

## Rupee Demonetization Boon for Investors: Panelists at Stanford Biz Meet

SUNITA SOHRABJI/India-West Staff Reporter 12 hrs ago



Indian American venture capitalist Venkatesh Shukla, TiE global chairman, kicked off Startup Bridge India Dec. 2, at the Stanford Center for International Development. (INDTVUSA photo via TiE)

STANFORD, Calif. – The Indian economy will take a short-term hit over last month’s demonetization of 500 and 1,000 rupee notes by the Indian government, but – long-term – the move will result in an enormous advantage for investors, concluded panelists Dec. 2 at the Startup Bridge India conference here, organized jointly by the US India Business Council and The Indus Entrepreneurs.

“Demonetization is a black swan event,” said Joe Bryant, associate investment director at UCLA Investment Company. “It is a huge boon for everyone in this room even though it is causing a lot of short-term pain,” she told the audience of Indian American investors and entrepreneurs.

On the sidelines of the day-long meet, Bryant told **India-West**: “We are very excited by the move, which will reward companies for transparency and openness.”

“There is no quick fix to clean up the system overnight,” said Bryant. But, she added, the move will encourage investors from abroad to look to India, as the prospect of corruption is mitigated.

Newer companies will also benefit from demonetization, as they don’t have a lot of cash with “legacy issues” sitting on their balance sheets, noted Bryant.

TiE Silicon Valley charter member Raju Reddy, founder of Sierra Atlantic, which was acquired by Hitachi, told **India-West** that the Indian economy is facing a short-term hit as the Indian government sorts out the issues related to demonetization. Residents of India have protested against the surprise move, announced Nov. 8, saying they have no access to their cash. Banks and ATMs have frequently run short of alternate currencies.

But Reddy said: “If government policies move faster, demonetization could have a very positive impact on the economy. But the question remains whether the administration has the bandwidth to address the issues in a timely manner.”

He noted that technology start-ups deal almost exclusively in white – accountable – money.

The Startup Bridge India conference – held at the Stanford Center for International Development – featured a morning panel discussing India as an emerging hub for the software as a service – SaaS – distribution model.

A mid-morning panel entitled “Playbook: Doing Deals in India” discussed the potential benefits of incorporating outside the country. Manav Garg, CEO and founder of Eka Software Solutions, noted that most venture capital firms are coming to India from either Mauritius or Singapore, two of the seven-best tax havens of the world.

Saurabh Srinivasan, head of corporate development and product business operations at Nutanix, said that companies must have enough activity in those countries to justify incorporating there.

Aysswarya Murthi, head of the Silicon Valley office of Nishith Desai Associates, an international law firm, discussed incorporation in the U.S., primarily in Delaware, noting the added intellectual property laws afforded by the U.S., and access to capital. “You’re managing to side-step a lot of very painful regulations in India,” she noted.

Raju Reddy introduced featured speaker Anjini Kochar, director of the India program at SCID, stating that a “big part of the Indian population has been relatively untouched by technology.”

Kochar noted that India is not short of entrepreneurs or ideas, but success has touched relatively few people in the country. “Financial inclusion and schooling equality policies would have resulted in greater success,” she said.

“Are we just throwing a bunch of money in without assessing its impact?” Kochar queried in an interview with **India-West** on the sidelines of the conference. “There is great interest in the supply side, but less attention on the demand side to make sure that technology is used effectively.”

“There is no emphasis on economic research as you see in other countries,” she stated.

Kochar gave the example of school inclusion. Getting information onto tablets has greatly impacted the constraints of bad teachers, but absenteeism continues to be a huge factor in school inequality, she said.

Women leave their homes at 7 a.m. each morning and return around 7 p.m., leaving children responsible for their younger siblings in the two hours before school starts, said Kochar, adding that there should be greater focus on pre- and after-school care.

Banking by mobile phone has been a huge boon for rural communities, said Kochar, noting that most villages do not have an ATM machine, and rural dwellers must often travel several miles to access their cash. But mobile phones are largely handled by the male of the household or the senior-most woman, leaving younger women without access to the cash they have earned, she said.

The conference also featured Vivek Raghavan, an adviser to TeamIndus, which is aiming to land a rover on the moon by the end of 2017. TeamIndus is the only Indian team participating in the challenge, and one of the top three teams around the world (See India-West story here: <http://bit.ly/2hpaBSV>).

Raghavan is also the volunteer architect of the Aadhar project, which aims to issue unique identification numbers through biometrics to every Indian resident. Approximately 40 percent of Indians are not born in hospitals, and thus lack a birth certificate or any identification documents, Raghavan told **India-West**, in an interview during the conference. “This has never been done before in the world in such scale,” he said, adding: “For many people, it is their very first ID,” he said, noting that for people who don’t know their date of birth, Aadhar automatically assigns them Jan. 1.

The project – which costs less than \$1 million to implement – is allowing the Indian government to provide subsidies directly through Aadhar-linked bank accounts, which results in less fraud, said Raghavan. Banks are using Aadhar to issue loans to rural dwellers, and medical records could also prospectively be attached to Aadhar information, he noted.

Through the program, which is still in its nascent stage, “India is likely to become one of the most-digitally data-rich countries in the world,” stated Raghavan.