

Economic Disparities in the Unorganized Sector in Post-Reform India: An Analysis of Caste Groups

Submitted in partial fulfilment of the requirements for the degree of

Doctor of Philosophy
(With Specialization in Economics)

By

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HYDERABAD-500046, INDIA
January, 2024

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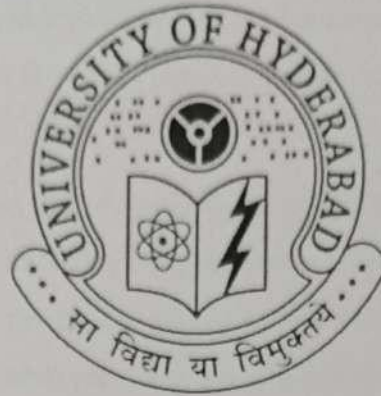
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January, 2024



DECLARATION

I, *Saurabh*, hereby declare that the research conducted in the present thesis entitled "*Economic Disparities in the Unorganized Sector in Post-Reform India: An Analysis of Caste Groups*" is an original work of research carried out by me under the supervision of Prof. R. V. Ramanamurthy, School of Economics, for the award of Doctor of Philosophy degree from the University of Hyderabad. Furthermore, I declare that, to the best of my knowledge, that no part of this thesis is earlier submitted for the award of any research or diploma in full or partial fulfillment in any university or institution.

Place: Hyderabad

Date: 03-01-24

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CERTIFICATE

This is to certify that the thesis entitled “*Economic Disparities in the Unorganized Sector in Post-Reform India: An Analysis of Caste Groups*” submitted by Mr. Saurabh bearing registration number 17SEPH18, in partial fulfilment of the requirements for award of Doctor of Philosophy degree. This is a bonafide work carried out by him under my supervision. This thesis is free from plagiarism and has not been submitted previously in part or in full to this or any other university or institution for award of any degree or diploma.

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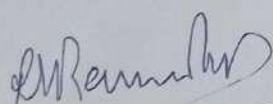
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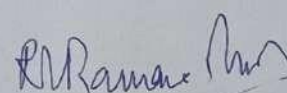
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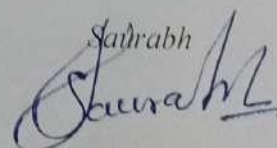
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List of Abbreviation

NSSO	National Sample Survey Office
IHDS	Indian Human Development Survey
AIDIS	All India Debt and Investment Survey
WPI	Wholesale Price Index
SIPP	Survey of Income and Program Participation
CBO	Characteristics of Business Owners
SSN	Social Safety Net
NCEAR	National Council for Applied Economic Research
ANOI	Analysis of Gini
CEGS	Credit Enhancement Guarantee Scheme
NSFDC	National Scheduled Caste Finance & Development Corporation
SCDC	Scheduled Caste Development Corporation
MSME	Micro, Small and Medium Enterprises
DICCI	Development Corporation and Dalit Indian Chamber of Commerce and Industry
CSO	Central Statistical Organization
O-B	Oaxaca-Blinder
ICT	Information and Communication Technology
NGO	Non-governmental organization
SHG	Self Help Group
SBA	Small Borrowal Account
PCP	Petty Commodity Production

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Chapter: 1

Introduction

1. Introduction

The neo-liberal economic policies, including globalization, have affected the economies of both developed and developing countries. The implementation of open market policies in a country has been a contentious issue over time. On the one hand, proponents of neoliberalism suggest that the strategies of the free market and globalization will boost economic growth and improve the standard of living of marginalized sections. The free-market strategies will bring efficiency and increase economic opportunity in the market; individuals or households will produce and trade more in the market, and thereby will contribute to maximizing the social benefits (Bhagwati, 2001). On the other hand, opponents of neoliberalism believe that it encourages a form of market fundamentalism that places an undue focus on free markets and limited government intervention. The free-market approach neglects the socio-economic intricacies of actual circumstances and produces inequitable outcomes in a country. The policies emphasize economic growth and market efficiency. This approach often results in the accumulation of wealth and power in the hands of a few at the cost of the welfare of the vast majority. The narrow focus on market efficiency fails to take into account democratic accountability and constrains citizens' cooperation in shaping economic policies. The push for market strategy has weakened labour unions which have led to high uncertainty in employment and exploitation of workers, precisely, in the informal sector (Ghosh, 2004; Patnaik, 2007; & Sen, 2008).

The results of the past three decades show that globalization and liberalization have encouraged capital-intensive growth or jobless growth in developing countries. The state has been abdicating its responsibilities and tending to implement market-based policies, and those policies have benefitted large firms that capture new markets quickly and leave small firms at the disadvantage of a sudden increase in unfair market competition (Tanzi, 1997). The neo-liberalism results in the privatization of the economy, thereby decreasing wages and income in the labour market. Under decreasing wage pressure and increasing exploitation, many skilled workers leave their jobs and prefer to start their own small businesses (self-employment). self-employment is frequently seen as a means of escaping poverty, unemployment, and

unfavourable circumstances, such as the discrimination marginalised groups experience in the labour market. In developing countries, a small minority of self-employed workers are successful entrepreneurs and possess potential for further growth while the majority of the self-employed workers work to earn subsistence earnings, either because they could not find wage jobs, or because they prefer to operate their small businesses with autonomy and flexibility. In the case of India, Chandra Bhan Prashad (2008), a noted activist, claims that capitalism, as a socioeconomic force, qualifies to undermine and destroy the caste system in India. Prashad opines that the market being more a new culture, performs twin tasks together – it makes mass revolve around making money and it is becoming a mass movement, and it creates caste-neutral tools. He also claims that the market-governed society in India is transforming from a caste-based to a class-based society. In an op-ed piece, Prasad argues, "Capital is the surest means to fight caste. In Dalits' hands, capital becomes an anti-caste weapon. Dalit capitalism is the answer to that regime of discrimination" (Prashad, 2008). A contrasting view is expressed by Anand Teltumbde (2013), who says, "Capitalist modernity coexists with the caste system but with globalization, caste consciousness has only deepened". Even though globalization has been beneficial for Dalits, it is only for a very small section. The majority, being non-competitive, is being forced to suffer insecurities and uncertainties. The discrimination in the labour market and the constriction of public sector jobs impel the Dalit youths from venturing into self-employment. Anand Teltumbde opines that "While entrepreneurship may be associated with risk-taking among the higher castes, it spells a reverse syndrome for Dalits – that of risk-taking for sheer survival" (Teltumbde, 2013). Undoubtedly, the 'lower caste' has emerged as a significant political force in India, influencing decisions at the municipal, state, and federal levels. The question is: to what extent has this political shift translated into shrinking the economic distance between caste hierarchies? The study will investigate the changes in economic inequality over time since 1991, in order to determine if caste gaps are closing or not.

It has been argued that the 'traditional marginality' of the SCs is reinforced by socio-economic relationships within the social structure driven by the upper caste. The hierarchical relationship between the scheduled caste and the upper caste justified in Hindu scriptures made SCs deeply believe that they had to serve the economic interest of the upper caste Hindu. This in turn leads to stabilizing the discrimination and social exclusion in the market. After the pernicious historical legacies of socioeconomic hierarchies, SCs are trying to scale up their standard of

living by self-employment. On the one hand, the unemployed scheduled caste see self-employment as a source of livelihood. They somehow are able to manage some money and invest it in some small kind of business. On the other hand, they find self-employment as a source of dignity, so they can move out of traditional caste-based occupations. Their own businesses offer them a better quality of life. Now some scheduled castes are in the position that they can provide employment to others from their community. However, the nexus of the economic, political, and cultural hegemony of non-SC/ST in the social structure of capital accumulation precludes the opportunities for high earnings for scheduled caste households in the market. The scheduled castes suffer not only from market failures due to 'information failure' but also from market failures related to caste-based discrimination (Thorat, 1997). Before moving to our research questions, we go through the background of the study.

2. Background

2.1 Caste system

Caste is an "endogamous and hereditary subdivision of ethnic group occupying a position of superior or inferior rank or social esteem in comparison with such other divisions. The caste system of India has now become one of the most rigid and defining social institutions in the world. Having existed for nearly 3000 years the caste system has come to dictate the lives and roles of much of India's population by ruling social class and status. This system of defining caste from birth has created a rigid barrier to mobility within the country. Those of lower caste and without caste (Dalit) are often subject to intense discrimination and are not given the privilege of basic human rights. While efforts have been made, including laws prohibiting discrimination based on caste, in society as governed by customs as India is, it is difficult to persuade society to relinquish traditional methods and thought" (E. Singh, 2005, p. 33-35).

2.1.1 Varna Scheme

The caste system, being the basic structural feature of Hindu society, is the composition of social groups divided hierarchically into four classes called *Varna* i.e., Brahman, Kshatriya, Vaishya, and Sudra. Originally, these *Varna* were classified according to the division of labour and occupation. Brahman, Kshatriya, and Vaishya represented priests, warriors, and traders respectively. The Sudra was assigned the lowest place in *Varna* and they represented domestic servants. Traditionally, the various castes are organized into one of the four *varnas* in a hierarchical sequence.

- The *varna* of Brahmins, commonly identified with priests and learned class
- The *varna* of Kshatriyas, associated with rulers and warriors including property owners.
- The *varna* of Vaishyas, associated with commercial livelihood
- The *varna* of Sudhras, the servile laborers

The untouchables (Dalit) occupy a place that is not clearly defined by boundaries and is outside of the *varna* scheme. But eventually, *varna* came to represent endogamic communities, whose members were related by marriage, custom, profession, or inheritance. With the development of civilization, vocations became more varied, and entire communities adopted new identities linked to the economic activity of their gotra (clan), dividing them into *sub-varnas*. In India, as in most other communities across the globe, the son took on his father's occupation. As a result, families that had practiced the same profession for generations began to emerge, with the son carrying on his father's work. Untouchability and the caste system itself are a unique and intricate social phenomenon. Scholars have not been able to agree on the origin and development of this special system because its origins are buried deep in dim and distant antiquity. "The division of society into classes or guilds, though to some extent hereditary in character, was unavoidable in the early stages of the evolution of society. Certain features of the caste system are thus as old as primitive society itself" (S.K. Mandal, 2012).

2.1.2 *Jajmani* System

Because it perfectly captures the emergence of the potential for labour division in intricate caste communities, the Hindu *jajmani* system has gained some significance in social theory. This system is established on an implicit religious reference or, one says, a matter of ultimate values. First of all, by employing inherited interpersonal ties, the *Jajmani* system discloses the division of labor: for each specialized task, each family has some specialists. Secondly, It controls feudal duty, which is based on tradition: for the customary tasks, repayment is done in a kind and this permanent relationship persists naturally in an agricultural setting. This permanent relationship between *Jajman* and *Praja* is limited but possesses effective solidarity in many regions. Through the communal fund established by their benefactors, the land is distributed to the village's primary servants. (Dumont, 1980, p 97-99).

Briefly, the *jajmani* system is the tie between *jajman* (high caste family) and *kamin* (worker). The caste determines the career or service and is passed down from generation to generation.

Because the ties in the *jajmani* system are different from those in a capitalistic system—between an employer and employee—there is less money exchanged. In the system, *jajman* are served by various lower castes such as carpenters, potters, blacksmiths, water carriers, sweepers, and laundrymen. The *jajman* compensates for the services, provided by *kamin*, in kind, with grain, food, clothing, residence site, and so forth. The *jajmani* system provides a secure labor supply for the landowning and superior agricultural castes in a fixed area by restricting the mobility of serving castes (*kamins*) or mostly, say, lower castes. A *kamin* must find a successor if he wishes to leave the village; this replacement is typically a member of the same joint family. As time went by conflicts happened in the *jajmani* system. These conflicts were due to the division of *jajmani* rights as a result of the growing population and market economy with increased monetization. Together with these conflicts, the external political actions by the government slowly weakened the *jajmani* system (Lewis O. and Barnouw V. (1956), Gough K. (1960), Rao M. S. A. (1961), & Kolenda P. M. (1963)).

2.1.3 Dr. B. R. Ambedkar

According to Dr. Ambedkar the “economic organization of the caste system is based on the division of the population into a hierarchical order of social groups that determine the economic rights of members, which are determined by birth and are hereditary in the strictest sense of the term” (Ambedkar, 1936). Dr. B R Ambedkar tried to expose the most powerful institutional mechanisms of the caste system. He said,

“In a system of graded inequality, the aggrieved parties are not on a common level. This can happen only when they are only high and low. In a system of graded inequality, there are the highest (the Brahmins). Below the highest are the higher (the Kshatriyas). Below the higher are those who are high (the Vaishya). Below the high are the low (the Shudra) and below the low are those who are lower (the Untouchables). All have a grievance against the highest and would like to bring about their downfall. But they will not combine. The higher is anxious to get rid of the highest but does not wish to combine with the high, the low, and the lower lest they should reach his level and be his equal. The high wants to overthrow the higher that is above him but does not want to join hands with the low and the lower, lest they should rise to his status and become equal to him in rank. The low is anxious to pull down the highest, the higher, and the high but he would not make a common cause with the lower for fear of the lower gaining a higher status and becoming his equal. In the system of graded inequality, there is no such class as a completely unprivileged class except the one which is at the base of the social pyramid. The privileges of the rest are graded. Even the low is a privileged class as

compared with the lower. Each class is being privileged, every class is interested in maintaining the system” (Ambedkar, B. R., 1989).

His argument considers only the *varnas* as if they constituted social entities. In fact, the mechanism he delineated in his writing and speeches is reproduced at the level of sub-castes in the *varnas*, where hierarchy also relies on a gradation of status.

2.1.4 Caste as a Superstructure.

Marxist scholars have viewed the caste. They have argued that caste is A component of the old Indian society's superstructure and it would not survive in modern society. The Marxist understanding of caste encompasses specific prominent characteristics. First, they go through The origins of the caste system throughout history and provide a comprehensive insight into the essential facts of material conditions that culminated in its growth and sustenance. Second, the caste system is considered to be a superstructure and it conceals exploitation based on class. The caste identities produce horizontal division which prevents the formation of a class identity Third, Marxists believe that “caste is the product of the pre-capitalist formations which were supposed to become obsolete as capitalist rationality expands” (Sharad P, 1979 & Chatterjee P. 2020). Gail Omvedt (1994) mentioned in her book that Marxist scholars have accepted:

the identification of the proletariat as vanguard and the peasantry as basically a backward, feudal class designed to disintegrate (or ‘differentiate’) under capitalism into a basically proletarianized agricultural labourer/poor peasant class and a basically bourgeois rich peasant/capitalist farmer class. They accepted the notion that not only socialism but also capitalism laid a basis in the forces of relations of production for eradicating caste relations. Thus they tend to argue that while caste is an important superstructural feature of capitalist society, its main function is to exercise a retarding role in the development of class struggle (for instance, when rural rich farmers elites from the ‘dominant caste’ use caste ties to split the rural poor).

Thus, in the Marxist view, caste-based division burgeoned in pre-capitalist agrarian society, in the “idyllic village communities of India”. The caste system replicated the social equilibrium of these ‘communities’, despite its reliance on the notion of an unequal society.. However, caste did not derive from pre-modern society but had an effect on economic and social order i.e., agrarian social structure, which developed throughout history. Marx himself wrote that "these idyllic village-communities ... were contaminated by distinctions of caste and by slavery, that they subjugated man to external circumstances instead of elevating man the

sovereign of circumstances, that they transformed a self-developing social state into never changing natural destiny" (Jodhka, 2016).

2.2 Economic Reforms in India

The neoliberalism policies have affected the economies of both developed and developing countries. The implementation of neoliberalism policies in a country has been a contentious issue over time. The impact of economic liberalization can be negative or positive depending upon the type of industry and employment status. The results of the past three decades show that neoliberalism has encouraged capital-intensive growth or jobless growth in developing countries. Globalization tends to benefit large firms that capture new markets quickly and leave small firms at the disadvantage of the sudden increase in unfair market competition. The free trade strategy to achieve higher economic growth has resulted in a declining formal economy and an increase in the informal economy, thereby decreasing wages and income in the informal economy (P. Gumisiriza, 2019).

It could be useful to draw attention to the differences between the government's pro-market and pro-business policies before we analyze India's recent economic expansion. A pro-market strategy provides new entrants with opportunities to enter the market, but pro-business policies are mainly favorable for well-established producers. A pro-market strategy depends on the idea of the free market approach. A free market will ensure efficient allocation of resources, and encourage competitiveness, hence accelerating production and growth (Williamson, 1990). Now the question that arises is, have neoliberal policies resulted in an acceleration in India's growth? Subramanian (2006), Tendulkar and Bhavani (2008), and Panagariya (2014) in their studies pointed out that the Indian economy experienced 6 plus rate of growth in the last quarter of a century. It was argued that this growth was due to the Indian state's endorsement of a pro-market strategy. But Atul Kohli (2006) says the embraced argument is inadequate for three reasons: first, the Indian economy experienced accelerated economic growth in the pre-economic reforms era in the 1980s. Second, the growth in industrial production – a profound object of economic reforms – was not accelerated following economic reforms, and if any change occurred when we compare it with the 1980s, it is nearly in the opposite direction. Third, the uneven growth across the Indian regions does not support any market logic. Further, he opines that the growth in the Indian economy was not any result of a pro-market strategy, but is a result of prioritizing growth since about 1980, following a pro-business strategy, and gradually favouring some entrenched business groups in India. This pro-business expansion

plan is probably going to have adverse political and distributional effects (Atul Kohli, 2006). Rodrik & Subramanian (2004) also argued that the growth in the Indian economy was accelerated by an attitudinal shift of development policies towards a pro-business approach. They claimed that registered manufacturing established in previous decades (pre-1990) played a significant role in shaping the pattern of growth across the Indian states. On the one hand, the proponents of liberalization and globalization argued that the Indian economy would grow fast, which would expand the opportunities for high employment. However, on the other hand, the opponents of liberalization and globalization gave arguments that trade liberalization and any change in market policies would make industrialists adopt more capital-intensive technologies. As a result, the employment growth rate would not match the pace of economic growth (Papola, 2012).

From the available data in NSSO reports, we observed that the economic reform policies following liberalization and globalization had not accelerated employment (self-employment plus labours) in India. The shift of employment from agricultural activities to non-agricultural activities has been the robust impact of liberalization and globalization. Going through the NSSO reports one will understand that the impact of economic reforms has been the same for all social groups. This is because the reports do not mention the population-wise share of self-employment among the different social groups. The reports also do not mention the discrimination faced by Dalits in the market. But, a corpus of studies is available, emphasizing inter-group economic, political, and social inequalities in the market. These studies mainly focus on both active and passive exclusions embedded in ascriptive identities such as caste, religion, and gender. But in this study, we are restricted to caste-based discrimination in the economic life of self-employed Dalits belonging to subordinate caste groups. If we go by official statistics i.e., National Sample Survey Office (NSSO) 2011-12, we notice that a small share (6%) of the total workforce was engaged in the organized (private and government) sector.

2.3 Social Capital

Coleman and Putnam claim that social capital is a characteristic of social networks, saying – “Unlike other forms of capital, social capital inheres in the structure of relations between actors and among actors” (Coleman, 1990, P.98). Social capital is a concept that pertains to the inherent worth of social relationships and the advantageous outcomes that they yield. It encompasses elements such as trust, commonly held norms, and networks of individuals

capable of offering resources and assistance. In contrast, social networks encompass the tangible relationships established among individuals, collectives, and institutions. These entities encompass many social networks, such as family units, close friends, professional acquaintances, and community organisations. Social networks play a crucial role in the formation of social capital; however, the concept of social capital extends beyond the mere existence of these networks to encompass the inherent value and advantages derived from these interpersonal ties. The characteristics of social networks establish the social capital for its actors. Social capital, unlike physical capital and human capital, is accumulated through investment in the relationship between the actors. It is referred to as cultural capital which is invigorated by the act of reciprocity and trust. Social networks stimulate various norms and values, such as cooperation and information, and social capital facilitates benefits from those norms and values for individuals. The concept of social capital has evolved into a multifaceted idea that includes networks, group memberships, civic and political engagement, as well as subjective elements like trust towards people and institutions (Reeve V. et.al, 2006). Casson M. & Dell M, (2007) wrote the paper 'Entrepreneurship and Social Capital: Analysing the Impact of Social Network on Entrepreneurial Activity from a Rational Action Perspective'. This paper is based on the approach that high-trust social networks define social capital. This paper focuses on the instrumental benefits of networks rather than intrinsic benefits. Instrumental benefits refer to the promotion of productivity and trade whereas intrinsic benefits refer to personal recognition and emotional support. Mark, et al. define social capital as "the capitalized value of improvements in economic performance that can be attributed to high-trust social networks". They stress out that, on the one hand, placing emphasis on networks points out the 'social' aspect of social capital, on the other hand, emphasizing the improvement in future value points out the 'capital' aspect. They opine that the "larger the network, the greater the advantage of structure". They observe that while social networks work as the source of market information, it is also useful for opportunity seeking, resource acquisition, and project implementation (Casson M. & Dell M, 2007). Therefore, we understand that the social networks play a major role in making business in capitalism successful. These networks also create entry barriers for newcomers. The question that is relevant is whether in the Indian society, upper caste networks capture trading and production spaces, can it not create potential barriers to dalits, backwards castes and minorities?

3. Research Problem

After the pernicious historical legacies of social hierarchies, wherein the Scheduled caste has to serve the economic interests of the upper caste, the scheduled caste is trying to scale up from servitude of the upper caste to autonomous entrepreneurs by investing capital and earning profits. The researcher begins with an assertion that amidst this unprecedented transformation of the state of the economy into a market economy in the recent two decades, dominated by the upper castes, there has also been a considerable rise of entrepreneurship among SCs in India. However, a free market structure with unbridled local dominant cultural capitalism results in discrimination. by interventionism, which pulls down the economic potential of Dalit entrepreneurs. They are forced to pay higher rents, interest, and input prices, while prevented from entering retailing activities. Both social identity and financial predicament make it difficult for SCs to earn profit and compete in the free market. SCs in India, under the umbrella of democracy, have been empowered politically to some extent, but have not endeavoured with economic empowerment. However many economists from the mainstream argue that SCs are more resilient and parvenu in the post-reform era. The economists of neoclassical pursuit also hold in their approach that free market orientation during economic activities precludes SCs from discrimination, and it lowers the impact of caste on economic inequality. In the early 1990s, it was assumed that economic reform would bring massive investment and facilitate faster economic growth. This growth strategy would benefit all social groups and reduce economic inequality through the trickle-down effect. The proponents of the economic reforms believed that liberalization of the market would bring a high growth rate and market efficiency that would facilitate equal opportunity for individuals and benefit the marginalized section, especially Schedule Caste, in India. This study examines the proposition that liberalization created more opportunities for Dalits to advance their well-being. It examines the intersectional relationship between caste, free market approach, and social capital which influences market outcomes. The objectives of the study are:

1. Find out whether economic inequality increased between scheduled caste households and other caste households in the post-reform India.
2. To examine socioeconomic status of self-employed households and see the difference between scheduled caste households and other caste households.
3. To examine whether scheduled castes adverse conditions in business environment.

