Wealth in Asia

Consuming passions

BANGALORE AND DELHI

New wealth is challenging the established order in the world’s two most populous countries. Our correspondents report from India and, on the next page, from China.

A FESTIVE Christmas Eve at Geoffrey’s, a “British pub” in Bangalore, was much like any other night these days. The bar was full of twenty-something carousers; loud rock music drowned out the television screens replaying Indian cricketing triumphs; smoochers were discreetly smooching; the mood was relaxed, jolly and above all, prosperous. Bangalore, known as the hub of India’s information-technology industry, also claims to be the capital of its pub culture. The two booms, of course, are linked. The explosion of the IT business and its offshoots has helped produce a new breed of young professionals with money in their pockets and their own ideas on how to spend it. Imported malt whisky at 500 rupees ($11) a shot—about what an agricultural labourer earns in a week—is one option.

The feel-good glow among Geoffrey’s patrons is caused by much more than mere alcohol, though. The Indian economy, following an unusually lavish monsoon, is growing at a rate of 7% a year or more. Economic recovery in the United States, the biggest market for India’s IT industry, has not dented American companies’ zeal for cost-cutting. “Every company needs an India strategy,” says Kiran Karnik, who heads Nasscom, the Indian IT industry’s lobby. Indeed, hardly a day goes by without news that a big firm is shifting to India some of its back office: software development, accounting, insurance-claims processing, call-centres and so on. In the past month it has been reported that IBM is to move 4,700 jobs to India and China, and that Barclays, a British bank, is close to a deal that would see over 1,000 software-development jobs go to India.

The lure is a well-educated English-speaking workforce whose wages, compared with those commanded by Americans and Britons, are peanuts. Not, however, by local standards. Rohit Kapoor, president of EXL, an outsourcing firm with three centres near Delhi, says a freshly recruited contact-centre worker may expect to earn 10,000 to 12,000 rupees a month, plus a performance-linked bonus. Mr Karnik points out that that is often pocket money, since many will continue to follow Indian custom and live at home until they marry. Opportunities for the best workers are spectacular. Mr Kapoor says that some of his managers, who have been with the company for just three or four years, are earning 500,000 rupees a month. Such sums would have been unimaginable for Indians a few years ago.

Suhel Seth, of Equus Red Cell, an advertising agency in Delhi, calls it the “yupification” of India. He cites two ways in which the phenomenon is challenging Indian tradition. First, young people positively relish conspicuous consumption. They do not share the qualms felt by their parents, brought up in a climate that mixed Nehruvian socialism with ancient Hindu ideals of renunciation. “Rolex”, says Mr Seth, with his profession’s knack for pithy hyperbole, “has replaced religion.”

Second, and potentially of vast significance for a country as stratified as India, this is bringing about a “second unification”, in which the young and affluent across the country define themselves not just by caste, creed and language, but by a shared consumer culture, spread by television, which now reaches nearly half India’s homes. As a result, spending patterns are changing.

Mr Seth says they are used to be dominated by three big needs: a car, a home and a bequest to pass on to the next generation. India still has a very high savings rate—nearly a quarter of GDP—but recently consumer spending has started to outpace economic growth. According to KSA Technopak, a consultancy, discretionary consumer spending grew at an annual rate of 12% in 2002. KSA’s Vatsala Mishra sees the “signs of affluence” everywhere in the data. The share of income spent on such basics as groceries and home appliances has been falling, as people spend more on relative luxuries, such as eating out, holidays, the cinema, cosmetics and gifts.

Lifestyles are changing in other ways, too. Many of the young no longer live at home. Those who flock to Bangalore to join giants of the local software industry such as Wipro and Infosys will often share rented accommodation with colleagues. EXL provides an accommodation service to help new employees find flatmates.

All this is creating business opportunities. Witness the astonishing spread, in a
tea-drinking nation, of stylish coffee bars such as the Barista chain. Or the rush to build shopping malls and plush new multiplex cinemas. Or upmarket watering holes such as Bangalore’s 1 bar, where, in the absence of an actual fashion show, drinkers can sip under a large-screen display of Fashion TV, the closest Indian television comes to soft porn.

Many argue, however, that the transformation wrought by the new urban affluence is superficial. Even Mr Seth says that India’s “cultural DNA” will not change. Perhaps so, but perhaps not. One 1 bar habitué is in many respects typical. A talented software engineer, he shares digs with college friends. He loves his job and enjoys going to bars but, still, his biggest items of expenditure are his flat, his motorbike and sending money home.

Yet he met his fiancée at a party, not in the traditional, partly-arranged way. His parents, an army couple from the north, are happy with his choice. Hers, however, are aghast, wanting her to marry within her own region and caste.

Still, many others, more or less willingly, will marry a partner chosen or vetted by their families. In that sense, the new affluence may not herald a social revolution just yet. Still less does it imply change in the India inhabited by most Indians: the countryside. A study in 2001, which Nasscom’s Mr Karnik believes still stands, forecast that by 2008 India’s IT and other service exports would account for a third of the country’s inflows of foreign exchange. However, they would directly employ only 2m people. Thus they could absorb but a fraction even of the 2m or so English-speakers who graduate from university each year. Set that against the vastness of rural India, where 700m people must live their lives without even a whiff of a cappuccino, and the new yuppiesdom still seems pretty exotic.