures, cheques, debit cards, ATM cards, PIN etc. were absolutely safe and had no vulnerabilities. They circulate stories showing how unsafe biometrics are, how a silicon replica of a fingerprint was used to hack into an iPhone etc, and thereby create a phobia against new technologies. They conveniently forget that people have been writing cheques and putting their physical signatures on documents for ages, knowing fully well how easy it is to forge a signature. Similarly, we read about frauds in ATMs, debit cards and internet banking through cloning, scheming, spoofing, phishing etc., and yet we have not stopped using them. Every technology is vulnerable and subject to risks. What is needed is mitigation of risks, not abrogation of technology.

The Aadhaar-based payment system has been robust and secure, which is evident from the track record of the Aadhaar Enabled Payment System (AEPS). The AEPS provides doorstep banking through more than 1,30,000 banking correspondents to people living in remote villages and enables them to withdraw or deposit money using their fingerprints on Aadhaar-based micro-ATMs. In the last four years, more than 700 million transactions have been carried out without a single case of financial loss due to fraud or identity theft. Besides, Aadhaar continuously reviews emerging threats and takes measures to counter them and minimise risk.

Further, three major reforms happened in the last six months, which would make UPI and Aadhaar-based payment systems even more secure. First, in February 2017, Parliament amended the Income Tax Act to mandatorily link PAN with Aadhaar. Second, the Supreme Court in the *Lokniti Foundation* case has required that more than 100 crore existing mobile SIM cards be biometrically verified with Aadhaar by February 2018. Third, the government amended the Prevention of Money Laundering Rules in June this year to require every bank account to be verified and linked with Aadhaar and PAN by December 31, 2017. In BHIM-Aadhaar and UPI, since the bank accounts and mobile numbers of the sender and receiver of the payment are linked to their Aadhaar and PAN cards, the transactions will undoubtedly be safer. In the worst case, if there is an unauthorised transfer from an account, the beneficiary can be identified through Aadhaar.

India has set an ambitious target of

CR Sasikumar