We would test four specific hypotheses, which as stated in the following:

1. The economic reform policies of 1991 have reduced the economic inequality between the scheduled caste and other caste households.
2. Socioeconomic status of self-employed households improved from the income/earnings from household businesses. The earning gap reduced between scheduled caste and other caste households.
3. The economic outcomes in market are influenced by social capital.
4. Scheduled caste businesspersons experience ‘unfavourable inclusion’ in the market.

4. Methodology and Data Sources

The study mainly focuses on economic inequality between self-employed scheduled caste households and self-employed other caste households. The past literature opines that most of the enterprises owned by scheduled caste households are for survival. The previous literature also helped us to select variables related to the study; in this sense, to gather information about scheduled caste and other caste entrepreneurs both primary and secondary data have been used. Primary data will be used because primary data are original in nature and directly related to the issues or problems. Secondary data is used to gain initial insight into the research problem. The accessible secondary data give us some general information of the wealth patterns among different self-employed caste groups. Secondary data will also help us to analyse the earning inequality gap in businesses run by scheduled caste and other caste households. Secondary data is collected from the National Sample Survey Office (NSSO) and the Indian Human Development Survey (IHDS). In order to gather information about wealth distribution after 1991, the study uses three rounds of the “All India Debt and Investment Survey” (AIDIS), i.e. 48th round (1992), 59th round (2002), and 70th round (2012), collected by NSSO.

To measure wealth inequality, we have applied the Gini decomposition method (Yitzhaki (1994) and Frick et al. (2006)). There are the same other versions of the decomposition of the Gini coefficient but Yitzhaki (1994) allows the decomposition of the Gini coefficient into the contribution of each group with respect to the entire population, including the group itself. Although, there is no suitable price index available to deflate the value of the assets, however, for the study purpose we have adjusted data to 2004-05 constant price using WPI (wholesale price index). To assess the contribution of the endowments that determine the earnings of

household businesses, we have employed the Oaxaca-Blinder decomposition method using two rounds of IHDS data i.e., IHDS I (2004-05) and IHDS II (2011-12). IHDS data also provides us with information on social capital, and thus, we have analysed the data to understand the role of social capital in influencing business outcomes. The value of variables in IHDS I and IHDS II have been calculated at the same base price index after employing the price deflator given in IHDS II.

Primary data has been collected through various methods like interviews, surveys, and questionnaires. Towards the research question stated above, in this study, we scrutinize the experience of businesspeople from scheduled castes who have succeeded in breaking into the marketplace and are struggling to sustain and earn investible profit. The essential details were gathered through in-depth interviews of scheduled caste shoe artisans who own small manufacturing units in Agra. We have chosen Agra for the reason that the city has a little stronger base for scheduled caste entrepreneurs engaged in the leather and footwear industry. But rather than using capital-intensive work, labor-intensive work is how they maintain control over these businesses. In order to attain the objectives of the study, we use both exploratory and descriptive study methods. The exploratory study method is used to investigate the problems and the variables more clearly, which will help us produce ideas and thoughts about the objectives covered in the study. On the other hand, the descriptive method is used to analyse the impact of caste on market outcomes.

5. Data Limitations

The AIDIS data collected by NSSO has some wealth assessment issues that we have to keep in mind. Subramanian and Jayaraj (2006) observed wealth assessment issues; these issues are still pertinent. The issues raised by them are: First, a suitable price deflator to deflate the nominal data. Second, under-reporting of the value of wealth by the respondents. Third, under-sampling of the super-wealthy, which results in an underestimation of inequality. These limitations should be kept in mind while working on AIDIS data. Moreover, as Patnaik (2014) has stressed, the study of wealth data only places emphasis on ownership of wealth; the inequality gap in the control over wealth may be larger.

Indian Human Development Survey (IHDS) is a well-known organization for data sources in India. While it offers insightful information about many socio-economic aspects of the country, there are certain drawbacks associated with the data collection procedure. The IHDS heavily

counts on self-reporting by individuals or households for data collection. This opens up the possibility of biased answers, where respondents might give inaccurate or partial information due to social desirability. Social desirability can result in over-reporting positive behaviour and under-reporting negative behaviour. This can culminate in inaccuracies and limitations in generalizing the findings.

6. Chapterisation

The entire study will run into seven chapters. The first chapter, **‘Introduction’**, has explained the basic understanding of the outcome of the impact of neo-liberal policies in developing countries. This chapter explores the impact of the free-market approach on marginalized sections, specifically scheduled caste, in India. The chapter provides a brief overview of economic reforms in India and also includes a brief understanding of the caste system and social capital. Additionally, this chapter also explains the aims and research problem and the importance of the study.

The second chapter, **‘Literature Review of the Study’** will contain a corpus of comprehensive review of the previous literature related to the study, and bring up the literature gap. It provides an extensive understanding of the impact of liberalization of the economy on economic inequalities between caste groups. It will shed light on wealth inequality between social groups and the pattern of wealth distribution in post-reform India. The chapter also discusses the magnitude of inter-caste inequality or caste difference in earnings from businesses or self-employment. In the chapter, we have also reviewed the research papers emphasizing the role of social capital in businesses.

The third chapter **‘Employment status and wealth inequality between scheduled caste and other caste households’** focuses on self-employed households and paid-employee households separately to address the question of why wealth inequality has spewed between scheduled caste households and other caste households. The chapter will explain the trend of accumulating wealth after economic reforms in 1991 by social groups.

Forth chapter **‘Household Business and Earning Inequality’** analyses earning inequality and addresses the question: what are those factors that cause the expansion of the inequality gap between scheduled caste households and other caste households? In this chapter, we have examined the pre-market factors such as – Education status, Household size, Economic status, access to social networks, and Regions – that determine the outcomes for businesses run by different caste groups.

The fifth chapter '**The Role of Social Capital in Household Business**' aims at assessing the impacts of social networks that cause different economic outcomes in the market. The social network, through social capital, begets capital accumulation formed together by the state, shadow state, and different social groups. So this study will capture the essence of social networks embodied in the relationship between the state, markets, and social identity which influences market outcomes.

The sixth chapter '**Scheduled Caste Businesspersons and their Experience in Market**' demonstrates that social conditions and social structures in which economic agents live mediate and impact the market. The chapter also includes the testimonials of interviewees (scheduled caste businesspersons) who have shared their experiences in the market.

The seventh chapter '**Conclusion and Discussion**' precisely and objectively states the findings of the study analysed and interpreted in the preceding chapters, and also deals with the suggestions and discussion based on the finding of the study.

Chapter: 2

Review of Theoretical and Empirical Literature Studies

1. Theoretical Literature

An important question or concern is how the order is upheld in this substantial part of the free-market economy that resides outside the direct regulatory supervision of the state, which in turn leads to economic inequality between scheduled caste households and other caste households. This is the question that this study seeks to explore. The structure of discrimination manifests itself within three primary domains, namely markets, political institutions, and the accumulation of social capital. First, the phenomenon of discrimination continues to exist as a fundamental organizing principle within markets. Second, in spite of laws and political movements as well as demands for equality, discrimination continues to be enforced by a system of political institutions and practices. Third, social capital is ingrained in social networks that are founded on kinship or friendship, trust or goodwill, uphold economic relationships and structures and regulate economic rewards and penalties.

1.1 Neo-Classical Economics, New Institutional Economics, and Social Embeddedness.

According to the neo-classical school of thought, the origin of discrimination is rooted in civil society, but the underlying mechanism can be attributed to the rationality of the independent and individual economic players. It is the individual who, out of fear of repercussions, follows the dominant values of civil society. The prevalence of discriminatory practices prevents free competition, which leads to market outcomes that are imperfect or inefficient. The Neo-Classical school, however, falls short in identifying the causes of the persistence of economic exclusion and discrimination (Benerji & J.B Knight, 1985; Douglas C. North, 1991; & Deapande, 2011). The neo-classical school of thought argues that the discrimination observed in the market is not rooted in economic factors, and it is highly probable that such discrimination will diminish in the long run due to its association with inefficiency and the hindrance it poses to competition. But, Thorat (2005) given the high correlation between discrimination and its social implications, asserts that the underlying basis for discrimination lies in its material base and consequences, as exclusion and unfavourable inclusion consistently serve the vested interests of dominant castes (S. K. Thorat, 2005).

Hence, these criticisms highlight the absence of an institutional framework within the neo-classical perspective, which fails to explain the perpetuation of caste-based discrimination in the economic sphere. In this regard, Douglas C. North (1991) states that new institutional economics, similar to neo-classical economics, acknowledges the necessity of competition while emphasizing the influence of institutions on market outcomes. It highlights the significant role of the state in shaping the institutional structure to reduce transaction costs and nurture competitiveness. Thus, new institutional economics places significant emphasis on the notion that market outcomes are influenced and determined by a combination of formal and informal institutions (Douglas C. North, 1991). In the context of India, caste-like religion, customs, gender, etc. – can operate as an informal institution affecting market outcomes. Considering informal institutions to be a given, new institutional economists assert that the establishment of legal political and economic institutions by the state will result in the elimination of informal institutions due to market competition. But the question that remains unanswered by both neo-classical economics and new institutional economics is how we comprehend the nature of competition in a market when, on the one hand, influential players who also belong to dominant caste groups are ensured a favourable outcome and, on the other hand, marginalized caste groups are assured an adverse outcome?

The answer is provided in the framework of social embeddedness; it contributes significantly to highlighting the failure of ‘mainstream’ economics to embrace social structure in the analysis. When discussing economics and economic sociology, the term "embeddedness" is used to refer to the extent to which non-economic institutions influence and direct economic activity, highlighting the significance of human economic activities that are embedded in society and institutions. It was Karl Polanyi who created the term 'embeddedness' in 1944, and he made the point that the social networks in which economic actors interact have an impact on economic decision-making (Polanyi, K., 2002). In accordance with this theory, social relations are vital to those of the market, and they are set up in such a way as to lessen the effects of market competition and preserve the market settings. Granovetter (2005) also argues that economic actions, just like any other actions, are embedded in certain social contexts. They are deeply embedded in social networks that are built on kinship or friendship, trust or goodwill, and that oversee and regulate economic incentives and penalties in addition to upholding economic interactions and institutions (Granovetter M., 2005). Scholars, like Karl Polanyi and Mark Granovetter, question the fundamental tenets of both new institutional

economics and neo-classical economics, expressing disagreement towards the notion of a market exchange sphere that is detached from social influences. They argue against the idea that market transactions are solely driven by rational individuals responding to the forces of supply and demand, tending for an optimal equilibrium. The arguments emphasise the existence of a socially organised capitalist economy because they contend that economic rationality cannot be characterized solely in terms of pure market transaction (Prakash, 2015). When analysing these arguments within the framework of caste-based social networks in India, they present rationales for the exclusion or unfavourable inclusion of marginalized social groups such as scheduled castes in the market. This leads to the creation of adverse conditions for businesspersons from the scheduled castes, and it shapes the economic inequality between scheduled caste and other caste households.

1.2 Social networks

The study explores the role of social networks influenced by caste in marketplaces and provides a detailed explanation of its four components, namely, normative component, structural component, resources component, and dynamic component (Prakash, 2015). The normative component of caste aims to uphold social hierarchy. This serves as the cornerstone for creating economic ties between scheduled castes and other castes. As a result, social networks of other caste economic agents are influenced by caste and they set norms and rules that aren't officially binding but are still enforced against people who break them. Scheduled castes view these rules and regulations as harmful to their economic interests. The structural element derived from the normative aspect enables the other castes to create a broad and extensive social network that links them to both scheduled caste and other caste business persons. Scheduled castes find themselves socially ill-equipped to maintain such a large and active social network., therefore they make ties one-on-one, primarily with individual other caste businesspeople with whom they have unfavourable business connections. The resources component of social networks facilitates member access to pertinent state and market resources, thereby diminishing transaction costs and enhancing profitability. The dynamic component of social networks inspired by caste is the final one. Social networks are a natural part of the market, and competing castes usually use them to their advantage. However, the social networks that operate against scheduled castes are considerably more enduring because they emanate from the normative component. Scheduled castes can access these social networks under conditions that have been established by other castes and accepted by the

scheduled castes. This dynamic feature pertains to the inclusion of scheduled castes in markets against the prevailing sociological belief that assigns them the role of serving the labour interests of other castes.

The aforementioned components of social networks inspired by caste result in circumstances that lead to the exclusion of scheduled castes from engaging in business activities on an equitable basis with other caste business peers. These conditions actively facilitate the promotion of accumulation efforts by other castes and establish a framework wherein other castes can exploit state institutions to intimidate scheduled castes, thereby promoting their own business interests while impeding the economic pursuits of the latter. Additionally, these components serve as a basis for collective action aimed at furthering the accumulative endeavours of other castes.

2. Empirical Literature

On the one hand, there is a belief that as the Indian economy liberalizes, it will become more market-oriented, and increase its integration with the global economy, and intergroup caste disparities are likely to reduce. The argument that discrimination is likely to reduce is based on the belief that market orientation would give primacy to profit maximization, and more generally, to the efficient allocation of resources. Thus, this review aims at ascertaining the impact of liberalization of the economy on economic inequalities between caste groups.

2.1 Caste and Wealth

Assets are crucial indicators of the standard of living of a household. Over time, assets accrued by the household provide a means of livelihood and are very helpful in adverse economic conditions. As Thomas Piketty in his book has stressed out, the inequality of wealth and income is mainly perpetuated through the inherited assets across the generations (T. Piketty & E. Saez, 2014). Thorat (2002) opines that social discrimination and economic exclusion are interlinked, and it shapes the pattern of ownership of assets. A critical task that economists have been dealing with in the liberalization era is to examine and explain the cause and nature of patterns of wealth distribution. In the last three decades, researchers have shown heightened interest in the issue of wealth distribution within and between social groups. The past customary restrictions on scheduled caste ownership of property rights had culminated in the majority of the scheduled caste population remaining without capital assets. Unfortunately, the historically biased distribution of wealth across different caste groups has never been checked. Somehow,

in this paper, we have reviewed a few past papers that deal with insight information about the wealth disparities among different caste groups in India.

Mandira Sharma et al (2017) in their collective study analyze the asset inequalities that persist at the household level, separately for rural and urban households. They have used the “All India Debt and Investment Survey” (AIDIS) conducted during the years 1991-92, 2002-03, and 2012-13 by NSSO. The study finds that the distribution of wealth in this 20-year period, i.e. from 1991 to 2013, has been biased. The wealth inequality has spewed more sharply in urban India than in rural India. The assets share of Dalits, Adivasi, and Muslims households in total assets are vulnerable compared to their counterpart households i.e., non-Dalit, non-Adivasi, and non-Muslims. They have applied the Gini coefficient and found that the Gini coefficient of wealth distribution is very high. It increased sharply between 2002-03 and 2012-13. The Gini coefficient of gross assets was 0.74 for India as a whole in 2012-13. They have also found high Gini coefficients of net worth and low Gini Coefficient for gross assets holding. It implies that the poorer households have relatively very high debt compared to the richer households. Further, the study adds that the high asset inequality in rural areas persists because of highly biased ownership of land and livestock. The results show more and less stability of assets holdings of non-SC/ST households relative to SC and ST households in rural India: 2.7 times between 1991-92 and 2002-03 and 2.5 times between 2002-03 and 2012-13. Thus, the relative position of SC households compared to non-SC/ST households in a rural area, in terms of wealth accumulation, has not improved significantly. This is because the ownership of land has been very low for SC households in rural areas. In the first decade (from 1991-92 to 2002-03), the assets holding ratio of SC and ST households vis-à-vis non-SC/ST households has improved to some extent. However, the ratio deteriorated for the next decade i.e. from 2002-03 to 2012-13, because the ownership of buildings among SC and ST households got worse compared to their counterpart households. The ratio of the average value of buildings owned by non-SC/ST households, between 2002-03 and 2012-13, has improved against both SC and ST households: from 2.4 to 3.73 against SC households and from 2.16 to 3.43 against ST households (Mandira Sharma et.al, 2017).

The study paper "Inequality in India: A Review of Levels and Trends" by Himanshu (2019) contributes to the corpus of literature reviewing the trends in inequality since the early 1990s in India. It draws heavily on the existing studies examining wealth inequality in India. In India, the rising per capita income is not only associated with rising economic inequality, but also

with rising disparities between different social groups, and between capital and labor. The economic inequalities in India are not only outcomes of economic policies but are also driven by established social and political structures. The overwhelming consensus based on available data on wealth up to 2012-13 is that among other developing countries not only inequality is high in India, but the trend has also risen over time, since the early 1990s. The existing studies examining wealth inequality have also highlighted inequality associated with social norms such as caste, gender, and religion. The purpose of this paper aims at analyzing inequality in terms of social and political stability in India, which witnesses a high level of horizontal inequality based on caste. To examine trends over time, we dropped durables from the estimation of the value of total assets in the 48th and 59th rounds, as data on durables was not collected in the 70th round.

Table 1. Relative share of Wealth (Asset share/pop. share)

Social Groups	Year		
	1991	2002	2012
ST	0.48	0.49	0.40
SC	0.46	0.45	0.40
OBC	-	0.90	0.83
Others	1.20	1.59	1.86

Source: - Himanshu, 2019

From the above table, we can see that SCs and STs have lower shares of assets compared with their population shares. Though OBCs have comparatively higher shares of assets than SCs and STs, still have less than their population shares. Meanwhile, Others hold higher shares of assets relative to their population shares. The table also presents that the relative shares of assets for STs, SCs, and OBCs have declined, but the relative shares of others have increased over time (Himanshu, 2019).

Ajit and Vamsi (2011) in their paper have used the Gini decomposition method to measure wealth inequality between social groups and within social groups. They stated that, historically, most of the SCs have been landless in rural areas, and this trend still persists into 2002. The average SC/ST person has remained disadvantageous in wealth holding compared to persons from other groups in both years of analysis. Their composition analysis reveals that between-group inequality ranges between 8% and 13% of combined wealth inequality. The inequality gap between SC/ST groups (especially rural) and upper caste groups (especially

urban) in average wealth holding has remained a major determinant of between-group inequality. On the other hand, the analysis reveals that the share of within-group inequality dominates in overall inequality – other factors such as age, type of occupation, education, number of earning persons in households, etc. are also expected to contribute to within-group wealth inequality. Anand & Thampi (2016) applied the Gini decomposition method and found that absolute and relative inequality between social groups increased between 1991 and 2012, which means the relative contribution of the within-inequality decreased over the study period. They found that while the ratio of wealth to population shares for SCs/STs groups declined for the reference period from 1992 to 2012, the other caste group was observed to be witnessing an increase in the ratio of its wealth share to population share.

D. Jayaraj & S. Subramanian (2018) concentrates on the quantitative assessment of the distribution of household assets in India by using “All India Debt and Investment” (AIDIS) data from three decadal survey years: 1991-92, 2002-03, and 2012-13. This article is an attempt to examine the trend and magnitude in the level of average per household assets. They found that the average (per household) assets holding increased, approximately, fivefold and threefold in urban and rural areas respectively, for 21 years from 1992 to 2013. Mishra and Bhardwaj (2021) have written a paper on wealth inequality in India between 1992 and 2013. Their analysis also shows that wealth inequality since 1992 has increased in India, where the decade 1992-2002 shows a low rate of increase in inequality but for the decade 2002-2012, the inequality has increased at a faster rate. Liberalization has been the main reason for this inequality, which brought new opportunities to the Indian economy, and not everyone benefited from it. It worsened the inequality because the wealth accorded to the hand of those who can access these opportunities. They find that the wealthiest 1% of the Indian population held 18% of total wealth in 1991, which was 26% in 2012. The reference period 2002-2012 solely witnessed a 7% point increase. On the other hand, 6% of total wealth in 1991 was held by the bottom 50% of the population, which was reduced to 5.3% in 2012 (Mishra and Bhardwaj 2021).

The article by Nitin T et.al (2018) explains wealth inequality using 70th round AIDIS data conducted in 2013. This paper aims to analyze wealth inequality across the socio-religious groups in India. They found that Hindu Higher Caste (HHC), who share 22.28 percent of the total population, holds 41 percent of total wealth. HHCs are followed by the Hindu Other Backward Class (HOBC), who own almost 31 percent of total wealth and their population size

is 36 percent. Whereas ownership of wealth by SCs is 7.6 percent and by STs is 3.7 percent of total wealth, which is substantially less compared to their population size i.e. 18 percent and 9.09 percent respectively. They used the Gini ratio to measure the inequality across the socio-religious groups. The result shows that the Gini ratio was very high among HHCs and lowest for SCs which means HHCs reinforce the overall inequality more than SCs in India. This also shows the pattern of wealth accumulation by various economic groups. For instance, the top economic group which holds the top 50 percent of total wealth is constituted by mostly HHCs, followed by HOBCs, STs, and SCs (Nitin T. et.al, 2018). A similar study has been done by Nitin Kumar Bharti (2018). He has combined the NSSO's AIDIS data and millionaire lists to find wealth inequality for the period from 1961 to 2012 in India. The study also produces similar pieces of evidence. First, SCs rank lowest in wealth ownership in both urban and rural areas. Second, the Forward caste (FC) has been still overrepresented in the top 50 percent.

2.1.1 Literature Gap

The above reviewed research studies cast aside the claim by the proponents of the economic reforms who believed that liberalization of the market would reduce economic inequality and benefit the marginalized section, especially Schedule Caste, in India. Going through the past literature, we clearly see that the inequality in wealth ownership across the social groups has increased since 1991, especially after 2002, it increased sharply. However previous studies have almost exclusively focused on the inequality in the distribution of wealth, since 1991, among households belonging to different social groups. The past studies do not explain how the employment status of households i.e. self-employed and paid-employee, contributes to wealth inequality across social groups. Therefore, this study (Chapter 3) focuses on self-employed households and paid-employee households separately to address the question of why wealth inequality has spewed between scheduled caste households and other caste households.

2.2 Self-employment

Under decreasing wage pressure and increasing exploitation, many skilled workers leave their jobs and prefer to start their own small businesses (self-employment). On the other hand, self-employment is often viewed as a way out of poverty, unemployment, and disadvantageous situations, like discrimination faced by marginal sections in the labour market.

2.2.1 Racism and Self-employment

To better understand why there are few black entrepreneurs, Bruce D. Meyer (1990) analysed the 1980 census first. He found that only 4.3 percent of blacks were self-employed compared to 13.3 percent of whites self-employed. The number of black self-employed women was one-third of the number of white self-employed women. The rate of Hispanic self-employment was one-half of whites, while the Asian self-employment rate was equal to the white self-employment rate and the representation of Asian women was greater than white women in self-employment rate. He also found that the gap in profit between black and white-owned businesses was far greater than the gap of profit between Hispanic and white-owned businesses. Black entrepreneurs had a net income on average equal to 35 percent of the net income of white entrepreneurs, while the comparable figure for Hispanic entrepreneurs was 66 percent. The differences between white and black enterprises in mean receipt and number of employees were enormous. After analyzing the census he examines explanations for the racial differences, emphasizing the liquidity constraint and consumer discrimination. He uses data from two sources: the 1984 Panel of the Survey of Income and Program Participation (SIPP) and the 1982 Characteristics of Business Owners (CBO). In his study, he defined that a person is self-employed if he or she works for the majority of hours in self-employment. He claims that net worth does not play an important role in racial discrimination in self-employment. To start a new business entrepreneurs need a small amount of capital, and in the beginning, they usually do not borrow money. No greater representation of black entrepreneurs is found in businesses that require a small amount of venture capital (Bruce D. Meyer, 1990).

