Is India arriving? Yes, no and maybe

Social, economic divides cast clouds on horizon

RAFIQ DOSSANI

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Service jobs that require face-to-face interaction with customers were once thought to be safe from outsourcing. Not necessarily so anymore, according to an address by Rafiq Dossani at the Robert Reynolds Distinguished Lecture in International Business cohosted with the UCD Business School.

Dossani talked about Mary, a pleasant young woman who works as a receptionist in a six-person Washington DC lawyer’s office. Mary carries out all the functions one would expect of a receptionist: she makes appointments, routes phone calls, orders lunch for staff members and greets visitors. But she does it from thousands of miles away at a call center in India, enabled by communications equipment that allows her to be there without being there.

“The advantage for this firm and others is simple math,” said Dossani. “Mary is paid a monthly salary of $200; she can do the work of eight small-office receptionists. In the US each receptionist would cost the company $3,000 a month.”

Dossani pointed out that India’s services sector is experiencing annual growth of 9.8 percent and, with a 20.5 percent share of the workforce, contributes 54 percent to the GDP. Compare this to agriculture which has a 66.7 percent share of the workforce but contributes only 20 percent to the GDP.

However, services is a category that is very broad “and there’s a risk the economy could get stuck in low-end services such as call centers,” Dossani said. This would do little to lower poverty rates. Therefore, India’s move to high-end services is crucial for its economy and its people.

Good for US economy?

Oddly, India’s IT growth started with a brain drain of its knowledge workers when in 1969 IBM separated hardware from software, creating two distinct industries. Software engineers were in high demand and US companies laid out the welcome mat for Indian job seekers eager to work in Silicon Valley’s innovative environment.

But that changed in 1984. The Indian government cut import tariffs on computer software and hardware and it became cheaper for US companies to send work to India rather than bringing programmers to work in the US.

Another boost for India’s IT sector came in the 1990s when India opened its doors to foreign participation, just in time for the Internet’s proliferation. “As a result,” said Dossani, “process work and not just project work could be done in India.”

Process work includes call centers, accounting, back office functions, radiology, etc., i.e., a much larger field compared with only doing software coding projects. Today, innovation and productivity in India are
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increasing on a par with the US. Dossani cited two examples: “Engineers at Broadcom India, only three years old, have the same patent rate as engineers at company headquarters in Irvine and San Jose, Calif., and Ketera India has reached the same productivity rate as its US counterpart.

“Silicon Valley is no longer the only place where the most innovative IT jobs are, and Indian IT professionals are returning home to work. This is good for the Indian economy,” Dossani said. “But I have some concern for the US economy.”

Social-economic divide

India is a “much more complex country than the average businessperson gets to see,” said Dossani, pointing to the social and economic issues that divide the society and create deep-rooted discontents.

- “Poverty is a tremendous divide.” In Mumbai (Bombay), India’s largest city with a population topping 12 million, some of the country’s worst slums exist in the shadow of a thriving middle class. “The slums of Mumbai have an average of one toilet for every 1440 residents.” On the other hand, Dossani said, “The complexity of India’s poverty is also a reality. Every family in the slum is likely to own a cell phone and satellite TV.”

- Income is another divide. In Bangalore, the Silicon Valley of India, “the salary of an IT professional has risen by an average of 12 percent per annum for the past 10 years,” said Dossani. “The salary of his chauffeur has risen by 5 percent per annum; the salary of the mason who built his apartment has risen by 0 percent. If these trends continue, by 2017, the IT professional will earn $17,000, the chauffeur will earn $1500, and the mason the same $320 that he earns today.”

- Education is the first line of defense against rampant poverty, but “the quality of education is poor. It is rote oriented and not geared to critical thinking,” said Dossani. “There is a hunger for education, but resources and teachers are missing.”

- The language divide complicates the government’s ability to create equal educational opportunity for everyone and hinders communications. There are 18 official languages plus hundreds of other tongues spoken across the country. “Hindi is the national language, spoken by 30 percent of the 1.1 billion population. About 50 million Indians speak fluent English; it is the language of the elite, of commerce and science.”

All the discontents come together in the rural regions where the majority of the population lives and where a lack of nutrition and healthcare is evident in the statistics: “1600 calories a day is what the average rural dweller consumes compared to 2100 for urban residents; 88 percent of rural women suffer from severe anemia.

“A long-term solution is needed to effect change,” said Dossani. “India needs to shift resources to rural areas. It will take decades to accomplish this.”

So is India arriving? “Previously it only stagnated. Now it both waits and moves.” A realist, Dossani said, “This century is not India’s; it is China’s.” Contrary to popular opinion, “India is not a natural ally of the United States simply because it is a democracy. Stages of development and geographical proximity also matter. “In these ways, China is viewed as a natural ally by Indians,” Dossani said. Ambitions also matter.

“India wants to be as great a country as the US, and it will play its own game.”