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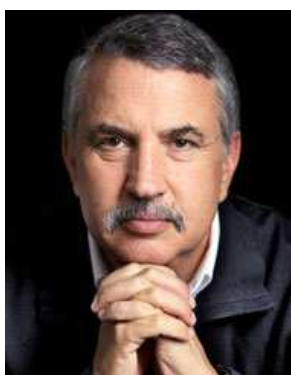
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OP-ED COLUMNIST

## Do Believe the Hype

By THOMAS L. FRIEDMAN  
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Josh Haner/The New York Times  
Thomas L. Friedman

The Hindustan Times carried a small news item the other day that, depending on your perspective, is good news or a sign of the apocalypse. It reported that a Nepali telecommunications firm had just started providing third-generation mobile network service, or 3G, at the summit of Mount Everest, the world's tallest mountain, to "allow thousands of climbers and trekkers who through the region every year access to high-speed Internet and video calls using their mobile phones."

I can hear it already: "Hi, mom! You'll never guess where I'm calling from ..."

This is just one small node in what is the single most important trend unfolding in the world today: globalization — the distribution of cheap tools of communication and innovation that are wiring together the world's citizens, governments, businesses, terrorists and now mountaintops — is going to a whole new level. In India alone, some 15 million new cellphone users are being added *each month*.

Having traveled to both China and India in the last few weeks, here's a scary thought I have: What if — for all the hype about China, India and globalization — they're actually underhyped? What if these sleeping giants are just finishing a 20-year process of getting the basic technological and educational infrastructure in place to become innovation hubs and that *we haven't seen anything yet?*

Here's an example of why I ask these questions. It's a typical Indian start-up I visited in a garage in South Delhi, EKO India Financial Services. Its founders, Abhishek Sinha and his brother Abhinav, began with a small insight — that low-wage Indian migrant workers flocking to Delhi from poorer states like Bihar had no place to put their savings and no secure way to send money home to their families. India has relatively few bank branches for a country its size, so many migrants stuff money in their mattresses or send cash home through traditional "hawala," or hand-to-hand networks.

The brothers had an idea. In every Indian neighborhood or village there's usually a mom-and-pop kiosk that sells drinks, cigarettes, candy and a few groceries. Why not turn each

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one into a virtual bank? So they created a software program whereby a migrant worker in Delhi using his cellphone, and proof of identity, could open a bank account registered on his cellphone text system. Mom-and-pop shopkeepers would act as the friendly neighborhood local banker and do the same.

Then the worker in New Delhi could give a kiosk owner in his slum 1,000 rupees (about \$20), the shopkeeper would record it on his phone and text receipt of the deposit to the system's mother bank, the State Bank of India. Then the worker's wife back in Bihar could just go to the mom-and-pop kiosk in her village, also tied into the system, and make a withdrawal using her cellphone. The shopkeeper there would give her the 1,000 rupees sent by her husband. Each shopkeeper would earn a small fee from each transaction. Besides money transfers, workers could also use the system to bank their savings.

Since opening 18 months ago, their virtual bank now has 180,000 users doing more than 7,000 transactions a day through 500 "branches" — mom-and-pop kiosks — in Delhi and 200 more in Bihar and Jharkhand, the hometowns of many maids and migrants. EKO gets a tiny commission from the Bank of India for each transaction and two months ago started to turn a small profit.

Abhishek, who was inspired by a similar program in Brazil, said the kiosk owners "are already trusted people in each community" and are already in the habit of extending credit to their poor customers: "So we said, 'Why not leverage them?' We are the agents of the bank, and these retailers are our subagents." The cheapest cellphone today has enough computing power to become a digital "mattress" and digital bank for the poor.

The whole system is being run out of a little house and garage with a dozen employees, a bunch of laptops, servers and the Internet. The core idea, says Abhishek, is "to close the last mile — the gap where government services end and the consumer begins." There is a huge business in bridging that last mile for millions of poor Indians — who, without it, can't get proper health care, education or insurance.

What is striking about the small EKO team is that it includes graduates from India's most prestigious institutes of technology who were working in America but decided to come home for the action, while the chief operating officer — Matteo Chiampo — is an Italian technologist who left a good job in Boston to work here "where the excitement is," he said.

India today is this unusual combination of a country with millions of people making \$2 and \$3 a day, but with a growing economy, an increasing amount of cheap connectivity and a rising number of skilled technologists looking to make their fortune by inventing low-cost solutions to every problem you can imagine. In the next decade, I predict, we will see some really disruptive business models coming out of here — to a neighborhood near you. If you thought the rate of change was fast thanks to the garage innovators of Silicon Valley, wait until the garages of Delhi, Mumbai and Bangalore get fully up to speed. I sure hope we're ready.

A version of this op-ed appeared in print on November 3, 2010, on page A27 of the New York edition.

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