In 1990, Fairlie and Meyer published a paper in which they investigated the trend in self-employment among Black and White men using census microdata for the period from 1910 to 1990. In their study, they pointed out that the fraction of white self-employment declined between 1910 and 1970 but increased after 1970. The white self-employment rate increased from 10.0 percent in 1970 to 11.4 percent in 1990. There are many arguments based on past research claiming that self-employment increased after 1970 because of social security retirement benefits and changes in the tax rate, technology, and industrial structure. But Fairlie and Meyer have opined that change in tax does not accord well with an increase in the self-employment rate between 1970 and 1990. The self-employment of other groups who are unlikely to depend on social security retirement benefits also increases. They have found that the increase in self-employment from 1970 to 1990 was due to a break in an overall decline in

self-employment within industries and there was a huge shift in employment from low self-employment industries, such as manufacturing, towards high self-employment industries, such as teaching, repair services, and construction. They have also emphasized at black self-employment rate and pointed out that the self-employment rate of black men relative to white men has been constant for the period from 1910 to 1990. The earnings from self-employment for black men relative to the salary/wage are found to rise more than relative earnings for white men (Robert W. Fairlie & Bruce D Meyer, 1999).

In 2008, Vicki Bogan and William Darity Jr. published a paper in which they compared the pattern of development of African American entrepreneurship and Immigrant Entrepreneurship. They used U.S. Census Bureau 2003 data and found that white non-Hispanic owned 82.6 percent, Hispanic owned 4.0 percent whereas black owned only 1.8 percent of total enterprises. The study claims that slavery and institutionalized race discrimination have shaped the unfavorable monolithic atmosphere for black people which has resulted in low self-employment rates for black entrepreneurs. In comparison to Asian and White immigrants, native blacks and black immigrants have low rates of self-employment. However, the self-employment rates of black immigrants have been higher than native blacks throughout the period studied (Vicki Bogan & William Darity Jr. 2008).

2.2.2 Caste and Self-employment

It is observed that the ownership of enterprises among SCs has been increasing because firstly, SCs face discrimination in the labor market, and secondly, they don't want to serve the economic interest of the upper caste. Studying the emergence of self-employment is, relatively, useful because the transition from a state-controlled system market to a free market system has raised the most debated question of whether this transition has a positive impact on self-employment among the scheduled caste community in India. After economic reforms in 1991, the Indian government has been implementing policies that promote entrepreneurship and self-employment to meet economic development goals and achieve higher economic growth, but the growth is accompanied by rising economic inequalities between subgroups (Ahluwalia, 2002; Ahluwalia, 2011; & Motiram & Vakulabharanam, 2011). Since less importance has been given to caste discrimination in the market in mainstream economics there is limited literature about the Self-employed scheduled caste. Nevertheless, some available works of literature

have been reviewed to get an insightful understanding of Dalit entrepreneurship/self-employment and the role of caste in market transactions.

In their study, Despande & Sharma (2016) used 2004-2005 *India Human Development Survey* Data for the purpose of estimating and decomposing the earnings of SCSTs and Non-SCSTs who owned household businesses. They found that the marginalized groups face disadvantages and discrimination not only in wages but in earnings from self-employment as well. Discrimination appears itself in Dalits' self-employment in many ways such as they receive a lower price of their product and borrowing money at high-interest rates in the credit market (Despande & Sharma, 2016). For the study purpose, Prakash (2015) in 2006-07 collected primary data from 90 Dalit enterprises in 13 districts in 6 states of India. He found that Dalits have challenges getting the first official credit needed to begin a business; it pushes Dalits into the informal credit market where they borrow money at high-interest rates. He also stressed that those who somehow got institutional credit were those who had been in partnership with the upper caste or had the local political influence that helped loan approvals. He further opined that in order to find consumers, Dalit entrepreneurs often have to keep the lower price for their products compared to their upper caste counterparts (A. Prakash, 2015).

To find the relationship between caste and entrepreneurship, Laxmi Iyer (2010) and her colleagues have analyzed the In-depth data on business ownership from the 1990, 1998, and 2005 economic surveys, their analysis shows that SCs and STs are under-represented in entrepreneurship, and the share of the labor employed by them. SCs with a population share of 16.4%, in 2005, owned just 9.8% of all businesses and had 8.1% of all non-farm employees employed. Whereas STs, constituting 7.7% of the total population, owned 3.7% of enterprises and provided 3.4% of non-farm employment. Enterprises owned by members of SCs and STs are mostly unrecognized or informal and smaller compared to enterprises owned by Non-SCs/STs. Most Dalits entrepreneurs are self-employed and are less likely to employ laborers from outside the family members. Overall the share of Dalit entrepreneurship increased from 1990 to 2005 (Laxmi I, et.al. 2013). Similar work has been done by S Thorat and N Sadana (2009). In their collective work, "Caste and ownership of private enterprises", they find that while the shares of SCs and STs in private ownership of enterprises are much lower than their share in the country's population, the share of upper caste in private ownerships of enterprises exceeds their share of the population constituted in the total population of the country. Their study moves further and claims that a large number of SCs and STs groups not only own small

enterprises and depend on themselves or family laborers but also are very poor compared to their counterparts (upper caste). Whereas a very small number of upper caste groups run self-employed enterprises, and most of the upper caste groups own big enterprises and hire lower caste laborers to run their enterprises. This shows the dependence of lower caste members on upper caste members' enterprises for livelihood. They are able to invest low capital, and in turn, they receive a low income. In the rural area, about 86% of the total workers were engaged in private sector enterprises owned by other caste persons. The remaining 14% were employed in SCs/STs' enterprises. It shows the dependence of workers, particularly the lower caste workers, on other caste employers for employment (S Thorat and N Sadana 2009).

The businesses held by the SC, ST, and OBC communities are often smaller than those owned by other communities; in 2006, Hindu upper-caste businesses employed the largest average number of workers (8.59). The percentage of manufacturing businesses run by owners is highest among these Dalit communities: 40% in 2006–7, up from 38% in 2001–2. This suggests that a significant component of Dalit manufacturing units is small-scale and driven for survival. Among all caste groupings, the Hindu upper caste has the lowest percentage of owner-operated firms (11.5%), suggesting that these ventures are more entrepreneurial than “survival-driven”. Upon examining the employee distribution by owner caste, we see that the proportion of employees belonging to SC communities in SC-owned businesses fell from 85 to 61 percent (from 70 to 60 for STs) between 2001 and 2007. A Just 4% of all registered manufacturing MSMEs nationwide are employed by SC-owned businesses, 2.2% by ST-owned businesses, 27.7% by OBC-owned businesses, and 66% by businesses owned by other castes. Still, in businesses with more workers than the median, the largest percentage of SC and ST employees are found in businesses owned by SCs and STs, respectively, and these percentages are noticeably higher than those found in businesses owned by other castes. Thus, in SC-owned businesses, there is a far higher chance that SC and ST personnel are to be hired (Deshpande & Sharma, 2013).

2.2.3 Literature Gap

In the above reviewed studies concentration is mainly on the representation of social groups in the ownership of enterprises and the size of the enterprises. The studies also focus on the inequality gap in earnings and profit across social groups. From the above review studies, it has been widely observed that financial predicament plays a key role in

inequality in net earnings from self-employment. But past studies hardly aim to explain the pre-market disparities across social groups which reinforce the inequality in earnings from businesses. In this study (chapter 4) we have examined the pre-market factors such as – Education status, Household size, Economic status, and Regions – that determine the outcomes for businesses run by different caste groups.

2.3 Social Capital and Self-employment

After examining the trend of economic inequality based on social inequality among self-employed workers, the study will examine the role of social capital. According to the literature that is currently available on social capital and self-employment, the only people who stand to gain the most from large-scale investments from other members of the network are those who have deeply ingrained themselves in the structure of the social network and have continued to adhere to its social norms of conduct. (Amir N. Licht & Jordan I. Siegel 2006). In this regard, we will review the research papers emphasizing the role of social capital in household businesses.

Wouter S. & et al (2014) wrote a combined paper 'Social capital of entrepreneurs and small firm performance: A meta-analysis of contextual and methodological moderators'. This paper places emphasis on synthesizing the research results of a corpus of studies and meta-analysis of the studies with a focus on the link between entrepreneurs' personal networks and small firms' performance. Wouter S & et.al have analyzed 61 (including 10 unpublished papers) independent past papers and claimed that the link between entrepreneurs' personal networks and small firm performance is positive. This study also highlights that the age of small firms and firms' industry and institutional context influence the social capital-performance link. Factors such as network diversity, weak ties, and structural holes are crucial for the success of new firms, whereas the performance of old firms is positively associated with strong ties and network size. This result is important because it gives an insight into the decision-making of entrepreneurs for adapting their social capital over time to accommodate the needs of firms (Wouter S & et.al, 2014). There are suggestions that social networks bring development to the particular community.

In recent writings, the focus has been given to caste as social capital and capitalizing caste-based networks for positive outcomes in entrepreneurship. For instance, Reeve V. et.al (2006) analyze social network data collected by IHDS (2004-05). The survey covers 40,449

households. The study confirms that access to social capital varies in the expected hierarchies across caste groups. Brahmins possess a social network more than any other caste group. The rest of the caste groups occupy their place in the expected order. High caste Hindus are behind the Brahmins, but High caste Hindus have social contacts more than OBC Hindus. Dalit and Adivasi occupy the lowest place holding weaker social networks. Further, the analysis suggests that all else equal, in rural areas the social networks are stronger among those who own land. Perhaps the strength of Dalits and Adivasi social networks, after controlling for education and economic position, is the astonishing result of the urban analysis. Urban Dalits and Adivasi have substantial networks compared to equivalent high caste Hindus including OBCs Hindus, and are not much different from those of equivalent Brahmins. M Vijaybhaskar and Kalaiyarasan A (2014), studying the garment industries in Triuppur, find that the region has experienced sudden expansion and accumulation for over two decades, mostly through a dense agglomeration of networks of small and medium firms. These small and medium firms belong to the community of the Gounder caste. The members of the Gounder caste have accumulated more capital from the same caste members than formal institutions and have mobilized labor from the same caste. This study also shows that Dalit entrepreneurs fail to expand their businesses supported by a government scheme. It happens because Dalit entrepreneurs, due to past social restrictions, are not accessible to the market, and orders have to be invariably sourced through social networks, which are mostly controlled by the Gounders (M Vijaybhaskar and Kalaiyarasan A, 2014). S. Gurumurthy (2009), refers to caste as a missing cultural element in Indian society. He opines that caste creates a strong bond by linking communities, and it turns into a 'social safety net' (SSN) which helps offset problems that occurred due to individualism and the process of segregation in society (Gurumurthy, 2009). But the paper by Akhil Alha (2018), based on a field in a small-scale industrial cluster, is a critique of the premise that 'caste as social capital'. He asserts that caste instead of being an isolation category, is relational in nature. Therefore, caste-based economic networks may lower transaction costs and yield production efficiency in business for some, but they perpetuate exclusionary tendencies by imposing strong restrictions on entrepreneurs from other castes. The gains from caste-based networks are confined only to the group's members, and those who do not have access to these networks are left out. Further, he states that when the proponents of the premise of caste as social capital argue that these social networks may improve efficiency and thereby increase profit, they fail to notice the fact that the same social

networks contribute to creating multiple inequalities. Thus, access to social capital establishes systematic and structural inequalities (Akhi A, 2018).

2.3.1 Literature Gap

Hitherto limited research has been done on caste and social capital in India. But in recent times, scholars have shown their interest in social capital embodied in caste-based networks. These research studies on social capital mostly focus on investigating the ties between democracy and social capital, poverty and social capital, assessing the quality of social capital and comparison across caste groups, etc. There are few works of literature available that focus on the link between social capital and self-employed caste groups. However, these studies also overlook the link between social capital and its use in business. The past papers do not explain how social capital leads to structural inequality in earnings from household businesses. In our study (chapter 5), we will explain the conceptual definition of social capital and its importance in self-employed households belonging to different caste groups. The study will contribute to the literature available which examines social capital embodied in caste-based networks and its influence on transaction costs and efficiency in the business. The study is based on a primary survey. The main focus of the primary survey would be on the question of how social networks influence the turnover of businesses owned by different social groups.

Chapter: 3

Employment Status and Wealth Inequality between Scheduled Caste and Other Caste Households

1. Introduction

India embraced neoliberal policies in the early 1990s. It was believed that economic liberalization would facilitate the massive inflow of foreign and domestic investment and would lead to a high economic growth rate in India. But, the biggest failure of the growth strategy is that it fails to create sufficient employment or earnings, and has been continuing to reinforce the existing inequalities in the economy (Mehrotra et al 2014). After economic reforms in 1991, India intended to become more market-oriented. The market-governed economy makes mass runs after making money and it is turning into a mass movement, and it establishes caste-neutral tools. The pro-market society in India is transforming from a caste-based to a class-based society. Capitalism, as a socioeconomic force, uniquely qualifies to undermine and destroy the caste system in India (Chandra Bhan Prasad, 2010). According to Anand Teltumbde (2013), “Capitalist modernity coexists with the caste system but with globalization, caste consciousness has deepened”. The discrimination in the labor market and the narrowing of public sector jobs force the Dalit youths to venture into self-employment. From an economist's point of view, if the utility of choosing self-employment exceeds that of choosing paid employment, then the individual will choose self-employment. The earning is a presumably major factor influencing the utility. It has been observed that self-employed individuals tend to receive higher levels of work satisfaction compared to paid employees (Blanchflower and Oswald (1998), Benz and Frey (2004), Jose Maria Millan et al (2011), & Schneck, S. (2014)).

Having existed for nearly 3000 years the caste system has come to dictate the lives and roles of much of India's population by ruling social class and status. This system of defining caste from birth has created a rigid barrier to mobility within the country. Those of lower caste and without caste (Dalit) are often subject to intense discrimination and are not given the privilege of basic human rights. The depressed classes cover not only low status in the hierarchy of caste combined with religious and social disabilities but also a low economic condition. Exclusion based on caste persists in the age of the market because caste helps non-Dalits hoard opportunities (Damodaran 2008). In contemporary India, socioeconomic inequality is

determined by caste. Traditionally, the past literature on caste relations in India has been contributed by non-economists. Sociologists, historians, and anthropologists have offered sufficient literature on caste relations in India which provides us with comprehensive knowledge of caste discrimination, caste violence, and caste-based social exclusion (e.g., Srinivas, M. N. (2003), Dirks, N. B. (1992), and Dumont, L. (1980)). The growing research on economic inequality using different databases has removed all the doubt of an extremely unequal society across social groups in India. The studies of caste in economic perspective focus on investigating the caste differential in occupation, earnings, and living standard (e.g., Borooah (2005), Das, M. B., & Dutta, P. V. (2007), and Madheswaran, S., & Attewell, P. (2007), Damodaran (2008), Ashwani & Sharma (2013)). The general consensus of these studies revolves around the discrimination against SCs/STs in the labor market, and how the living standards of less privileged caste groups tend to be worse off compared to their counterpart i.e. Non-SCs/STs. Borooah (2005), for instance, used the National Council for Applied Economic Research (NCAER) survey and found that discrimination in the marketplace accounted for a third of the income differentials in India. In their study, Ashwani & Sharma (2013) used 2004-2005 India Human Development Survey Data for the purpose of estimating and decomposing the earnings by SCSTs and Non-SCSTs who owned household businesses. They found that the marginalized groups face disadvantages and discrimination not only in wages but in earnings from self-employment as well. Discrimination appears itself in Dalit self-employment in many ways such as receiving lower prices for their product and borrowing money at a high interest rate in the credit market.

A critical task that economists have been dealing with in the liberalization era is to examine and explain the cause and nature of patterns of wealth distribution. In the last three decades, researchers have shown heightened interest in the issue of wealth distribution within and between social groups. The past customary restrictions on scheduled caste ownership of property rights had culminated in the majority of the scheduled caste population remaining without capital assets. Unfortunately, historically biased distribution of wealth across different caste groups has never been checked. Somehow, in this paper, we have reviewed a few past papers that deal with insight information about the wealth disparities among different caste groups in India. The inequality of wealth and income is mainly perpetuated through inherited assets across generations. Assets are crucial indicators of the standard of living of a household. Over time, assets accrued by households provide a means of livelihood and are very helpful in

adverse economic conditions. Social discrimination and economic exclusion are interlinked, and it shapes the pattern of ownership of assets. The lower endowments of physical assets held by marginalized groups, as well as different source earnings, result in equal disparities among caste groups (Kijima (2006), Thorat (2007), and Thomas Piketty (2014)). Mishra and Bhardwaj (2021) have written papers on wealth inequality in India between 1992 and 2013. Their analysis also shows that wealth inequality since 1992 has increased in India, where the decade 1992-2002 shows a low rate of increase in inequality but for the decade 2002-2012, the inequality has increased at a faster rate. Liberalization has been the main reason for this inequality, which brought new opportunities to the Indian economy, and not everyone benefited from it. It worsened the inequality because the wealth accorded to the hand of those who can access these opportunities. They find that the wealthiest 1% of the Indian population held 18% of total wealth in 1991, which was 26% in 2012. The reference period 2002-2012 solely witnessed a 7% point increase. On the other hand, 6% of total wealth in 1991 was held by the bottom 50% of the population, which was reduced to 5.3% in 2012 (Mishra and Bhardwaj 2021). The rising per capita income is not only associated with rising economic inequality, but also with rising disparities between different social groups, and between capital and labor. The economic inequalities in India are not only outcomes of economic policies but are also driven by established social and political structures. The overwhelming consensus based on available data on wealth up to 2012-13 is that among other developing countries not only inequality is high in India, but the trend is also rising over time, since the early 1990s (Himanshu, 2019).

D. Jayaraj & S. Subramanian (2018) concentrates on the quantitative assessment of the distribution of household assets in India by using “All India Debt and Investment” (AIDIS) data from three decadal survey years: 1991-92, 2002-03, and 2012-13. This article is an attempt to examine the trend and magnitude in the level of average per household assets. They found that the average (per household) assets holding increased, approximately, fivefold and threefold in urban and rural areas respectively, for 21 years from 1992 to 2013. For the study purpose, Mandira Sharma et.al, 2017 used the “All India Debt and Investment Survey” (AIDIS) conducted during the years 1991-92, 2002-03, and 2012-13 by NSSO. Their study finds that the distribution of wealth in this 20-year period, i.e., from 1991 to 2013, has been biased. The wealth inequality has spewed more sharply in urban India than in rural India. The assets’ shares of Dalits, Adivasi, and Muslim households in total assets are vulnerable

compared to their counterpart households i.e., non-Dalit, non-Adivasi, and non-Muslims. They have applied the Gini coefficient and found that the Gini coefficient of wealth distribution is very high. It has increased sharply between 2002-03 and 2012-13. The Gini coefficient of gross assets was 0.74 for India as a whole in 2012-13. In the first decade (from 1991-92 to 2002-03), the assets holding ratio of SC and ST households vis-à-vis non-SC/ST households has improved to some extent. However, the ratio deteriorated for the next decade i.e., from 2002-03 to 2012-13, because the ownership of buildings among SC and ST households got worse compared to their counterpart households. The ratio of the average value of buildings owned by non-SC/ST households, between 2002-03 and 2012-13, has improved against both SC and ST households: from 2.4 to 3.73 against SC households and from 2.16 to 3.43 against ST households (Mandira Sharma et.al, 2017). Both land and buildings have a profound role in the standard of living of households. Land and buildings are the major sources of wealth in India. Land and buildings together contribute more than 90 percent of the total value of assets held by households. Consequently, the average SC/ST person has remained disadvantageous in wealth holding compared to persons from other groups in both years of analysis (Ajit and Vamsi, 2011 & Anand and Thampi, 2016 & Nitin Kumar Bharti, 2018).

Ajit & Vamsi (2011) have used the Gini decomposition method to measure wealth inequality between social groups and within social groups. On the one hand, their composition analysis reveals that between-group inequality ranges between 8% and 13% of combined wealth inequality - the inequality gap between SC/ST groups (especially rural) and upper caste groups (especially urban) in average wealth holding has remained a major determinant of between-group inequality. On the other hand, the analysis reveals that the share of within-group inequality dominates in overall inequality – other factors such as age, type of occupation, education, number of earning persons in households, etc. are also expected to contribute to within-group wealth inequality. Anand & Thampi (2016) applied the Gini decomposition method and found that absolute and relative inequality between social groups increased between 1991 and 2012, which means the relative contribution of the within-inequality decreased over the study period. They stressed out that while the ratio of wealth to population shares for SCs/STs groups declined for the reference period from 1992 to 2012, the other caste group was observed to be witnessing an increase in the ratio of its wealth share to population share.

2. Objectives

In the past two decades, scholars in India have concentrated on increasing economic inequality between different caste groups. However, their studies focus on economic disparities among households belonging to different caste groups and do not recapitulate how employment status affects the wealth disparities between and within social groups. This study focuses on self-employed households and paid-employee households separately to address the question of why wealth inequality has spewed between scheduled caste households and other caste households. In the early 1990s, it was assumed that economic reform would bring massive investment and facilitate faster economic growth. This growth strategy would benefit all social groups and reduce economic inequality through the trickle-down effect. The proponents of the economic reforms believed that liberalization of the market would reduce economic inequality and benefit the marginalized section, especially Schedule Caste, in India. In this context, this study will examine the trend of accumulating wealth after economic reforms in 1991 by social groups. This has been addressed by the concentration of assets and employment status of households i.e., self-employment households and employee households.

3. Data and Variables

The study mainly focuses on wealth distribution between scheduled caste households and other caste households after economic reforms in 1991 in India. In order to gather information about wealth distribution, the study uses three rounds of “All India Debt and Investment Survey” (AIDIS), i.e., 48th round (1992), 59th round (2002) and 70th round (2012), collected by NSSO. The AIDIS data provides us with some broad indications about a pattern of wealth distribution among different caste groups. All the households are categorized into two caste groups i.e. schedule caste households and Other caste households (which is the sum of forward caste households and OBC households). For the study purpose, we have made some changes in the data. First, because the 48th round of NSSO does not provide information about OBC households and Other (forward) caste households separately, we have taken the sum of Other (forward) caste households and OBC households for 59th and 70th rounds data. Second, we have excluded the variable ‘household durables’ for 48th and 59th rounds because the 70th round does not have information on household durables. Third, to make a comparative study between other caste (including OBC) households and scheduled caste households, we have rested scheduled tribe (ST) households in this study. The selected

indicators to assess wealth inequality are values of assets which include land, buildings, and total assets. Total assets are the sum of land, buildings, livestock & poultry, machine & equipment (which include transport equipment, agriculture machinery equipment, and non-farm business equipment), and financial assets (which include shares & debentures, financial assets other than debenture, and amount receivable).

The AIDIS data has some wealth assessment issues that we have to keep in mind. Subramanian and Jayaraj (2006) observed wealth assessment issues; these issues are still pertinent. The issues raised by them are: First, a suitable price deflator to deflate the nominal data. Second, the under-reporting of the value of wealth by the respondents. Third, under-sampling of the super-wealthy, which results in an underestimation of inequality. These limitations should be kept in mind while working on AIDIS data. Moreover, as Patnaik (2014) has stressed out, the study of wealth data only emphasizes ownership of wealth; the inequality gap in the control over wealth may be larger. Although there is no suitable price index available to deflate the value of the assets, for the study purpose we have adjusted data to 2004-05 constant price using WPI (wholesale price index).

4. Descriptive Statistics

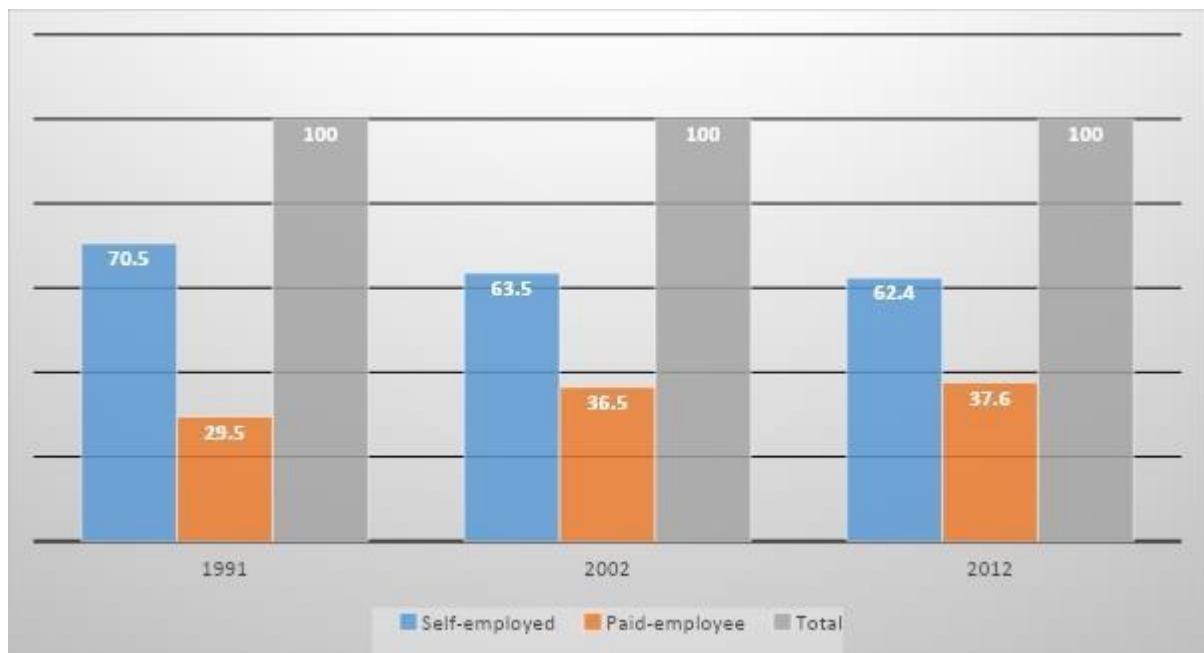
We begin with the accentuated gap in wealth distribution between self-employed households and employee households (Table 2). In 1991, self-employed households constituted the wealth (70.5%) more than twice the wealth (29.5%) owned by employee households. The gap reduced sharply for the year 2002 and slightly for the year 2012. It is clear from Table 2, that wealth is highly concentrated in the hands of self-employed households. Enterprising households experience a higher targeted wealth-income ratio rate than the worker or paid-employee households, and therefore, higher saving rates. The higher saving rates is one of the possible reasons that enterprising households accumulate more wealth (Quadrini, V. (1999).

Table 2. Percentage share of wealth by employment status of households

Households	Year		
	1991	2002	2012
Self-employed	70.5	63.5	62.4
Paid-employee	29.5	36.5	37.6
Total	100	100	100

Source: Authors' calculations from the 48th, 59th and 70th rounds of AIDIS.

Figure 1. Distribution of wealth between self-employed and paid-employee households



Source: Figure 1 is the authors' calculations from the 48th, 59th, and 70th rounds of AIDIS.

Figure 2. Lorenz curve for self-employed households

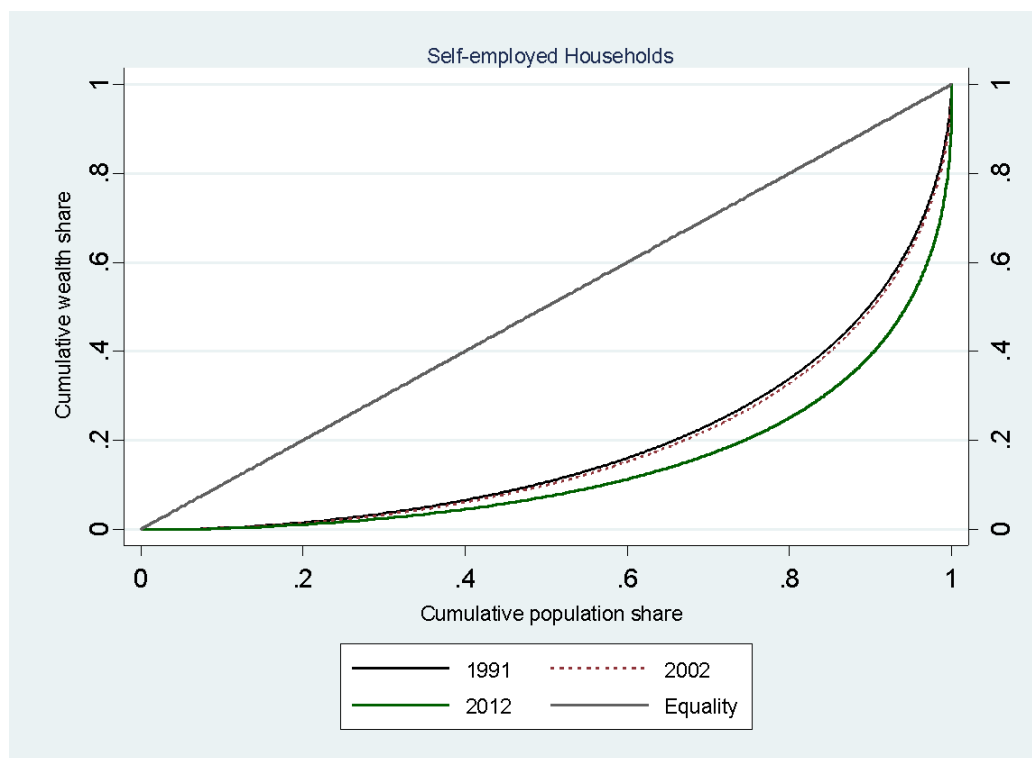
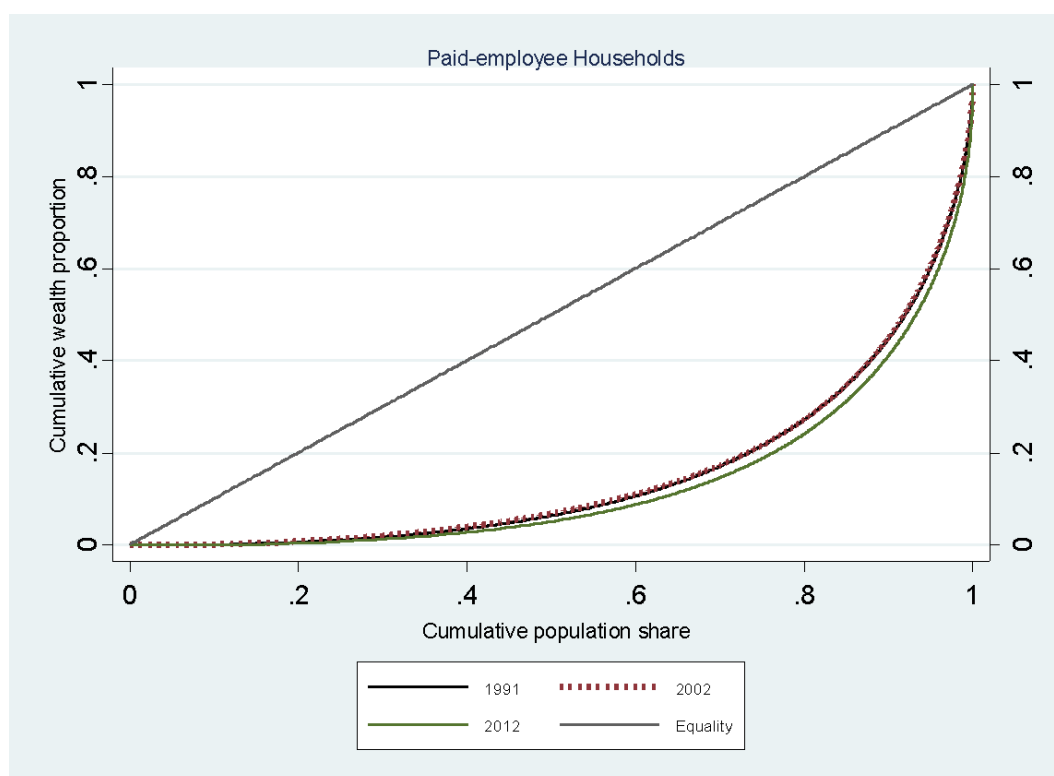


Figure 3. Lorenz curve for paid-employee household



Source: Figures 2 and 3 are authors' calculations from the 48th, 59th and 70th rounds of AIDIS.

Figures 2 and 3 represent graphical representations of per capita wealth inequality illustrated by Lorenz curves for both self-employed households and paid employee households respectively. On the one hand, figure 2, representing the Lorenz curve for self-employed households, shows that the Lorenz curves of 1991 and 2002 are very close to each other. The 2002 curve is seen slightly below the 1991 curve in the middle. On the other hand, figure 3, representing Lorenz curve for employee households, shows that although the 1991 curve and 2002 curve are very close to each other, the curve 2002 can be seen to be faintly above the 1991 curve. It means that the employee households, unlike the self-employed households, experienced a fall in inequality between 1991 and 2002. The most accentuated feature of both the figures is the clear gap between other curves and the 2012 curve. It points out that wealth inequality increased by large amounts between 1991 and 2012, especially after 2002, and particularly for self-employed households.

Table 3 presents the average values of principal assets, i.e., land and building, and 'all assets' owned by self-employed households and employee households. In Table 3, one can clearly notice that the wealth inequality gap between the scheduled caste and other caste households

within the self-employed households' group is far greater compared to employee households. The relative gap within the self-employed households group increased at a faster rate compared to the employee households' group for both decades. The lower wealth concentration among scheduled caste self-employed households is possible because they are petty producers, and most of them are own account holders. They operate their enterprises with the help of household family members. They are able to invest low capital, and in turn, they receive low income (Ashwani & Sharma, 2013).

Table 3. Average value of principal assets and all assets owned per household (Rs. 000)

Households		1991			2002			2012		
		Land	Building	All Asset	Land	Building	All Asset	Land	Building	All Asset
Self-employed	SC	103 (67.3)	38 (24.8)	153 (100)	136 (64.2)	60 (28.3)	212 (100)	301 (65.6)	124 (27.1)	459 (100)
	OC	228 (64.8)	89 (25.2)	352 (100)	333 (64.2)	136 (26.2)	519 (100)	840 (63.1)	411 (30.9)	1331 (100)
Employee	SC	30 (46.9)	26 (40.6)	64 (100)	46 (42.6)	48 (44.4)	108 (100)	140 (51.7)	107 (39.5)	271 (100)
	OC	73 (45.9)	65 (40.9)	159 (100)	115 (44.9)	101 (39.5)	256 (100)	357 (49.8)	295 (41.2)	717 (100)

Source: Authors' calculations from the "All India Debt and Investment Survey" (AIDIS).

Note: Figures in parenthesis represent the percentage share of individual asset items in total assets.

Key: sc = Scheduled Castes; OC = Other Caste.

Table 4. Percentage change in average value of principal and all assets over the years

		1991-2002			2002-2012			1991-2012		
		Land	Building	All Asset	Land	Building	All Asset	Land	Building	All Asset
Self-employed	SC	32.0	57.9	38.6	121.3	106.7	116.5	192.2	226.3	200.0
	OC	46.1	52.8	47.4	152.2	202.2	156.4	268.4	361.8	278.1
Employee	SC	53.3	84.5	68.7	204.3	122.9	150.9	366.7	311.5	323.4
	OC	57.5	55.3	61.0	210.4	192.1	180.0	389.0	353.8	350.9

Source: Authors' calculations from the "All India Debt and Investment Survey" (AIDIS).

Key: sc = Scheduled Castes; OC = Other Caste.

Table 4 presents a percentage increase in the average value of land, buildings, and total assets. It can be perceived from Table 4 that, in two decades, the employee households group witnessed acquiring wealth at a faster rate compared to the self-employed households group. But, the gap in wealth acquiring rate between caste groups remained much higher in the self-employed households' group than employee households' group from 1991 to 2012.

Table 5 presents the ratio of wealth share of scheduled caste households to other caste households for both the self-employed households' group and employee households' group. In table 5 we can observe that, however, after 2002 the ratio deteriorated for both households' groups, but the employee households' group had, comparatively, been better than the self-employed households group.

Table 5. Ratio of wealth share of SCs households to Other caste households

	1991		2002		2012	
	Self-employed	Employee	Self-employed	Employee	Self-employed	Employee
Land	0.45	0.43	0.41	0.40	0.36	0.39
Building	0.43	0.40	0.44	0.47	0.30	0.36
Total Assets	0.43	0.39	0.41	0.42	0.35	0.38

Source: Authors' calculations from the "All India Debt and Investment Survey" (AIDIS).

5. Decomposing the wealth inequality: Analysis of Gini (ANOGI)

5.1 Method

To measure wealth inequality, we have applied the Gini decomposition method (Yitzhaki (1994) and Frick et al. (2006)). There are the same other versions of the decomposition of the Gini coefficient but Yitzhaki (1994) allows the decomposition of the Gini coefficient into the contribution of each group with respect to the entire population, including the group itself. It means the Gini coefficient (G_U) can be separated into within-group inequality (G_I) and between-group inequality (G_B).

$$G_U = G_I + G_B \quad (1)$$

Within-group inequality can be represented as,

$$G_I = \sum_{i=1}^n S_i G_i O_i \quad (2)$$

Where S_i is the share of group i in the total wealth, G_i represents the Gini coefficient of the wealth distribution within group i , O_i is the overlapping index of group i with the entire population, and group i itself. The index O_i determines the extent to which the sub-groups are stratified. Overlapping of the entire population by group i can be defined as,

$$O_i = \frac{Cov_i(Y, F_u(Y))}{Cov_i(Y, F_i(Y))} \quad (3)$$

Where $F_u(Y)$ is the function in which the members of group i are assigned their ranks in the overall distribution. $F_i(Y)$ is the function in which the members of group i are assigned their ranks in the wealth distribution within that group, and Cov_i represents the covariance according to the distribution group i . The overlapping index O_i is composed of indexes that identify the overlapping of the entire population by group i . It is defined as,

$$O_i = p_i + \sum_{j \neq i}^n P_j O_{ji} \quad (4)$$

Where p_i and p_j represent the share of the groups i and j , respectively, in total population. The index O_{ji} is the overlapping of group j by group i . it can be calculated as,

$$O_{ji} = \frac{Cov_i(Y, F_{ji}(Y))}{Cov_i(Y, F_i(Y))} \quad (5)$$

Where F_{ji} is the function in which members of group i are assigned their rank in the wealth distribution of group j . The higher value of O_{ji} means lesser group j and group i are stratified. It means that the given fraction of group j located in the range of group i , the closer the wealth of individuals belonging to j are to the mean wealth of group i , the higher will be the value of O_{ji} . The value of O_{ji} lies between 0 and 2. If the value of O_{ji} is 0 then the group i and j are perfectly stratified. In the case of perfect overlap, the value of O_{ji} is 1. If the value of O_{ji} is less than equal to 2 ($O_{ji} \leq 2$), it means if the maximum value of O_{ji} is reached, the wealth of individuals belonging to j that falls in the range of wealth of individuals in group i are concentrated at the mean wealth of group i .

Intergroup inequality (G_B) is defined in Yitzhaki and Lerman (1991) as,

$$G_B = \frac{2Cov_B(\mu, \underline{F}_u)}{\mu_u} \quad (6)$$

G_B is twice the covariance between the mean wealth of sub-groups (μ) and the mean rank of sub-groups in the overall population ($\underline{F}_u$), divided by overall mean wealth (u). That is, each sub-group is represented by its mean wealth and mean rank i.e., average position of the members of a sub-group, in the overall wealth distribution. If either the mean wealth or the

mean ranks are equal for all sub-groups, the term G_B becomes zero. From the equations (1), (2), and (6), the overall Gini coefficient (Yitzhaki, 1994) can be defined as,

$$G_U = \sum_{i=1}^n S_i G_i O_i + \frac{2Cov_B(\mu, \underline{F}_u)}{\mu_u} \quad (7)$$

6. Results

For the study purpose, we have divided total households into two groups. First, self-employed households, which is the sum of scheduled caste self-employed households and other caste self-employed households. Second, employee households, which consist of scheduled caste employee households and other caste employee households. We have applied the Anogi method for both groups separately, and later on, we have compared both results. The intention behind the separate study is to gauge the impact of employment status on wealth inequality between scheduled caste households and other caste households. Total wealth inequality is decomposed into the contribution of two population effects. First, between-group contributions, because sub-groups may retain different mean wealth. Second, Within-group contribution, because the members of some groups may significantly differ from each other. The decomposition also provides us with an overlapping index. The overlapping index is the opposite of stratification – a measure of the extent to which each group forms an exclusive stratum with respect to their wealth.

6.1 Between-group inequality vs Within-group inequality.

We now turn to our results of Yitzhaki decomposition for our data (Table 6). We start our analysis with estimates of between-group and within-group caste inequality (G_I , term in eqn (1)). From Table 6 (panel A & B), we can perceive that the paid-employee households experienced overall inequality higher than the self-employed households. For the first decade, however, the overall inequality increased slightly among the self-employed households, it declined by a small fraction among the paid-employee households. But, after 2002 both the household groups experienced a sharp increase in overall inequality. We can notice that while the within-group inequality accounts for an accentuated amount of overall inequality for both self-employed households and paid-employee households, it was higher among the paid-

employees than the self-employed households. The education difference can be a major factor for high within-group inequality among paid-employee households because education seems to have a greater impact on paid-employee households than self-employed households and schedule caste (Jean-Marc Falter 2007). While the contribution of within-group inequality to overall inequality increased, the contribution of between-groups decreased for both household groups between 1991 and 2012. Table 6 (panel A & B) states that the distribution of wealth among paid-employee households remained uneven more than the distribution of wealth among self-employed households for the reference period.

Table 6. Decomposition of Gini into within-group and between-group inequality

A. Self-employed Households						
	1991		2002		2012	
	Gini	Share	Gini	Share	Gini	Share
Overall	0.603	100	0.615	100	0.711	100
Between-group	0.025	4.19	0.027	4.55	0.026	3.69
Within-group	0.578	95.81	0.587	95.45	0.685	96.31
B. Paid-employee Households						
	1991		2002		2012	
	Gini	Share	Gini	Share	Gini	Share
Overall	0.702	100	0.689	100	0.763	100
Between-group	0.030	4.37	0.027	3.95	0.021	2.76
Within-group	0.671	95.63	0.662	96.05	0.742	97.24

Source: Authors' calculations from the "All India Debt and Investment Survey" (AIDIS).

From Table 6 we can compare the percentage change in Gini of both self-employed households and paid-employee households for the study period from 1991 to 2012 (Table 7). One can observe from Table 7 that overall inequality among Self-employed households increased by 17.9 percentage points which is twice the percentage increase in overall inequality among paid-employee households (8.7 %).

Table 7. Percentage change in Gini (Comparison)

Households		1991-2002	2002-2012	1991-2012
		Total Asset	Total Asset	Total Asset
Self-employed	Overall	2	15.7	17.9
	Between-group	8	-(3.7)	4.3
	Within-group	1.5	16.7	18.2

Employee	Overall	-(1.8)	10.7	8.9
	Between-group	-(10)	-(22.3)	-(32.3)
	Within-group	-(1.3)	12	10.7

Source: Authors' calculations from the "All India Debt and Investment Survey" (AIDIS).

Table 7 highlights the between-group inequality. The between-group inequality for self-employed households rose by 8 percentage points for the decade 1991-2002 and reduced by 3.7 percentage points for the next decade 2002-2013, culminating in a 4.3 percentage increase between 1991 and 2012. But when we turn to look at between-group inequality for paid-employee households we see that it reduced by 32.3 percentage points between 1991 and 2012. Table 7 concludes that, however, the distribution of wealth among the paid-employee households remained more uneven but the self-employed households showed a sharp increase in wealth inequality between 1991 and 2012.

6.2 Within-group inequality and overlapping

Now we move to a detailed analysis of the decomposition of within-group inequality. Table 8 shows the decomposition of the remainder term for self-employed households along the caste line. Looking first at overlapping index O_i , we should take into account the fact that the index O_i can take the minimum value equal to population share. It means the more numerous groups will have a higher value of overlapping index than the less numerous groups. To adjust the index O_i , we divide it by the population share P_i . The result reveals that in each year the other caste self-employed households showed the lowest value, compared to scheduled caste self-employed households, of overlapping and formed a near-perfect stratum. In Table 8 we see, that the other caste households experienced more within-group inequality than the scheduled caste households for all three years, yet their overlapping indexes had significantly different values. That's why we notice that the other caste self-employed households showed a notable increase in the Gini coefficient between 2002 and 2012 (from 0.609 to 0.712).

Now we focus on wealth share. While the coefficient of wealth share for other caste self-employed households increased, the coefficient for scheduled caste self-employed households declined for all three years.

Table 8. Decomposition of within-group inequality (self-employed)

Index		Year		
		1991	2002	2012
P_i	Schedule caste	0.146	0.153	0.153
	Other caste	0.854	0.847	0.847
W_i	Schedule caste	0.069	0.068	0.059
	Other caste	0.931	0.932	0.941
G_i	Schedule caste	0.540	0.544	0.572
	Other caste	0.597	0.609	0.712
O/P_i	Schedule caste	6.664	6.385	6.405
	Other caste	1.139	1.145	1.148

Source: Authors' calculations from the "All India Debt and Investment Survey" (AIDIS).

P_i – Population share, W_i – Wealth share, G_i – Gini coefficient

O/P_i – Adjusted overlapping with the entire population.

The overlapping index, in Table 9, reveals that other caste paid-employee households were concentrated at the very high end of the overall wealth distribution with very little overlap, whilst the scheduled caste paid-employee households were more spread out over the wealth distribution with a great deal of overlap. Unlike self-employed households, the within-group inequality for both groups decreased for the first decade (1991-2002) and increased by a large fraction between 2002 and 2012. Now we turn to the coefficient of wealth share. While the first decade (1991-2002) showed an increase in the coefficient for scheduled caste paid-employee households and a decline in the coefficient for other caste paid-employee households, the next decade (2002-2012) showed the inverse result of the first decade.

Table 9. Decomposition of within-group inequality (Paid-employee)

Index		Year		
		1991	2002	2012
P_i	Schedule caste	0.275	0.277	0.243
	Other caste	0.725	0.723	0.757
W_i	Schedule caste	0.128	0.139	0.109
	Other caste	0.872	0.861	0.891
G_i	Schedule caste	0.594	0.590	0.683
	Other caste	0.704	0.691	0.763
O/P_i	Schedule caste	3.403	3.401	3.893
	Other caste	1.350	1.359	1.306

Source: Authors' calculations from the "All India Debt and Investment Survey" (AIDIS).

Apart from the overlapping index of each group with the entire population, the Yitzhaki decomposition also provides us with the overlapping index between groups (Equ. (5)). Table 10 represents the estimates of the overlapping index and mean rank for self-employed households (panel A) and paid-employee households (panel B). The apparent difference between scheduled caste self-employed households and other caste self-employed households can be understood by looking at the overlapping between them (panel A). The overlapping of scheduled caste by other caste, within self-employed households, had been sufficiently lower for each year. It indicates that there were relatively few scheduled caste households in the other caste households' wealth range. On the other hand, the overlapping of SC (OC) by OC (SC), within the paid-employee households' group (panel B), was high and almost the same reflecting that their wealth distributions were much closer to each other. Now we turn to look at the mean ranks for both self-employed households and paid-employee households. From panels A and B, we can see that the average ranks of scheduled caste households were at their low levels when they were located in the distribution of other caste households for both the self-employed households' group and the paid-employee households' group. But we can also notice that scheduled caste households were, on average, at the very bottom of the other caste households' distribution within the self-employed households group compared to paid-employee households.

Table 10. Overlapping index and mean rank

A. Self-employed Households				
		1991	2002	2012
Oji	Overlapping of SC by OC	0.819	0.806	0.826
	Overlapping of OC by SC	0.969	0.973	0.977
Fji	Mean Rank of SC within OC	0.336	0.332	0.361
	Mean Rank of OC within SC	0.664	0.668	0.639
B. Paid-employee Households				
		1991	2002	2012
Oji	Overlapping of SC by OC	0.922	0.940	0.956
	Overlapping of OC by SC	0.912	0.919	0.928

F _{ji}	Mean Rank of SC within OC	0.395	0.402	0.422
	Mean Rank of OC within SC	0.604	0.598	0.578

Source: Authors' calculations from the "All India Debt and Investment Survey" (AIDIS).

O_{ji} - the overlapping index of group j by group i

F_{ji} - function in which members of group i are assigned their rank in the wealth distribution of group j.

7. Conclusion

The major finding of this study is that it repudiates the credulity of the claims of economic reform proponents, who argue that the free market would reduce the economic inequality gap between social groups in India. The study supports the claim by Damodaran (2008) and Anand Teltumbde (2013) that the exclusion based on caste persists in the age of the market because caste helps non-Dalit hoard opportunities, and after globalization, capitalist modernity along with the caste system has deepened the caste consciousness. The initial inequality between Dalits and other castes is high to begin with. After economic reforms, the wealth inequality gap between these has only increased further. To measure wealth inequality, we applied the Analysis of Gini (Anogi) method. We expect that the share of within-group inequality may be higher than between groups, as there are enough factors such as education, job profiles, business size, family size, etc, related to characteristics of households that are likely to contribute wealth differentials within any group; while wealth inequality which is already high, shows a lesser increase. This also means that limited opportunities are not confined to any one group. The result confirms this, that the within-group inequality for the paid-employee households was higher than the self-employed households, which means the distribution of wealth among paid-employee households was more uneven than self-employed households for the reference period from 1991 to 2012. At the same time, the result also shows that the wealth inequality between scheduled caste households and other caste households increased by a small fraction (by 4.3%) within the self-employed households' group but it reduced significantly (by 32.3%) within the paid-employee households' group. This paper stresses that, after economic reforms in India, the self-employed households experienced a sharp increase in wealth inequality compared to the paid-employee households and it resulted in a significant increase in the wealth inequality between overall scheduled caste and other caste households. It means, after economic reforms in 1991, it is the self-employed households' group that has been enforcing the higher wealth inequality between social groups in India.

The possible reason for the wealth inequality gap between scheduled caste self-employed households and other caste self-employed households is the differences, as the result of occupational immobility of inputs, in earning and type of occupations. This is because, in the market economy, the caste system creates occupational immobility of capital, land, labor, education, and other inputs essential for profitable commercial activities and creates imperfect, segmented, and monopolistic division in factor markets (Thorat, S., & Newman, K. S., 2007). There are many policies implemented by the Indian government to promote entrepreneurship, financial inclusion, and profitable business among the scheduled caste population. It helps create wealth, value for society, jobs, and confidence among the scheduled caste community. These policies are the Credit Enhancement Guarantee Scheme for the Scheduled Castes (SCs), National Scheduled Caste Finance & Development Corporation (NSFDC), Centrally sponsored scheme of assistance to scheduled caste development corporations (SCDCs), Venture capital fund for scheduled caste, and Stand-up India. It is noticeable that despite the many initiatives taken by the government, the actual benefit could never reach the scheduled caste population due to artificial impediments created by caste prejudice. There is a need for alternate investment finance and private equity funds and an inclusivity cell should be formed in credit and lending institutions to formulate a vibrant and inclusive MSME ecosystem. The lack of demand is another problem that scheduled caste entrepreneurs face for their products. It is advisable, the government must increase the share of products produced by scheduled caste entrepreneurs in its procurement. The government should also introduce, address, and assess a social vulnerability index.

Chapter 4

Household Business and Earning Disparity

1. Introduction

The gradual transition from paid-employee to self-employed status is important in developed economies, but it plays a more profound role in emerging economies, as economic development can be derived from the occupational choice of individuals, and in order to bring about a real economic difference, a substantial share of the population must undertake the transition of status from paid-employee to self-employed (Banerjee and Newman, 1993 & Erik Monsen et.al. 2012). In recent decades there has been a vivid academic and political debate centered on the role of self-employment in developing countries. The debate is aimed at the two hypotheses that whether self-employment is a choice or a survival necessity. According to the first perspective, the rise in self-employment in developing countries is due to small-trade talent, inherent in the system. In contrast, the other perspective considers self-employment as an involuntary and transitory employment necessity for survival. Self-employment undertakes great effort, provides lower welfare protection, and entails higher risk but it is still seen as an attractive alternative to paid-employment. The question is why people choose self-employment over paid-employment. Guerra G. & Patuelli R. (2016) stressed out that transitions to self-employment are impacted by “pecuniary and nonpecuniary” job satisfaction. The choice of being self-employed over paid-employment comes from the response to low financial happiness levels, whereas their nonfinancial bliss level exceeds that of the stayers' reference group. The research in recent decades shows that some workers, due to unfavorable economic opportunities and discrimination in the labor market, prefer to become self-employed. There are push factors that determine the transition from paid-employee to self-employed. Moore and Mueller (2002) have examined the transition from paid-employment to self-employment, and they found a number of push factors such as longer spells of joblessness and laying off of workers. Blanchflower, & Oswald (1998) in their study explored the important factors determining who becomes and remains an entrepreneur, and they found that inheritances or gifts have been more likely to be important for individuals to become entrepreneurs. Economic reforms and the acceptance of the free market have escalated entrepreneurship across the world in recent years but the disparities and discrimination based on social identities still remain unchecked in many countries.

1.1 Racism and Self-employment in Context of the West

The corpus of studies examines the racial differentials in entrepreneurship (e.g., Bruce D. Meyer, 1990; Robert W. Fairlie & Bruce D Meyer, 1999; & Vicki Bogan & William Darity Jr., 2008). For instance, Vicki Bogan and William Darity Jr. (2008) in their study compared the pattern of development of African American entrepreneurship and Immigrant Entrepreneurship. The study claims that slavery and institutionalized race discrimination have shaped the unfavourable monolithic atmosphere for black people which has resulted in low self-employment rates for black entrepreneurs.

1.2 Caste and Self-employment in Indian Context

Amidst this unprecedented transformation of the state economy into a market economy, there has been a concern for inclusive development by the early 2000s, and central and state governments began attempting entrepreneurial inclusion, Development Corporation and Dalit Indian Chamber of Commerce and Industry (DICCI) was formed by the UPA government, as an association to help identify the state to provide subsidised credit to Dalit entrepreneurs, to begin several types of small scale industries (Prakash, 2015). Under the active promotion by the members of DICCI, a considerable rise in Dalit entrepreneurship is seen in India. There are formal institutions such as National Scheduled Caste and Scheduled Tribe Finance, which support SC&ST groups in a number of ways to set up enterprises and businesses, with the help of the state in providing the capital. These policies mainly include preference in the allocation of sites for business, supply of capital, training in entrepreneurship skills, and incentives for market development. Free market structure with unbridled local cultural capitalism and the nexus of the economic and political power of the upper caste in the social structure of capital accumulation boiled down the economic welfare of Dalit businesses. When a lower caste businessman tries to emulate upper caste businessmen of the same product in the market, then the former is dissuaded and forced to shut his business by political pressure and by the praxis of caste ideology. If somehow Dalit opens his shop, with the help of government schemes, in an upper caste dominated area, he has very little opportunity to earn surplus and increase his business size. Not all customers from the upper caste people may prefer to buy products from Dalit shopkeepers as they think that the products sold by Dalits are not pure and it will pollute their religious practice. Both social identity and financial predicament can make it difficult for Dalits to earn profit and compete in the free market. This could be highly sensitive to commodities, for example, a food business, clothes, etc., are most likely risky areas for a Dalit.

The caste stigma is pervasive in every touch-activities, with the exception of footwear and leather works. In the credit market, formal sectors such as banks try to escape from lending money to Dalits for business. Anthropological studies on untouchability indicated that managers in banks tend to presume that Dalits have no skill to run a business and earn profit and they will default on their loans. This attitude of the bank manager propels and compels Dalits to move to moneylenders for loans, where they are charged higher interest rates which reduces their profit. For lack of capital, Dalits tend to accept exploitative deals with upper caste businessmen. In these deals, upper caste businessmen invest capital, whereas Dalits lend their labour in the production process, and give up a bigger part of the profit to the upper caste businessmen (Aseem Prakash).

There is a substantial corpus of literature on discrimination against Dalits (e.g, Surinder S Jodhka, 2010; & Aseem Prakash, 2015). Surinder S. Jodhka (2010), for instance, stressed that Dalits are not only poor, but they are also being subject to discrimination in the labor market, their caste identity is foregrounded, over and above their business identity, and traditionally business communities that dominate the market, do not like Dalits doing business. Aseem Prakash (2015) found that many a time Dalits have to conceal their caste identity for fear of losing the deal. When Dalits open their shops in the locality of non-Dalit communities, receiving the overdue payment from upper caste consumers becomes a challenge for them. Despande and Sharam (2015) in their research paper ‘Disadvantage and discrimination in self-employment: caste gaps in earnings in Indian small businesses’ using 2004-05 India Human Development Survey data, estimated and decomposed the earnings of self-employed households belonging to SCSTs and non-SCSTs. They found that “SC/ST businesses fare significantly worse in terms of owner’s education, household economic status and business characteristics, as compared to their non-SCST counterparts”. The paper stresses out that in the higher decile of the conditional earnings, the gap on account of differences in characteristics shows continuous increment. The finding of the paper also suggests that most SC/ST businesses are survivalists and a few have become billionaires, the buoyancy of Dalit Capitalism in India may be somewhat misplaced.

Since growing privatization has reduced the responsibilities of the state, it has resulted in a decline in employment in the state sector. Consequently, jobs available for reserved categories have also declined. However, Dalits suffer from both lack of money and discrimination in the

labor market. The fact about the economic status of Dalits and discrimination in the urban labor market has been mentioned in the official documents, the 11th Five Year Plan:

“In urban areas, too, there is the prevalence of discrimination by caste; particularly discrimination in employment, which operates at least in part through traditional mechanisms; SCs are disproportionately represented in poorly paid, dead-end jobs. Further, there is a flawed, preconceived notion that they lack merit and are unsuitable for formal employment”

What motivates Dalits to start their own business? On the one hand, the unemployed Dalits see self-employment as a source of livelihood. They somehow are able to manage some money and invest it in some small kind of business. On the other hand, they find self-employment as a source of dignity, and due to this, they could move out of traditional caste-based occupations. Their own businesses offer them a better quality of life. Now some Dalits are in a position where they can provide employment to others from their community. Who helps them start the business? The most important sources of finance for Dalits are family, friends, and extended kinship. What kinds of problems do they face while setting up their businesses? Most of the Dalits who plan to start their own business have to face two major problems. The first is a lack of capital, and the second is that they can't locate a store or other structure to start their enterprise. In both aspects, caste almost always plays significantly a negative role for Dalits. Certain caste communities have such complete control over the social universe of business that when Dalits enter the business they are seen as ‘odd actors’. Their caste identity becomes more important than their professional or business identity which discourages customers from coming to their shop. According to Surinder S Jodha, “caste is not simply a matter of past tradition or a value system that is incompatible with the contemporary market economy, but a reality, social and political, that continues to haunt the Dalit entrepreneurs” (Surinder S. Jodha, 2010).

Table 11. Social Group of owners of enterprises (%)

Social Group	1998	2005	2013
SC	7.7	8.82	11.4
ST	4.0	3.64	5.4
OBC	33.1	38.1	40.8
Others	55.2	49.5	42.4

Source: Economic Census (1998, 2005, and 2013)

The Central Statistical Organization conducted the Economic Census surveys of 1998, 2005, and 2013, which included both agricultural and non-agricultural enterprises. The surveys covered own-account enterprises and enterprises which hired at least one worker. Table 11 presents the ownership of the enterprises by social groups. Figures in the table indicate the percentage of all establishments in their respective category. From Table 11, we can notice that the share of SCs, STs, and OBCs in the ownership of enterprises increased but the share of the Others declined sharply between 1998 and 2013.

The employment figures from developing countries confirm that nearly two-thirds of the population is self-employed. The lack of enough jobs for those who are in the labor market is the one possible reason for high self-employment levels in developing countries. Understandingly, the situation of a high underemployed supply of labor spurs self-employment in developing countries (Sridevi Yerrabati, 2021). NSSO's quinquennial data on employment and unemployment compiles information on employment and self-employment in India. As per NSS reports on Informal Sector and Conditions of Employment in India, 2011-12, about 97 percent of the self-employed. The 68th Round of NSS Surveys (2011-12) reveals that among informal sector workers, about 75 percent in rural areas and 70 percent in urban areas were engaged in smaller enterprises.

2. Dalit Entrepreneurship in India

The inter-group inequality in economic life seems inevitable in Indian society. The existing pattern of inter-group economic inequality closely measures up to the economic scheme of the caste system. In the last chapter of our study, we have shown that the increase in economic (wealth) inequality in post-reform India, between scheduled caste households and other caste households, was majorly due to the escalation in wealth inequality between scheduled caste self-employed households and other caste self-employed households. In this chapter, we will analyze the earning or income inequality that causes high wealth inequality among self-employed households. Past research on the magnitude of inter-caste inequality in earnings or income provides comprehensive insights into the issue of social exclusion. The caste differences in businesses owned by SC and non-SCs do not prove discrimination based on caste; all the differences can be accounted for by the characteristics of the owners. For instance, SC owners could possess less education, lack social networks, and so forth. The difference in characteristics might affect business earnings. Of course, SCs start their businesses with inferior characteristics resulting from pre-market discrimination. In this study, we have

examined the pre-market factors such as – Education status, Household size, Economic status, access to social networks, and Regions – that determine the outcomes for businesses run by different caste groups.

3. Data and Variables

This study aims at assessing the earnings inequalities between scheduled caste self-employed households and other caste self-employed households. In order to assimilate the information about the household businesses' earnings, this study has used two rounds of the India Human Development Survey i.e. IHDS I (2004-05) and IHDS II (2011-12). The IHDS data is a joint project run by the researchers from University of Maryland, Indian University, the University of Michigan, and the National Council of Applied Economic Research (NCAER) in Delhi. All the households are categorized into two caste groups i.e., schedule caste households and Other caste households (which is the sum of forward caste households and OBC households). To make a comparative study between Other castes (including OBC) households and scheduled caste households, we have rested scheduled tribe (ST) households in this study. The selected indicator to assess the earnings inequality is the total income from the businesses. We have categorized the factors that affect the total earnings into four categories i.e., household features, household economic status, region, and other factors. Since this study focuses on self-employed households, we have dropped the paid-employee and casual labour households from the data. The self-employed households constitute cultivation and agri-allied businesses, independent artisans, petty shops, and non-agricultural organized businesses. The value of variables in IHDS I and IHDS II have been calculated at the same base price index after employing the price deflator given in IHDS II.

Table 12. Description of the variables

Indicators	Variables	Description
Total Earnings	Household income from businesses	The sum of the income from family farm business and non-farm business.
Household Features	Household size	Total persons who have been staying in the same household and eating in the kitchen together for the last six months.
	Number of Adults	The persons who live in the same household and are aged 21 years or older.
	Head of Household	Decision maker in the household.

	Education of Adults	0 if female, 1 if male The highest overall education entailed by any adult member in the household.
	Main income source	Principal source of income from different types of businesses run by the households. 0 if non-agricultural, & 1 if agricultural
Households Economic Status	Poverty	Below the poverty line. 0 if Yes, 1 if No
	Land owned	Household owns agricultural land in acres.
	Purpose of loan	Why has the family taken the loan? 0 if other purposes & 1 if business purpose.
Region	Urban/Rural	0 if Rural, & 1 if Urban
	Years in same place	How long your family has been staying at same place
Others	Business Family	This variable tells that if the father/husband or head of the household ran the same line business. 0 if Yes, 1 if No
	Caste association	Members in the households have joined the community based organization.
	Union/business group	Members in the households belong to any union or business group.

Source: Author's compilation

Table 12 presents the selected variables, based on literature that can affect the earning gap between scheduled caste self-employed households and other caste self-employed households. The importance of household features in household business is especially relevant in emerging economies. This is because family support is more crucial in entrepreneurial ventures in emerging economies where the institutions and infrastructures supporting the start-up process are puny (Aldrich & Cliff, 2003; Pravin & Akteruzzaman, 2012; Edelman et al., 2016; & Pittino, D., 2020). Higher education has brought forth generic skills such as numeracy and issue-tackling skills, but there is a noticeable surge in the provision of managerial, team-working, and entrepreneurial skills enhancing the probability of success of individuals in business in terms of earnings (Robinson & Sexton, 1994; Lundstrom & Stevenson, 2001; & Greene & Saridakis, 2008). The corresponding differences in educational attainment can lead

to the difference in earnings from business enterprises. Matita & Chirwa (2009) have found that there is a positive correlation between levels of education completed by persons in the household and the returns to business activities. The study found that the substantial difference in the rate of returns is correspondence to educational attainment i.e., secondary education levels and tertiary education. They claim that these differences play a deciding role in earnings from business enterprises. Further, their study suggests that investing in higher education results in notable long-run effects on income distribution and poverty (Matita & Chirwa, 2009). The main source of income i.e., agricultural business and non-agricultural business, is the factor that can influence the earning inequality among households. Ani L. Katchova (2008) in his study found that, on average, agricultural business households seem to possess higher economic well-being in terms of income and wealth than non-agricultural business households. His study concluded that both farm and nonfarm households hold higher income inequality (Ani L. Katchova, 2008). The variable ‘business family’ can be an important factor in earning inequality because the father/husband’s occupational status and years of experience in the household in the business is also consistent with a positive and strong impact on profitability in the household business.

Table 13 displays an overview of the entire dataset of IHDS for each round. The table presents the means and standard deviation of the variables used in the model. This study aims to compare the average earnings of self-employed households belonging to scheduled castes and the other caste self-employed households and endeavour to determine which elements most significantly contribute to this disparity. In Table 13, the mean values of variables have been standardized.

Table 13. Descriptive Statistics of variables for each round

Variables	IHDS (2004-05) Round I					
	Scheduled caste households			Other caste households		
	Mean	SD	N	Mean	SD	N
Household size	5.553	2.548	1993	5.638	2.764	13533
Number of Adults	2.867	1.336	1993	3.092	1.539	13533
Head of Household	0.941	0.234	1993	0.934	0.247	13533
Education of Adults	6.271	4.711	1993	8.202	4.644	13533
Main income source	0.567	0.495	1993	0.577	0.493	13533
Poverty	0.859	0.424	1993	0.764	0.347	13533
Land owned	8.725	37.61	1993	19.25	217.46	13533
Purpose of loan	0.209	0.406	1993	0.238	0.426	13533

Urban/Rural	0.227	0.419	1993	0.273	0.445	13533
Years in same place	76.386	26.213	1993	75.666	26.85	13533
Business Family	0.603	0.489	1993	0.728	0.491	13533
Caste Association	0.125	0.331	1993	0.140	0.347	13533
Union/Business group	0.040	0.197	1993	0.049	0.216	13533
IHDS (2011-12) Round II						
	Scheduled Caste Households			Other Caste Households		
Household size	5.144	2.311	2045	5.264	2.589	12718
Number of Adults	2.977	1.341	2045	3.218	1.545	12718
Head of Household	0.898	0.301	2045	0.913	0.281	12718
Education of Adults	7.337	4.804	2045	9.045	4.716	12718
Main income source	0.623	0.484	2045	0.620	0.485	12718
Poverty	0.821	0.383	2044	0.882	0.321	12714
Land owned	8.298	20.64	2045	19.21	43.03	12718
Purpose of loan	0.078	0.269	2045	0.079	0.271	12718
Urban/Rural	0.221	0.415	2045	0.270	0.444	12718
Years in same place	80.74	21.67	2045	80.39	22.52	12718
Business family	0.592	0.491	2045	0.650	0.476	12718
Caste Association	0.074	0.262	2045	0.080	0.271	12718
Union/Business group	0.042	0.200	2045	0.049	0.216	12718

Source: Author's compilation from IHDS data

Table 14. The mean earnings of self-employed households

Year	Overall			Scheduled caste			Other caste			Difference ($M_{oc} - M_s$)	t-test
	Mean	SD	N	Mean	SD	N	Mean	SD	N		
2004-05	0.401	1.025	15526	0.221	0.392	1993	0.427	1.085	13533	0.205	8.385
2011-12	0.401	1.075	14763	0.221	1.025	2045	0.430	1.080	12718	0.209	8.164

Source: Author's compilation from IHDS data

The earnings are normalized after dividing them with the standard deviation of the overall sample for comparison

Table 14 presents the standardized mean earnings for both the rounds and groups of households. From Table 14, we can notice that the average earnings of scheduled caste households have been lower than the average earnings of other caste households in 2004-05 as well as in 2011-12. The difference in average earnings between the scheduled caste households and the other caste households has increased from 0.205 to 0.209, between 2004-05 and 2011-12.

Table 15 displays the average values of each of the background variables by two rounds of IHDS and caste groups of households. Analysis performed indicates that on average the most

of the variables have statistically significant differences in mean in each year. Results in Table 15 show that all the significant mean differences have been positive in 2004-05 as well as in 2011-12. On the one hand, the mean difference for the variable ‘head of households’ was negative and insignificant in 2004-05, on the other hand, it was positive and significant in 2011-12. We can also notice from Table 15 that the mean difference for the variable ‘purpose of loan’ was statistically significant at 1% level for the year 2004-05, but was insignificant in 2011-12. The variable ‘years in the same place’ was found to be negative and insignificant in both years. The mean differences in the variables, number of adults, education of adults, poor, urban/rural, and business family, are statistically significant at the 1% level in each year. With respect to the variables, role of education and land ownership, on average the households with higher educated adult members produce higher disparity, compared to other variables, in earnings between scheduled caste households and other caste households significantly in each year.

Table 15. The difference in the means of explanatory variables

Variable	Overall		Other caste		Scheduled caste		Difference	
	2004-05	2011-12	2004-05	2011-12	2004-05	2011-12	2004-05	2011-12
Household size	5.627 (2.737)	5.248 (2.553)	5.638 (2.764)	5.264 (2.589)	5.553 (2.548)	5.144 (2.311)	0.125*	0.120**
Number of Adults	3.063 (1.491)	3.184 (1.521)	3.092 (1.539)	3.218 (1.545)	2.867 (1.336)	2.977 (1.341)	0.224***	0.241***
Head of Household	0.935 (0.245)	0.911 (0.284)	0.934 (0.247)	0.913 (0.281)	0.941 (0.234)	0.898 (0.301)	– 0.007	0.014**
Education of Adults	7.954 (4.711)	8.808 (4.764)	8.202 (4.644)	9.045 (4.716)	6.271 (4.817)	7.337 (4.804)	1.931***	1.707***
Main income source	0.576 (0.494)	0.620 (0.485)	0.577 (0.493)	0.620 (0.485)	0.567 (0.495)	0.623 (0.484)	0.010	– 0.003
Poverty	0.846 (0.360)	0.874 (0.331)	0.859 (0.347)	0.882 (0.321)	0.764 (0.424)	0.821 (0.383)	0.094***	0.061***
Land owned	17.90 (203.96)	8.818 (40.67)	19.25 (217.95)	19.21 (43.03)	8.725 (37.61)	8.298 (20.64)	10.53**	10.92**
Purpose of loan	0.235 (0.424)	0.079 (0.270)	0.238 (0.426)	0.079 (0.271)	0.209 (0.406)	0.078 (0.269)	0.029***	0.001
Urban/Rural	0.267 (0.442)	0.263 (0.440)	0.273 (0.445)	0.270 (0.444)	0.227 (0.419)	0.221 (0.415)	0.046***	0.049***
Years in same place	75.75 (27.80)	80.44 (22.40)	75.66 (28.03)	80.39 (22.52)	76.38 (26.21)	80.74 (21.67)	– 0.720	– 0.355
Business family	0.721 (0.468)	0.642 (0.479)	0.728 (0.464)	0.650 (0.476)	0.603 (0.489)	0.592 (0.491)	0.125***	0.058***
Caste Association	0.138 (0.345)	0.079 (0.270)	0.140 (0.347)	0.080 (0.271)	0.125 (0.331)	0.074 (0.262)	0.014**	0.005
Union/Business group	0.048 (0.214)	0.048 (0.215)	0.049 (0.216)	0.049 (0.216)	0.040 (0.197)	0.042 (0.200)	0.008**	0.007*

Source: Author's compilation

***p < 0.01, ** p < 0.05, *p < 0.10: Standard deviations are in parentheses

4. Measuring Earning Inequality

4.1 Methodological Framework and Empirical Approach

The self-employed households' earnings outcomes relationship could be shown in a functional form. To express the relationship between self-employed households' earnings and a set of socioeconomic background characteristics, we use a simple earning production function. The self-employed households' earnings (TE) is a function of input variables such as household features (HF), economic status of households (ES), Region (R), and others (O).

$$TE = F(HF, ES, R, O) \quad (1)$$

To examine the impact of socioeconomic background characteristics on the difference in mean earnings between scheduled caste self-employed households and other caste (non-sc) self-employed households, we have employed threefold Blinder-Oaxaca decomposition. To analyse empirically, we require a reference category from the two groups, the first group of self-employed households, namely, other castes have been used as the reference group and the point of analysis is the scheduled caste self-employed households. The narrowed equation for the Blinder-Oaxaca decomposition in this study (following Blinder, 1973; Oaxaca, 1973; Jann, 2008; Karki, M., & Bohara, A. K. 2014) and the contribution of the group difference in the predictors to the overall outcome difference can be rearranged as follow,

$$D = \{E(X_{oc}) - E(X_{sc})\}' \beta_{sc} + E(X_{sc})' (\beta_{oc} - \beta_{sc}) + \{E(X_{oc}) - E(X_{sc})\}' (\beta_{oc} - \beta_{sc}) \quad (2)$$

where D expresses the difference in mean standardized earnings, X_{oc} and X_{sc} are the set of socioeconomic background characteristics, β_{sc} and β_{oc} contain slope coefficient and intercepts as well, for the scheduled caste and other caste self-employed households respectively.

The equation (2) is called threefold decomposition.

$$D = E + C + I \quad (3)$$

Where the first component,

$$E = \{E(X_{oc}) - E(X_{sc})\}' \beta_{sc} \quad (4)$$

amounts to be part of the difference that is due to the group difference in the socioeconomic background characteristics and is referred as “endowment effect”. This stresses out that if the scheduled caste self-employed households had possessed similar average features to those of the other caste self-employed households, this is how much their earnings would have increased. In other words, this is the difference in the mean socioeconomic background characteristics of scheduled caste and other caste self-employed households applied to the impact of the scheduled caste self-employed households.

The second part,

$$C = E(X_{sc})' (\beta_{oc} - \beta_{sc}) \quad (5)$$

Measures the contribution of the difference in the coefficients (including intercepts) of the two groups. In other words, this is the differential part in the earnings outcomes of the two groups of self-employed households that is explained by the difference between the groups' impact of socioeconomic background characteristics. If the scheduled caste self-employed households had had similar average returns to the other caste self-employed households, this is how much their earnings would have increased. The difference in the average returns to the socioeconomic background characteristics is applied to the average features of the scheduled caste self-employed households

And the third component,

$$I = \{E(X_{oc}) - E(X_{sc})\}' (\beta_{oc} - \beta_{sc}) \quad (6)$$

is an interaction term, and it accounts for the fact that difference in endowments and coefficient (including intercepts) exist simultaneously between the two groups. In this study the threefold decomposition has been estimated and the three effects are studied in detail by using both IHDS I (2004-05) and IHDS II (2011-12) surveys.

4.2 Empirical Results

The difference in raw (and standardized) average earnings between scheduled caste self-employed households and other caste self-employed households at the two survey points is shown in Table 16. In the table, average earnings are 41594 (0.427 on standardized earnings) for other caste households and 21589 (0.221 on standardized earnings) for scheduled caste

households, yielding a disparity approximately of 20004 (0.205 on standardized earnings) in 2004-05.

Table 16. Difference in earnings and Blinder–Oaxaca decomposition

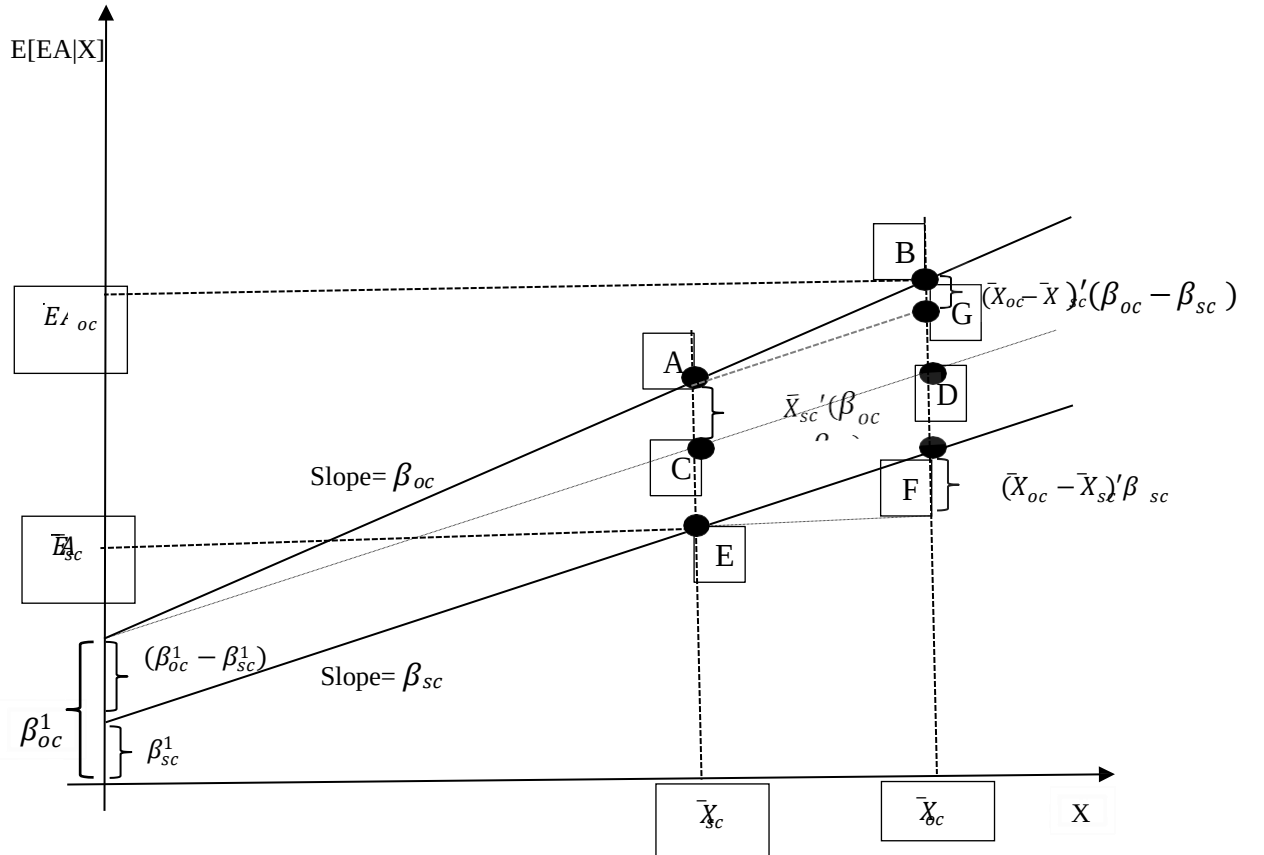
	Coefficient (on raw earnings)		Coefficient (on standardized earnings)		P-value	
	2004-05	2011-12	2004-05	2011-12	2004-05	2011-12
Other Caste	41594	196097	0.427	0.430	0.000	0.000
Scheduled Caste	21589	100747	0.221	0.221	0.000	0.000
Difference	20004	95350	0.205	0.209	0.000	0.000
Endowment effect, $E = \{E(X_{oc}) - E(X_{sc})\}' \beta_{sc}$	4724	11759	0.048	0.025	0.010	0.000
Coefficient effect, $C = E(X_{sc})' (\beta_{oc} - \beta_{sc})$	9166	60027	0.094	0.131	0.000	0.000
Interaction effect, $I = \{E(X_{oc}) - E(X_{sc})\}' (\beta_{oc} - \beta_{sc})$	6114	23562	0.062	0.051	0.000	0.000

Source: Author's Estimation

From Table 16 we can notice that in 2011-2012, the average earning of the scheduled caste households and other caste households is 196097 (0.430 on standardized earnings) and 100747 (0.221 on standardized earnings) respectively, and the difference in average earning outcomes is approximately 95350 (0.205 on standardized earnings). The results reported in Table 16, show that the difference between the mean earnings of scheduled caste self-employed households and other caste self-employed households has increased between 2004-05 and 2011-12, from 0.205 points to 0.209 points. The results reveal that in 2004-05, about 23.4 % (0.048/0.205) difference in earning outcomes is due to the different distribution of predictors (endowments effect) which represent the difference in mean values of the background characteristics between the two groups of self-employed households (Table 13), and the endowments effect for the year 2011-12 has reduced to only about 11.9% (0.025/0.209). In other words, if scheduled caste self-employed households had possessed similar average household features to those of the other caste self-employed households (X_{oc}), their earnings would have increased by 23.4% in 2004-05 and 11.9% in 2011-12. These are the exact differences in average earnings between two groups of self-employed households, assuming that the scheduled caste self-employed households' background characteristics remain the

same (β_{sc}). In other words, it means that if the differences in features had been applied to the impact of scheduled caste households, the earning differences would have been reduced by 23.4% in 2004-05 and 11.9% in 2011-12. Furthermore, about 45.8% (0.094 standard deviation points) of the total difference is attributed to the coefficient effect in 2004-05 and 62.7% (0.131 standard deviation points) in 2011-12. If the average features of the scheduled caste self-employed households (X_{sc}) had remained the same, with the impact/returns of the other caste self-employed households (β_{oc}), the difference in earnings would have reduced by 45.8% in 2004-05 and 62.7% in 2011-12. This points out that not only do other caste households have more enhanced characteristics compared to scheduled caste households but also have better returns to those characteristics. To the extent that the coefficient effect represents potential discrimination (unexplained portion), we notice that there is strong evidence of discrimination along caste lines at both survey points. Moreover, the interaction term shows the gap that accounts for the interaction between the endowment and coefficient effects. In our results, we find that the interaction term affects the earning outcome differences in both years significantly.

Figure 4: Decomposition of earnings gaps between caste groups



In accordance with Arteaga & Glewwe (2014) and Aquib & Laxminarayana (2021) but modified according to our study, these three effects are portrayed in figure 4. Figure 4 schematically presents the decomposition of group differences in mean predicted outcome from the perspective of other caste households, when scheduled caste households have been considered a reference (Eq. 2). In Figure 4 the endowment effect is depicted by the move from E to F. This indicates how the earnings of average scheduled caste self-employed households would increase if they had similar characteristics to average other caste self-employed households. In the second part of equation 2, the coefficient effect (unexplained portion) is expressed by the vertical distance between A and C, which shows the increase in the earnings of average scheduled caste self-employed households if they had similar returns as an average other caste self-employed households. The third term of the equation, the interaction of the endowment and coefficient effects, is displayed by the distance between B and G.

Table 17 displays the detailed contribution of various background characteristics. To begin with the endowments effect, we observe that in 2004-05, on the one hand, the education of adults in households contributed the most, which explains 8.9% (0.018/0.205) of total differences. It means that reducing the difference in education of adults between the scheduled caste and other caste households will lead to a reduction of 8.9% in the earnings disparity. This is followed by whether the households belong to the poor category and the number of adults in the household at the time of the survey, each of which explains 4.4% and 2.9% of total differences respectively. We can also notice that the contributions of regional (urban/rural) difference (1.5%) and familiar business difference (2.4%) in endowment effect are highly significant.

Table 17. Detailed contribution of various background characteristics

Variables	Endowment Effect		Coefficient Effect		Interaction Effect	
	Coefficient	Std. Error	Coefficient	Std. Error	Coefficient	Std. Error
IHDS (2004-05) Round I						
Household size	0.001	0.000	0.066*	0.039	0.000	0.000
Number of Adults	0.006***	0.002	0.039	0.039	0.003	0.003
Head of Household	0.000	0.000	0.044	0.048	0.000	0.000
Education of Adults	0.018***	0.003	0.110***	0.018	0.033***	0.006
Main income source	– 0.001	0.001	0.029	0.020	0.001	0.001
Poverty	0.009***	0.002	0.088***	0.025	0.011***	0.003
Land owned	0.002	0.002	0.002	0.002	0.002	0.002
Purpose of loan	0.001*	0.000	0.005	0.006	0.000	0.000
Urban/Rural	0.003***	0.001	0.033***	0.008	0.006***	0.002

Years in same place	0.000	0.000	– 0.043	0.038	0.000	0.000
Familiar business	0.005***	0.001	0.001	0.018	0.000	0.002
Caste Association	0.000	0.000	0.012***	0.004	0.001	0.000
Union/Business group	0.002*	0.001	0.004*	0.002	0.000	0.000
Constant	-	-	– 0.301**	0.071	-	-
Total	0.048***	0.000	0.094***	0.000	0.062***	0.000
IHDS (2011-12) Round II						
Household size	0.003	0.002	0.043	0.082	– 0.001	0.002
Number of Adults	– 0.001	0.006	0.179**	0.086	0.014**	0.007
Head of Household	0.000	0.001	0.024	0.074	0.000	0.001
Education of Adults	0.008	0.009	0.139***	0.043	0.032***	0.010
Main income source	0.000	0.002	0.131***	0.043	0.000	0.002
Poverty	0.008**	0.004	0.113**	0.056	0.008*	0.004
Land owned	0.000	0.000	0.005	0.009	0.000	0.000
Purpose of loan	0.000	0.000	0.016**	0.007	0.000	0.001
Urban/Rural	0.000	0.003	0.007	0.016	0.001	0.003
Years in same place	0.000	0.000	–0.072	0.100	0.000	0.000
Familiar business	0.006**	0.003	– 0.092***	0.033	– 0.009**	0.003
Caste Association	0.000	0.000	0.006	0.007	0.000	0.000
Union/Business group	0.000	0.000	0.006	0.001	0.001	0.001
Constant	-	-	– 0.378	0.165	-	-
Total	0.025**	0.010	0.131***	0.000	0.051***	0.000

***p < 0.01, ** p < 0.05, *p < 0.10 : Standard deviations are in parentheses

On the other hand, in 2011-12, the education of adults in households did not contribute to the endowment effect significantly. Only the variables poverty and familiar business have contributed significantly to the endowment effect which explains 3.8% and 2.9% of the total differences respectively.

Now looking at the coefficient effect which specifies the unexplained portion of the disparity, we find that the differential effect, in 2004-05, of the education of adults (0.110/0.205=53.7%) explains significantly the greatest share of this part of the disparity in the total differences, followed by poverty (42.9%), urban/rural (16.1%), and caste association (5.9%). It means that the returns to these variables, even though possessing the same household features, for the other caste self-employed households are significantly greater compared to scheduled caste self-employed households. Coming to the year 2011-12, the coefficient effect is largely and significantly driven by differences in the number of adults followed by education of adults, the main source of income, poverty, and purpose of the loan. However, we also see that years in the same place have negative coefficients. It means that among the self-employed households that have been running their businesses in the same place for a long time, the scheduled caste self-employed households receive higher returns compared to their counterparts. Looking at interaction effects, it is the education of adults, poverty, urban/rural, in 2004-05, and the

number of adults, education of adults, familiar business, in 2011-12, have explained large and significant shares. It shows that the endowment and coefficient effects of the education of adults and other significant variables, simultaneously, make a significant impact on the average earning gap between scheduled caste self-employed households and other caste self-employed households.

5. Conclusion

Our study undertakes the post-reform period which coincides with the recent upsurge of globalization in the Indian economy. The advocates of globalization have argued that it helps disadvantaged groups to draw level with the privileged groups because the global markets with minimal discriminating nature relegate the rent-seeking state. The results of our study point out that the globally interconnected markets, largely, benefit the already uplifted households who maintain substantial advantage through access to better education, capital assets, and other useful resources. In other words, SC disadvantage and other caste advantages in the globalized Indian economy are evident in our findings. The average SC self-employed households in India have substantial disadvantages in earnings from businesses relative to self-employed households from other caste groups in both years of analysis. A similar picture of SC-self-employed households' disadvantages and other caste self-employed advantages is noticeable throughout the households' features in terms of the education of adults. Looking at the related findings of other studies regarding the substantial shortfalls of the average SC household in consumption, education, and development indices, the notion is precise with the broad and persistent disadvantage for SC groups in contemporary

It is has found that less than one-fourth of the average earning differences between scheduled caste self-employed households and other caste self-employed households was due to the endowment effect in 2004-05. It means that the quality and quantity of economic, educational, and other endowments possessed by scheduled caste households are likely to be considerably inferior to that of other caste households. In 2011-12, the endowment effect reduced to 11.9 percent from 23.4 percent in 2004-05. It can be assumed that the pre-market inequality, represented by the endowment effect, has reduced between 2004-05 and 2011-12. The findings highlight the coefficient effect or differential effect. The coefficient effect, representing an unexplained portion or potential discrimination, dominated at both survey points. In 2004-05, the coefficient effect explained 45.8% of the total differences and it increased to 62.7% in 2011-12. In other words, we can say that an increase in earning inequality between SC self-

employed and other caste self-employed households was due to the “unequal treatment” of SC attributes. The term “unequal treatment” explains two notions. On the one hand, equal households are treated unequally or the households that belong to different caste groups and possess identical endowments are rewarded differently, on the other hand, the quality of endowments doled out to the different caste groups is different with respect to dissimilar returns (Vani K. Borooah, 2005). Our study shows that the human capital endowments contributed a big share of the earnings differential between SC self-employed households and OC self-employed households, but unequal treatment or return to distribution of endowment with discrimination in the market had been a major contributor to the difference in both years. Since education and poverty play a crucial role in earnings disparity, the Government should aim at narrowing the gap in educational and economic endowments between SC households and other caste households to reduce the earning gap between caste groups.

Chapter: 5

The Role of Social Capital in Household Business

1. Introduction

Numerous questions still need to be addressed by mainstream economics (including new institutional economics). How come dominant social groups experience beneficial outcomes while marginalised social groups experience unfavourable consequences? Given that the state heavily controls market outcomes, how do we distinguish between the existence of dominant informal institutions (such as caste and religion) and formal institutions (the state)? The answers have been provided in the framework of ‘social embeddedness’. The scholars who are working on social embeddedness have contributed significantly to point out the failure of economists to include social structure in the study of mainstream economics. The scholars focus on the crucial role of social networks. The scholars draw our attention toward the importance of strong bonds of kinship, community, and culture, in accessing both economic and non-economic resources to operate the market. The scholars emphasise not just how crucial it is for market ties in capitalist economies to be socially ingrained, but accentuate the major role of civil society in nourishing and strengthening the norms and the usual pact hierarchy practiced and observed in transactions (R. Boyer, 1990; Thorat & et al, 2005). Thus, the framework of social embeddedness argues that the study of economic rationality in terms of pure market exchange misses the social norms that emphasize the existence of a capitalist system with social structures. This argument, in the context of the Indian caste system, underlines the reasons why Dalit businessmen face adverse inclusion in the market. Similarly, Thorat (2005), in his paper, states that “exclusion and discrimination in civil, cultural and particularly in economic spheres such as occupation and labour employment is therefore internal to the system, and a necessary outcome of its governing principles. In the market economy framework, occupational immobility would operate through restrictions in various markets such as capital, land labour, credit, other inputs, and services necessary for any economic activity”. B Harriss White (2003) in her book ‘Working India: Essay on Society and Economy’, has focused on how caste influences the politics of the market. She emphasises that the process by which market politics significantly control the market's operations and results blurs the lines between the state, the market, and civil society. In short, caste builds the basis

of contacts within both formal and informal institutions to facilitate illicit dealings (B Harriss White, 2003). Social relationship within the caste system and the associated power structures influences almost all market transactions and shape their outcomes. In other words, the owners of capital that belong to the dominant caste have the power to impose the social/ideological institution of caste on the market system in the name of market-based accumulation. (Harriss-White, idib). This social network begets capital accumulation formed together by state, shadow state, different classes, different social identities, and local business organizations. This chapter focuses on an exploratory analysis of the relationships between social capital and household businesses and will also capture the essence of the social network embodied between state, markets, and social identity that influences market outcomes.

1.1 Interpretation of Social Capital

Bourdieu (2011), one of the earliest social capital researchers in sociological literature, offers a conceptual framework that has served as the cornerstone for all subsequent studies on the subject. He defines social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition”. Indeed, he also suggested that “the profits which accrue from membership in a group are the basis of the solidarity which makes them possible”. According to him, the advantages that members derive from networks of interactions are not a social given. Instead, the accumulation of social capital is the result of time-consuming investments that were made with the intention of institutionalizing social ties in a way that would result in economic rewards. Although relationships can result in benefits that cannot be measured in monetary terms, such as prestige and nobility, much of the value of social capital is derived from the fact that it can be turned into monetary assets in the form of material resources which enhance the welfare of agents, what he calls “convertibility” (Bourdieu Pierre, 2011). Further, Bourdieu and Wacquant (1992) state that “social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of the more or less institutional relationship of mutual acquaintance and recognition”. In accordance with Bourdieu's theory, the benefits from acquaintances—rather than just the existence of relationships—are what give social capital its value. Coleman (1988) characterises social capital as fundamentally multifaceted, with each of its various manifestations sharing the trait of embodying social structures and supporting the actions of those who operate within them. He emphasises the "appropriability" of social capital, which is

the notion that an agent can use their network of social connections for a number of purposes, including enhancing human capital through education. (Coleman, 1988). Coleman (1990) also argues that “social capital forms an attribute of the social structure in which a person is embedded and it is not the private property of any of the persons who benefit from it”. According to Putnam, higher levels of social capital in some regions are the result of horizontal social relationships built upon trust, shared values, and solidarity (Putnam, & et al, 1992). Putnam (2000) adds that “formal membership, civic participation, social trust (generalized trust), and altruism (volunteerism) are indicators of social capital”. Putnam’s work published in the book ‘*The City Reader*’ also mentions social capital as “trust, network structures, and norms that promote cooperation among actors within a society for their mutual benefit” (Putnam, 2000).

1.2 Social Embeddedness

The idea of "social capital" has evolved to embrace all aspects of interpersonal relationships—including relationships, behavioural norms, networks, formal organizations, and rule systems—that have an effect on market outcomes. Because of their inherent importance to human nature, interpersonal relationships are often overlooked. However, sociological research, economic theory, and empirical studies all show that interpersonal relationships are significant productive assets. Social capital includes both the internal efforts of a household to build interpersonal relationships and the external determinants of a household's strong socio-political status. Alan Kay (2006) points out that people work enthusiastically and productively in a community that shares the same values, therefore, it leads social capital to develop fast within the community. Social capital itself is value-free. In the process of community development social capital can be inclusive and exclusive depending upon the purpose of utilizing it. The level of social capital depends on the historical development of the community which normalizes the pattern of value shared within the community. Social capital depends on the contextual environment in which it operates, and is influenced by local authorities and local powerful people (Alan Kay, 2005). Glaeser and Redlick (2009) opine that social capital is accrued from formal membership and political activism. In reviewing these prior literatures, we can agree to the notion that social capital encompasses several fundamental constructs, mutual trust, political connection or association, membership of groups, and social norms.

1.3 Social Capital and Developing Economies

Emerging economies undergo significant transformations in their economic, social, and legal institutions as a result of their adoption of economic liberalization and transition towards market systems. These changes pose considerable challenges for marketers. In such turbulent scenarios, social connections develop as a significant strategic option that may help firms secure resources and deal with insecure and undetermined surroundings (T Ambler, & et al, 1999). Economists exhibit a predominant interest in social capital due to its profound influence on the governance of economic relations. The lack of strong governance institutions, therefore, stifles the broad sharing of technological and financial resources and capabilities across firm boundaries in developing economies. Without sufficient rule of law, only some privileged networks of entrepreneurs will possess the enforcement mechanisms necessary to make joint investments, and the economy will see fewer large firms and more concentrated and entrenched ownership (He, Morck, and Yeung 2008). Therefore, relatively weak market-supporting institutions in developing economies lend even more significance to the role that social networks play in the process of resource mobilization. Hence, the major proportion of entrepreneurs in these emerging economies depends on their personal networks or social capital as a means to maintain and expand their businesses. Fafchamps (2006) extends the theoretical relationship between social capital and development by describing the dynamics of social capital and formal institutions at various phases of development. The primary advantage of relationships and networks is that they increase the efficiency of human trade "whether material or immaterial, economic or social." Interpersonal relationships and formal institutions can both create trust, allowing for more efficient exchange. According to Fafchamps' thesis, community affiliations and social networks are particularly significant at intermediate stages of development. Associations and networks largely foster individualized trust, which is less efficient and equitable than a generalized trust established by powerful formal institutions and widespread governmental organizational capabilities. Social capital is an extremely potent force in building trust, generating efficient social exchange, and facilitating the supply of public goods in underdeveloped economies where the state is weak and ineffectual. While not a replacement for institutional reform, social capital in the form of community groups and networks is critical in emerging economies (Fafchamps, 2006). Therefore, this study will aim to assess the impacts of social networks which cause economic welfare in the market.

1.4 Social Capital and Entrepreneurship

In recent years, economists have shown an interest in social capital. As both social outcomes and predictors, the social capital, on the one hand, works as a property of individuals at the micro level, on the other hand, it functions as a feature of communities at the macro level (Vanneman, R., et. al 2006). Economists have advanced social capital theory and made significant contributions to the study of social capital's importance in the study of entrepreneurship. Over the course of the last few decades, the importance of social capital to economic development has been recognized. One of the numerous developments that have taken place in the field of globally growing entrepreneurship studies over the past quarter century is an increased emphasis on the social and institutional elements that have an effect on entrepreneurship among households. It has become an accepted theory in the global entrepreneurship literature that 'those entrepreneurs who can refer to a broad and diverse social network and who receive much support from their network are more successful (Brüderl & Preisendörfer 1998). The paper by Sengupta & Greetham (2010), draws attention towards the quantification of social capital embedded in entrepreneurship. This study is based on primary data collected from Indian entrepreneurship in the ICT (Information and Communication Technology) industry. He notices the resource potential of a relationship is not the appropriate measurement of social capital because potential is not always realized. He prefers to place emphasis on resource outcome rather than the resource potential of the relationship. To measure resource outcome in the context of entrepreneurship he has used three distinct forms of social capital, namely, support, reference, and goodwill. The support inherent in relationships, like family members or friends, helps to accrue the initial resources required to start the business. Reference helps reach the product information to both known and unknown customers. It works through intermediates such as referees who can be potential customers or a prospective financier. Goodwill depends on the reputation of entrepreneurs. An entrepreneur who belongs to a business family background has more reputation than the entrepreneur who does not belong to a business family background. This reputation builds trust in prospective customers (Sengupta, 2010). After reviewing previous theoretical and empirical studies, Thornton and Flynn (2003) proclaim that social capital affects entrepreneurship at three levels of analysis i.e., "network ties between individuals, those connecting teams and groups, and those connecting firms and industries". Moreover, they assert that social networks contribute significantly to the entrepreneurial process considering that "networks with cohesion in which

trust is fostered are contexts in which information flows easily, characteristics that are central to reducing the risk of investment in innovation. Whether networks connect individuals, groups, or firms to one another, or tie together actors from two or more of these categories, they are contexts that provide the social, financial, and human capital that fosters entrepreneurship” (Thornton and Flynn, 2003: 424–425).

In the aftermath of the economic reforms, the Indian economy has evolved into a knowledge-based economy, propelled by unabated and rapid change technologies and markets. In this new economy, the interrelationships between knowledge, innovation, and economic development have developed a comprehensive understanding of how knowledge contributes to economic development both within and between social groups. There is a corpus of literature that claims that social capital has a significant impact in a knowledge-driven economy because it expedites entrepreneurs’ acquisition of knowledge and useful information (Malecki, 1998; Landry et al., 2002; & Westlund, 2003). The aspect of social capital presupposes that network ties make individuals or organizations accessible to knowledge and other useful resources embodied in networks (Hessels, 2008). Briefly, social capital can contribute to household business because “a high level of social capital can reduce transaction costs between actors, search and information costs, bargaining costs, and decision costs” (Landry et al., 2002). Thus, in this chapter, our objectives are to measure the earning disparity produced by the caste-based social capital and compare or predict the level of distribution of various types of caste-inspired social capital between scheduled caste self-employed households and other caste self-employed households.

2. Social Capital and Earning Disparities

There is a dearth of empirical research that analyse the impact of multiple dimensions of social capital on business performance in a developing economy like India, despite the theoretical focus and a few studies evaluating particular aspects of social capital on business performance. Moreover, there is a lack of comprehensive empirical research examining the impact of social capital on business performance between households belonging to scheduled caste and other caste groups in India. So, in this study, we emphasise on the argument that, in addition to human capital and productive assets of households, social capital plays a significant role in determining earning disparities between scheduled caste self-employed households and other caste self-employed households. We will examine our hypothesis within the context of social

capital emanating from caste-based social networks in India. In order to assimilate the argument, we have used the same data set we used in Chapter 4 – two rounds of the India Human Development Survey i.e., IHDS I (2004-05) and IHDS II (2011-12).

In the previous chapter 4, we witnessed that the coefficient effect or differentials effect, which represents an unexplained portion or different returns to the same endowments (discrimination), accelerated the earning disparity between scheduled caste and other caste households. In this chapter, we argue that the unexplained portion, or say, unequal treatment to the same endowments, is nothing but the impact of social networks existing in the free market economy. We have already explained this in the framework of social embeddedness which gives rationales for the exclusion or adverse inclusion of scheduled caste self-employed households in the market in Chapter 2. These caste-based social capitals create difficult circumstances for scheduled caste entrepreneurs and shape economic inequalities between scheduled caste households and other caste households.

To show the influence of caste-inspired social capital on market outcomes in terms of earning disparities between scheduled caste self-employed households and other caste self-employed households, we have divided total households into two groups of households. The first group includes those households that are accessible to at least one of the social capitals we have selected for the study purpose. The second group contains the households without social capital – households that do not have access to any of above mentioned social capitals. To show between-caste and within-caste earning disparities separately among two groups (with social capitals and without social capitals) of households, we have employed ANOGI method.

Table 18. Between-group and Within-group Earning Disparity

Gini Coefficient	With social capital		Change	Without social capital		Change
	2004-05	2011-12		2004-05	2011-12	
Between-caste	0.011	0.016	0.005 (45.5)	0.009	0.011	0.002 (22.3)
Within-caste	0.692	0.691	– 0.001 (1.4)	0.660	0.644	– 0.016 (2.4)
Overall	0.703	0.707	0.004 (5.6)	0.669	0.655	– 0.014 (2.1)

Source: Author's compilation

We can observe from Table 18 that meanwhile, overall inequality among the households without social capitals has decreased by 2.1 percentage points, the overall inequality among the households with social capitals has increased by 5.6 percentage points between 2004-05 and 2011-12. Table 1 highlights the between-group inequality. The between-caste inequality for the households with social capital has risen by 45.5 percentage points, and for the households without social capital, it has increased by 22.3 percentage points for the reference period. Hence, we see that the rise in between-caste inequality for the households with social capital has risen more than twofold of the between-caste inequality for the households without social capital from 2004-05 to 2011-12. We can also notice that the within-caste inequality has reduced slightly for both the household groups between 2004-05 and 2011-12.

3. Distribution of Social Capital

In the Indian context, in the age of the market, caste brings knowledge and other resources in the form of networks. Households that are socially embedded participate across multiple organizations with numerous and oftentimes conflicting ideals and objectives. They are also free to reflexively evaluate the various networks and norms that exist in both the economic and non-economic domains of human action. Therefore, our second objective is to analyse and compare the distribution of social capital between scheduled castes and other castes who run household businesses. Hence, the aim of this study is to forecast the levels of social capital, both high and low, between scheduled caste self-employed households and other caste self-employed households. Specifically, we will compare the accessibility to social capital in the forms of bonding social capital, bridging social capital and social and political participation (representing the social and political status of the household) between the scheduled castes and the other castes self-employed households.

To assimilate our second objective, this research uses the comprehensiveness and depth of social capital provided in IHDS II (2011-12). Using the data from IHDS II, we have taken a subsample of 12720 households and used it to compare the distribution of social capital between scheduled caste self-employed households. For the study purpose, in this chapter, like other previous chapters, we have focused on two caste groups, namely, scheduled caste and other caste. To compare the distribution of social capital between scheduled castes and other castes, we have taken several variables of social capital from the data set and put them in three forms that are broadly used, namely, bonding social capital, bridging social capital, and social

and political participation, and they are used as explanatory variables in the empirical models. While the bonding capital binds the members of the same group or community with the same identity and common purpose, the bridging capital connects people from different social groups (Vijaybhaskar & Kalaiyarasan, 2014). Whereas, political and social participation represents the socio-political status of a household.

Table 19. Description of the Variables

Indicators	Description of Variables
Caste category	Classification of households into one of four commonly used categories. 0 if Scheduled caste, 1 if Other caste
Bonding social capital and Bridging Social Capital	Household members who have personal acquaintance with: 1. Government officers and above, who belong to the same caste or outside the caste. 2. Other government employees, who belong to the same caste or outside the caste. 3. Elected members, who belong to the same caste or outside the caste. 4. Political party officials, who belong to the same caste or outside the caste.
Social and Political Participation	Does anybody in the household belong to: 1. Mahila mandal (SN_{MM}). 2. Employee union, business or professional group (SN_{BU}). 3. Self Help Groups (SN_{SHG}). 4. Credit or savings group (SN_{CSG}). 5. Religious group (SN_{RG}). 6. Caste association (SN_{CA}). 7. Development group or NGO (SN_{BG}). 8. Agricultural or other co-operative (SN_{CO}). 9. Political Party (SN_{PP}). 10. Official member in panchayat.

Source: Author's compilation

Table 19 contains the variables and their description given in the data set. As a result of the absence of market-supporting institutions, the governments of emerging economies play an active role in regulating the growth of industries, guiding the policies of businesses, and exerting influence on the operations of corporations. Thus, fostering connections with government officers or other government employees (i.e. political connections) is imperative for firm survival (T Ambler, & et al, 1999). It has been observed that political connection enables firms to obtain benign regulatory or tax conditions and facilitate access to useful resources which in turn upsurge the value of firms (Li, Meng & Zhang, 2006). Developing personal relationships with government agencies and political party officials requires a significant investment of time and money. The significance of community networks, embedded in social groups, in acquiring knowledge about new credit sources is evident, indicating that these networks have a crucial function in facilitating the dissemination of information regarding credit opportunities (Okten & Osili, 2004). The participation of private entrepreneurs in social and political activities entails leveraging personal advantages to attain formal political authority, thereby establishing the nexus between business and politics (Chen, Z., et.al. 2008).

3.1 Descriptive Statistics

Table 20 presents a statistical description of the dataset selected variables of IHDS II. The table contains the means and standard deviation of the variables. Table 20 displays the mean values of each of the background variables describing social capital by caste group of households. The table also shows the mean difference of the variables between scheduled caste households and other caste households.

Table 20. Descriptive Statistics of Independent Variables (2011-12)

<	Variables	Scheduled Caste		Other caste (Mean)		Mean Difference
		Mean	S.D.	Mean	S.D.	
Bonding Social Capital	SN1	0.066	0.249	0.118	0.323	0.051***
	SN2	0.143	0.351	0.196	0.397	0.052***
	SN3	0.086	0.281	0.115	0.319	0.028***
	SN4	0.101	0.302	0.120	0.325	0.018**
Bridging Social Capital	SN5	0.131	0.337	0.189	0.392	0.058***
	SN6	0.227	0.419	0.288	0.453	0.061***
	SN7	0.160	0.367	0.219	0.414	0.059***
	SN8	0.156	0.363	0.196	0.397	0.040***
	SN _{MM}	0.122	0.328	0.112	0.316	- 0.010
	SN _{BU}	0.061	0.240	0.069	0.253	0.007
	SN _{SHG}	0.388	0.473	0.236	0.425	- 0.101***
	SN _{CSG}	0.146	0.353	0.149	0.356	0.003

Social and Political Participation	SN _{RG}	0.150	0.357	0.166	0.372	0.016*
	SN _{CA}	0.108	0.311	0.112	0.315	0.004
	SN _{DG}	0.012	0.112	0.018	0.134	0.006*
	SN _{CO}	0.036	0.187	0.083	0.277	0.047***
	SN _{PP}	0.071	0.257	0.067	0.250	-0.004
	SN _{PM}	0.073	0.260	0.075	0.264	0.002

Source: Author's estimation

***p < 0.01, ** p < 0.05, *p < 0.10 : Standard deviations are in parentheses

In the above table, the variables SN1, SN2, SN3, SN4, SN5, SN6, SN7, and SN8, represent acquaintances with the government. officer within the same caste, acquaintance with other govt. employees within the same caste, acquaintance with elected members within the same caste, acquaintance with elected members within the same caste, acquaintance with political party members within the same caste, acquaintance with govt. officer outside the same caste, acquaintance with other govt. employees outside the same caste, acquaintance with elected members outside the same caste, and acquaintance with political party members outside the same caste respectively. In Table 20, we see, the analysis performed indicates that all the variables indicating bonding social capital and bridging social capital show significant mean differences. It means, there is a significant difference in access to social capital between scheduled caste self-employed households and other caste self-employed households. In other words, other caste self-employed households possess significantly more social capital compared to scheduled caste self-employed households. Results in Table 20 show that except the mean differences for participation in the mahila mandal (SN_{MM}), self-help group (SN_{SHG}), and political party (SN_{PP}), the mean differences for other variables are positive. It means other caste households have low participation in mahila madal, self-help groups, and political activities compared to scheduled caste households. Further, we can notice in Table 20 that among these three variables, the variable self-help group has statistically significant difference in participation, indicating that self-help group is more crucial for scheduled caste self-employed households. The variable cooperative society (SN_{co}) also has statistically significant mean differences. We observe from the above table that other caste self-employed households enjoy access to caste-inspired social capital more than scheduled caste self-employed households, indicated by bonding social capital and bridging social capital. Moreover, through the observation of mean differences, we find that the distribution of bridging social capital is more skewed towards other caste households compared to bonding social capital and social and political participation (except Self-Help Group).

3.2 Logistic Regression

To show the comparison of the distribution of social capital between scheduled caste self-employed households and other caste self-employed households, we have employed a binary logistic regression model. Logistic regression is a statistical technique that determines the likelihood of a particular event taking place (a binary outcome) based on one or more predictor variables. In this study, the dependent variable is a discrete binary variable which equals 1 if the household belongs to other castes, and 0 if the household belongs to a scheduled caste. Thus, the binary logistic regression model is applied to examine how social capital influences the likelihood of households who belong to either other caste or scheduled caste. The model is:

$$P(Y_i = 1 | X_{1i}, \dots, X_{ji}) = \frac{1}{1 + \Sigma(-\beta_0 - \beta_1 (SCI_i) - \dots - \beta_j X_{ji})} \quad (1)$$

Or

$$\ln [P_i / (1 - P_i)] = \beta_0 + \beta_1 (SCI_i) + \sum_{j=2}^n \beta_j X_{ji} \quad (2)$$

We divide social capital in two categories i.e. bonding social capital and bridging social capital.

$$\ln [P_i / (1 - P_i)] = \beta_0 + \beta_1 (SCI_{ai} + SCI_{bi}) + \sum_{j=2}^n \beta_j X_{ji} \quad (3)$$

Where $P(Y_i = 1, X_i)$ is the probability that household i belongs to other caste; Y_i equals 1 represents other caste households and Y_i equals 0 represents scheduled caste households; β_j represents the coefficients for each independent variable. The coefficients show how much the log-odds of the outcome change when the associated predictor changes by one unit, while all other predictors are held constant. A predictor with a positive coefficient signifies that as the predictor variable increases, there is a corresponding increase in the log-odds of the event taking place. This positive coefficient indicates a positive association between the predictor and the outcome. A predictor with a negative coefficient signifies that as the value of the predictor variable increases, there is a decrease in the log-odds of the event taking place. This indicates a negative relationship between the predictor and the outcome. The magnitude of the coefficient signifies the strength of association between the predictor variable and the outcome variable. Greater magnitudes of values indicate a more robust correlation. To make the interpretation more intuitive, we transform the coefficient into odds ratio, which is the

exponentiation of the coefficient. The odds ratio shows how the odds change when the related input variable changes by one unit. If the odds ratio is more than 1, it means that the odds of the event occurring grow as the variable's value rises, if it's lower than 1, it means that the odds of the event occurring drop as the variable's value rises, and if it is equal to 1, it means the odds of the event occurring will not change with change in the value of the variables. In the logistic regression model, the intercept (β_0) indicates the log-odds of an event occurring when all of the input variables are set to zero. SCI_{ai} and SCI_{bi} are the bonding social capital and bridging social capital for each household i respectively; and X_{ji} shows the vector of independent variables that affect the likelihood that the household belongs to other castes. The vector of the independent variables consists; mahila mandal, employee union or business group, self-help group, credit or savings group, religious group, caste association, development group or NGO, Agricultural or co-operative society, political party, and panchayat member.

From Table 21 we can see that the column 'odds ratio' shows the favourable result maximum for the other caste self-employed households. We can quite predict that the majority of other caste self-employed households are likely to possess social capital compared to scheduled caste self-employed households. In the table, we see the variables, acquaintance with govt. officer within the same caste (SN1), acquaintance with other govt. employees within the same caste (SN2), acquaintance with govt. officer outside the same caste (SN5), acquaintance with elected members outside the same caste (SN7), participation in self-help group (SN_{SHG}), participation in a credit & saving group (SN_{CSG}), participation in a cooperative society (SN_{CO}), and political participation (SN_{PP}) are statically significant. In Table 21, the variables, SN1, SN2, SN5, SN7, SN_{CSG} , and SN_{CO} have positive effects. Because the positive effect is correlated with odds ratio greater than 1, it means that the odds of access to social capital by other caste self-employed households grow as the value of social capital (SN1, SN2, SN5, SN7, SN_{CSG} , and SN_{CO}) rises. Since the variables SN_{SHG} and SN_{PP} have negative effects, the odds ratio is less than 1, it means that the odds of access to social capital by other caste self-employed households reduces as the value of social capital (SN_{SHG} and SN_{PP}) increases; and it also indicates that the odds of participation by scheduled caste self-employed households will increase if the number of participation in self-help group and political activities increases.

Focusing on the magnitude of the predictors with positive coefficients, in Table 21, we see that the social capital, representing participation in cooperative society (SN_{CO}), has the greatest magnitude followed by acquaintance with govt. officer within the same caste (SN1),

acquaintance with elected members outside the same caste (SN7), acquaintance with other govt. employees within the same caste (SN2), participation in credit & saving group (SN_{CSG}), and acquaintance with govt. officer outside the same caste (SN5). To begin with the odds ratio of the social capital, participation in cooperative society (SN_{CO}), we find that the odds of participation in cooperative society are predicted to be about 2.39 times larger among other caste self-employment households than they are among scheduled caste self-employed households. We can explain the odds of social capital, and participation in credit & saving groups (SN_{CSG}). Looking at the odds ratio of the social capital, acquaintance with govt. officers within the same caste (SN1), we observe that the odds of connection with government officers from the same caste are predicted to be about 1.45 times larger among other caste self-employed households than they are among scheduled caste self-employed households. In other words, we can say that a one-unit increase in the value of social capital (SN1) increases the odds of connection with elected government officers by 45% for other caste self-employed households. The odds ratio of the social capital, acquaintance with elected members outside the same caste (SN7), indicates that the odds of other caste self-employed households having acquaintance with elected members outside the same caste are predicted to be 1.23 times greater compared to their counterparts. Similarly, we can explain the other social capitals, acquaintance with other govt. employees within the same caste (SN2) and acquaintance with the government. officer outside the same caste (SN5).

Table 21. Analysis of Logistic Regression

Caste Groups	Odds Ratio	Std. Err.	z	P> z	[95% Conf. Interval]	
SN1	1.448964	.1795541	2.99	0.003	1.136522	1.847301
SN2	1.199889	.1099349	1.99	0.047	1.002659	1.435915
SN3	1.173549	.1363639	1.38	0.168	.9345309	1.4737
SN4	.9658852	.1061971	-0.32	0.752	.7786417	1.198156
SN5	1.187708	.1170189	1.75	0.081	.9791411	1.440703
SN6	1.104854	.08686	1.27	0.205	.9470786	1.288913
SN7	1.231381	.1115744	2.30	0.022	1.031017	1.470683
SN8	1.036785	.098176	0.38	0.703	.861165	1.248221
SN _{MM}	1.019629	.0960717	0.21	0.837	.8476961	1.226434
SN _{BU}	1.040834	.1284493	0.32	0.746	.8172119	1.325648

SN _{SHG}	.6305674	.0401941	-7.23	0.000	.5565108	.714479
SN _{CSG}	1.186305	.1030455	1.97	0.049	1.000596	1.406481
SN _{RG}	1.066659	.0928233	0.74	0.458	.8993976	1.265025
SN _{CA}	.9986795	.1029368	-0.01	0.990	.8160003	1.222255
SN _{DG}	1.307546	.3348526	1.05	0.295	.791536	2.159948
SN _{CO}	2.399779	.3559248	5.90	0.000	1.794422	3.209355
SN _{PP}	.792894	.0968539	-1.90	0.057	.6240778	1.007376
SN _{PM}	.9517127	.1069544	-0.44	0.660	.7635669	1.186219
_cons	5.758303	.1811108	55.66	0.000	5.414052	6.124443

Source: Author's compilation; ***p < 0.01, ** p < 0.05, *p < 0.10

Now, coming to magnitude of the predictors with 'negative coefficients', in Table 21, we find that the odds of social capital, participation in self-help groups (SN_{SHG}), is less than one, it means that a one-unit increase in the value of social capital (SN_{SHG}) decreases the odds of participating in self-help groups by 37% (1- 0.63) for other caste self-employed households. In the same way, we can explain the odds of social capital, and political participation (SN_{PP}). In other words, scheduled caste self-employed have a higher likelihood of participation in political activities compared to other caste self-employed households.

4. Impact of Each Form of Social Capital on Average Income

Table 22 presents the average incomes of households that are self-employed and possess at least one of the social capitals that have been found to be statistically significant in the logistic regression analysis in our study. In Table 22, we have made an attempt to demonstrate that, among the households that must use at least one form of social capital, the other castes self-employed households earn, on average, more than twice as much as those of scheduled castes self-employed households.

Table 22. Average Income of Households with Social Capital

Social Capital	Mean Income		
	Scheduled Caste	Other Caste	Difference
Govt officials from same caste (SN1)	113011	414539	301528
Govt employee from same caste (SN2)	114007	300054	186047
Govt officials from outside caste (SN5)	124959	359968	235009
Elected members from outside caste (SN7)	117714	336965	219251

Membership of self-help group (SN _{SHG})	80521	143679	63158
Membership of credit saving group (SN _{CSG})	77323	206909	129586
Participation in cooperative society (SN _{co})	95756	316139	220383
Membership of political party (SN _{pp})	111339	378968	267629
Bonding social capital (SN1 + SN2)	122983	440433	317450
Bridging social capital (SN5 + SN7)	106061	470038	363977

Source: Author's compilation

The above table shows that the difference in average income between scheduled caste and other caste households is larger among the households that must have acquaintance with govt officials (SN1) than among the households that have other forms of social capital but do not have acquaintance with govt officials. This is because access to government officials makes it easier to obtain licences for business ventures, lowers the assessment of sales tax, uses the state power to intimidate rivals, makes it possible to receive preferential treatment when renting out physical space for businesses to operate, etc. Table 22 also highlights the impact of bonding and bridging social capital. In the table, it is evident that there exists a notable increase in the average income of self-employed households belonging to other castes, that possess both bonding social capital and bridging social capital. In order to gain access to state resources and exert political influence on government officials (SN1 and SN5), social networks often encourage intimate relationships with politically elected members (SN7). However, Table 22 shows that among the scheduled caste self-employed households the average income of the households that must have access to bridging social capital is lower compared to the households that must have access to bonding social capital. It is possible because access to bridging social capital is very low among scheduled caste households (see, Table 21)

5. Conclusion and Discussion

In addition to the provision of information, social networks play a significant role in facilitating economic endeavours within various markets through a wide range of actions, encompassing both economic and non-economic nature. These include “supplying ideological justification for the exclusion of certain market players from legitimate economic endeavours, providing access to state resources, regulating the entry and exit of labour and informal credit, facilitating business by providing access to the required physical space, deploying the collective strength of social networks to reward its members and punish market competitors by means that may include violent intimidation” (Aseem Prakash, 2020, p.169). From past literature, we have

found that, in the context of Indian market dynamics, the interconnection between scheduled caste households and other caste households is characterized by a one-to-one relationship. This implies that social connections within the markets are influenced by structural factors, resulting in scheduled caste households having significantly limited social networks to rely on, or the other caste households tend to dictate the terms of business when engaging with scheduled caste households.

However, due to the fact that those who wield power decide which types of values, norms, organizational involvements, and networks are effective in obtaining additional resources, ethnic and cultural contacts, and values may either be assets or liabilities (M. Reza Nakhaie, 2007). The findings of the study indicate that social capital serves as a valuable asset for obtaining additional resources and thereby increases the earnings of household businesses. However, it is important to note that the impact of social capital differs depending on caste and the specific types of social capital involved. From Table 18, we can also observe how social capital influences the earnings disparities between scheduled caste self-employed households and other caste self-employed households. The table shows that between 2004-05 and 2011-12, inequality among households without social capital declined and inequality among households with social capital increased. The table highlights between-caste earning disparities. The increase in between-caste inequality for households with social capital (45.5 percentage points) is more than twice that for those without social capital (22.3 percentage points) between 2004-05 and 2011-12. According to the findings we can claim that, which are in line with the hypotheses derived from the theoretical framework, social capital, which can take the form of memberships in local organizations as well as social network connections to influential members of the community, has a statistically and economically significant association with higher household income from business. Our study does not provide evidence to support the hypothesis that social capital is more significant than human capital (Aguilera, 2003). However, our findings indicate that social capital has a greater positive impact on the earnings of self-employed households from other castes compared to self-employed households from scheduled castes. As a result, there is a wider earnings gap between these two caste groups' households.

The key question that arises here is why other caste self-employed households with social capital differ from scheduled caste self-employed households in terms of income. We investigate this question with a review of the resources that play a role in income generation

and accumulation in household business. These resources could demonstrate household characteristics as well as network characteristics. The earnings of household businesses depend on the accessibility to resources available in the markets as well as the capability of using state power in the typical market circumstance. In other words, social embeddedness i.e., social ties, both horizontal and vertical, with other businesspersons on one hand and acquaintance with government officials on the other, help other caste businesspersons to lower their transaction costs.

In his work, Ronald Burt (2009) emphasises the significant benefit that can be derived by households that possess the ability to connect with multiple networks that exhibit substantial separation from one another. From our findings (Table 20 and Table 21) we can also notice that the other caste self-employed households are more likely to be in a position to use social capital represented by bonding social capital, bridging social capital, and social and political participation (for instance, credit or savings group, religious group, caste association, official member in panchayat, political activities, and etc.) as informal resources in markets. In Table 20, the analysis performed indicates that bonding and bridging social capital are more prevalent among self-employed households from other castes than among those from the scheduled caste. In addition, by looking at mean differences, we find that other caste households have a greater distributional bias for bridging social capital compared to bonding social capital and social and political participation (except Self-Help Group). In Table 21, we see a positive correlation between the variables SN1, SN2, SN5, SN7, SN_{CSG}, and SN_{CO}. Odds ratios greater than 1 indicate a positive effect, therefore an increase in the value of social capital (SN1, SN2, SN5, SN7, SN_{CSG}, and SN_{CO}) is associated with a greater likelihood that households of other castes will have access to it. We have also found that, since SN_{SHG} and SN_{PP} have a negative effect, the odds ratio is less than 1, meaning that the odds of other caste self-employed households accessing social capital decreases as the value of social capital (SN_{SHG} and SN_{PP}) increases, and the odds of scheduled caste self-employed households participating in self-help group and political activities increase. Therefore, in our study, we notice that scheduled castes business households, who are marginalized or excluded from mainstream social institutions and instead associate with religious organisations specific to their caste, do not effectively develop bridging social capital between different social groups. This observation is significant as bridging social capital plays a crucial role in facilitating access to scarce resources that are controlled by dominant groups. The data presented in Table 22 indicates that there is a greater

disparity in average income between households belonging to the scheduled caste and other castes when considering those households that possess a connection with government officials (SN1), compared to households that possess other forms of social capital but lack a connection with government officials. Having connections to government officials can help businesses in a variety of ways: obtaining licenses, reducing sales tax assessments, using state power to scare competitors, getting preferential treatment when renting commercial premises, etc.

Chapter 6

Scheduled Caste Businesspersons and their Experience in Market

1. Introduction

In the fourth chapter, we have shown that the globally interconnected markets, largely, benefit the already uplifted households who maintain substantial advantage through access to better education, capital assets, and other useful resources. In other words, SC disadvantages and other caste advantages in the globalized Indian economy were evident in our findings. In the fourth chapter, we also have found that an increase in earning inequality between SC self-employed and other caste self-employed households was due to the “unequal treatment” of SC attributes. Our results in the fourth chapter show that the human capital endowments contributed a big share of the earnings differential between SC self-employed households and OC self-employed households, but discrimination (unequal treatment) in the market had been a major contributor to the difference in both years. The term “unequal treatment” explains two notions. On the one hand, equal households are treated unequally or the households that belong to different caste groups and possess identical endowments are rewarded differently, on the other hand, the quality of endowments doled out to the different caste groups is different with respect to dissimilar returns (Vani K. Borooah, 2005). In this chapter, we will try to understand the “unequal treatment” from the views of scheduled caste entrepreneurs.

After the pernicious historical legacies of social hierarchies, wherein scheduled castes have to serve the economic interests of the upper caste, scheduled castes are trying to scale up from servitude of the upper caste to autonomous entrepreneurs by investing capital and earning profits. Amidst this unprecedented transformation of the state economy into a market economy in the recent two decades, there has been a sudden spate of scheduled caste entrepreneurship in India. But a free market structure with unbridled local cultural capitalism results in discrimination by interventionism, which boils down to the economic welfare of scheduled caste entrepreneurs. Both social identity and financial predicament make it difficult for scheduled castes to earn profit and compete in the free market. Scheduled castes in India, under the umbrella of democracy, have been empowered politically to some extent but have not endeavoured with economic empowerment. But many economists from the mainstream argue that scheduled castes are more resilient and parvenu in the neoliberal economy today.

The public sector used to be the biggest source of job opportunities for scheduled castes, but after the economic reform in 1991, this sector has been shrinking. It has raised the contentious issue of reservation in the private sector. But some aggressive pro-market voices in the Dalit Indian Chamber of Commerce and Industry (DICCII) view reservation as an outdated concept. For instance, Milind Kamble, an important voice of DICCII, believes that market enterprise is the new mantra for scaling up Dalits economically. Also, it has been seen that scheduled castes are pushed on the periphery of various state-promoted developmental schemes and services. Other scholars point out that the vulnerable section of Dalit youths have taken benefit of affirmative action policies in education and it has helped them venture into trade and commerce (Vani K. Borooah & et.al, 2007; S. Jetley, 1969; & P. Sivanandan, 1979). On the other hand, some scholars have claimed that Dalits are subject to have been systematically excluded from various state-promoted developmental schemes and services (S. Mehrotra, 2006; S.K. Thorat & C. Senapati, 2006; & P. Chavan, 2007). For instance, Pallavi Chavan wrote a paper called ‘Access to Bank Credit – Implications for Dalit Rural Households’. In the paper, she examined the degree of access to formal credit for rural Dalit households after 1991, using the All India Debt and Investment Survey and Survey of Small Borrowal Accounts conducted by RBI. She pointed out that commercial banks were the major sources of credit during 1992 for Dalit households. But the debt shares of Dalit Households from commercial banks declined distinctly between 1992 and 2002. Further, she mentioned that professional moneylenders emerged as an important source of credit for rural households, especially for Dalit households, and the data from commercial banks showed the failure of domestic banks to meet the goal of providing credit facilities to the marginal section (including Dalits) after 1991.

There are numerous pro-Dalit policies announced by the state, but even so, it is not confirmed that the benefit will flow to them. It shows that political inclusion may not necessarily facilitate economic inclusion. There is a distinction between the state system and the state abstraction. Philip Abram (1988), opined that the state system is “a palpable nexus of practice and institutional structure, centered in govt., and more or less extensive, unified and dominant in any given society”. Aseem Prakash, on the one hand, opines that the “state-system is experienced as a symbiotic relationship between the state and the dominant castes, resulting in a feeble state that is open to local control and appropriation by these dominant castes. On the other hand, state-idea being an abstract but oppressive force, he points out that “abstraction is intensified when the state’s policy initiatives are made known to Dalits through political

publicity and media reports, but are subsequently found to be not implemented on the ground” (Aseem Prakash, 2015; pp–150). So this study captures the essence of the intersectional relationship between state, markets, and social identity which influences market outcomes. The quest of the study is to evaluate economic discrimination in the market and to understand the insights of market outcomes from the views of scheduled caste entrepreneurs.

2. The Need for Primary Survey

In the context of our study, narrative analysis offers a number of distinct advantages. Narratives enable a deep study of the aspirations of scheduled castes, as well as their endeavours to transition from fulfilling the labour demands of other castes to attaining economic autonomy through capital investment and profit generation. The sequential narration of events, beginning with market entry, operation, and engagement with government institutions to competition and interaction with other caste peers, enables us to discern those aspects of the social structure that make it possible for other castes to dominate in the markets. Second, the empirical premise of the narrative analysis reflects the dynamic nature of existing social relationships and dismisses preconceived notions regarding the behaviour of individuals with particular social identities. Third, narratives provide a means to examine the dynamics of inter-social group relationships from a relational perspective. The relational perspective can be observed within a framework consisting of two interconnected dimensions. One, primary aspect pertains to the burden imposed by the caste system, which establishes a distinct relationship between two social groups. Along with this, the individual's relationship with formal and informal institutional structures in the market, such as credit institutions and business unions, is influenced by their ascriptive identities. This means that the nature of the interaction between entrepreneurs and these institutions also varies depending on their ascriptive status. Fourth, this is of particular significance due to the fact that narratives pertaining to entrepreneurs from scheduled castes are inherently localized. Consequently, it is imperative for researchers to contextualize these local narratives within the broader socio-economic and institutional framework, while also critically examining available macro-theories and concepts from diverse academic disciplines.

3. Agra Footwear Industry

Historically, the leather and footwear industry had been established on small-scale and traditional caste-based occupations. But the leather workers are stigmatized for being engaged

in polluted work. Even after modernization in the leather industry in recent decades, the social structure of the industry has its roots in the communal-based and caste-based division of labor embodied with sociological ambivalence. Along with caste-based social stratification, India also experiences economic and religious stratification with other cultures. Religious stratification makes the leather industry more complex to understand in view of economic globalization. The religious prohibition in Hinduism, with respect to working or not working in leather, also affects the non-Hindus. Because Muslim Indians do not have, unlike Hindus, the religious prohibition against working in leather, they occupy a prominent place in the history of the Indian leather industry. The inconsistency between culture and economy makes leather workers struggle to find a way to cope with cow protection sentiments and the growing impact of globalization on India's liberalized economy. This discordance between cow protection sentiments and the growing impact of globalization has an effect on all strata of the Indian caste system (Sanjay Sinha, 1986). For the study purpose, in this chapter, we have focused on the Agra footwear Industry. This study aims at demonstrating that the market is regulated and influenced by the caste ideology and social structure in which the economic agents live.

Agra is characterized by a deeply rooted caste-based chasm between an artisanal community that makes and a trading community that sells (Peter Knorringa, 1999). These both communities form 'awkward' classes i.e., petty commodity producers and merchant or commercial capital or produce traders (Harriss-White, 2023). These classes are exterior to the orthodox understanding of Karl Marx's class model, which is persistent and expanding at the world level; they play a crucial role in social relations and politics, and moreover now have become a fully integral part of industrial and financial capital (ibid, 2023). According to Prabhat Patnaik, petty commodity producers, in the case of India, are the outcome of a 'perverse transformation'. With the abbreviated process of primitive accumulation of capital, perverse transformation dispossesses laborers through land seizure or curtailing rural incomes. It fails to absorb the free or semi-free labor it creates. So PCP continues as a residue, constructively part of the reserve army (Patnaik, 2012). The scheduled caste artisans or shoemakers form the same class-contradictory practice known as "petty commodity production" (PCP) involves economic activity in which the household serves as both the production and consumption unit. Harriss-White says that "Commercial capital is in turn suffused with productive activity; it encompasses petty trade and accumulating enterprises

which pursue a reactive opportunistic politics which preserves their independence” (Harriss-White, 2023). The existing commercial capital encompasses both large and small or petty firms. On the other hand, large firms, sometimes they can be regarded as oligopolistic firms, accumulate through the centralization and concentration of capital. On the other hand, small or petty firms, which are precluded from the accumulation of capital, persist and grow in large numbers by multiplication but yet they remain small-scale firms. The other caste merchants or produce traders accumulate capital and directly or indirectly control the production of shoes as well as the post-production of supplies of shoes.

Agra has long been a center for shoemaking, particularly of the cheaper varieties; and despite this, Agra not being a center for leather supplies (in the manner of Kanpur, Calcutta, or Chennai) (ibid). Agra City is the hub of small-scale footwear factories and household shoe artisans. The relationship between producer and trader in the Agra footwear industry inevitably depends on the hereditary occupational structure embedded in the caste system. Footwear workers or manufacturers are predominantly Jatavs, a subgroup of the Chamars, whereas the traders are predominantly forward-caste Hindus (Sindhi and Punjabi), Sikhs, and some well-to-do Muslims. The jatav artisans are highly skilled; the skills are inherited. But they belong to the lower strata of the caste system and hence are socially ostracised. It is noticeable that, after economic reforms, scheduled castes find themselves more vulnerable in the shoe business where they had previously enjoyed a near monopoly. As a result many shoe manufacturers, who had operated big manufacturing units in terms of their annual turnover, have scaled down to the status of medium or small-size businesses. Moreover, numerous owners of small size manufacturing units have shut down production and now become wage laborers in the big size production units owned by the upper caste. It all happened after the deregulation of the leather sector (Prakash, 2015, pp. 112). Many scheduled caste persons start businesses after completing their education but they find it difficult or fail to grow their businesses because of lack of profit. Because they do not earn profit they are unable to raise money from the market. A larger number of manufacturers faced problems in procuring initial orders, and they realized that inaccessibility to capital made their business propositions less competitive.

During the survey, we found that the other caste traders, who deal mainly in unbranded and cheap shoes, pursue two buying strategies: direct sales or deals on prior orders. In direct sales, other caste traders purchase standardized ready-made shoes from scheduled caste artisans (also

owners of manufacturing units) on the spot. The direct sale of products to consumers is available in only a handful of small manufacturing plants in Agra. The majority of the smallest household units, run by scheduled caste (jatav) artisans and using primarily or exclusively family labor, approach local other caste wholesalers or traders with readymade, cheap footwear as well as standard shoes. Agra's traders, concentrated in the Hing ki Mandi market in central Agra, supply these shoes all over India, with regional adjustments in designs. As most of the artisans are aware of which subset of traders may purchase particularly designed shoes, but the traders can be choosy. Scheduled caste shoe artisans have to maintain better interdependent relations with traders in *Hing ki Mandi* to secure regular orders. The ferocious price haggling leads to aggravating arguments, first, because scheduled caste artisans have to sell their prepared products necessarily before they can begin another round of production, and second, the caste-based dispute results in ascribed distrust between other caste traders and scheduled caste artisans. In a prior order, the market channel deals with a pool of a large number of scheduled caste artisans, running small and medium-sized workshops, who initiate production work on order for local other caste traders. During the survey, we noticed that most of the scheduled caste artisans are exclusively engaged in direct-sales and cheap and small prior orders. There are very few scheduled caste artisans who sell fashionable and more expensive shoes. The direct sales segment especially appears to be a trap in terms of the vicious circle of stagnant technology, low-quality footwear, and ever more desperate conditions for scheduled caste (Jatav) artisans. Additionally, SC artisans, involved in direct sales channels, can not put off selling because all of their working capital is committed to one production cycle. Although SCs artisans do not need to get prior orders to initiate production work, they must sell a load in order to start a new round. But other caste traders can wait for their counterparts' margins to crumble. On top of that, there is a strong sense of caste-based antagonism between SCs artisans and other caste traders.

4. General Profile

Table 23 presents the classification of the manufacturing units by the type of footwear. The number shows that the majority (62.5) is engaged in producing synthetic shoes.

Table 23. Number of Scheduled Caste Shoe artisans interviewed

Manufacturing Unit	Number of Interviewees	Percentage
Synthetic Shoes	25	62.5

Leather Shoes	9	22.5
Synthetic Slippers	5	12.5
Sole	1	2.5

Source: Compiled by the author

It seems possible because the demand for synthetic shoes has experienced an upsurge in the last few years and the manufacturing cost of synthetic shoes is also less compared to the manufacturing cost of leather shoes. In recent years, the demand for polyurethane (PU) leather has been accelerating due to the sudden increase in the Chinese sporting goods market, and PU leather has been accepted worldwide as a replacement for harmful polyvinyl chloride synthetic leathers, which causes environmental pollution and the emission of carcinogens (Roh, E. K. & et. al., 2013).

Table 24(a). Categorization of raw material purchase made by SC artisans

Material	Synthetic Shoes			Leather Shoes			Slippers			Total
	Other	SC	Both	Other	SC	Both	Other	SC	Both	
Foam	21 (68)	1 (3)	3 (9)	–	1 (3)	–	5 (16)	–	–	31
Leather	1 (9)	1 (9)	–	1 (9)	7 (64)	1 (9)	–	–	–	11
Cotton Lining	17 (50)	1 (3)	3 (9)	1 (3)	7 (20)	–	5 (15)			34
Sole	19 (49)	3 (7)	3 (7)	7 (18)	1 (2)	1 (2)	5 (13)	–	–	39
Eva Seat	4 (31)	2 (15)	–	3 (23)	1 (8)	–	3 (23)	–	–	13
Polyurethane	24 (60)	1 (2)	2 (5)	6 (15)	1 (2)	1 (2)	5 (13)			40
Box	21 (60)	2 (6)	1 (3)	6 (17)	1 (3)	–	4 (11)			35

Source: Field Data . The figures in parentheses show the percentage. The categories Other and SC represent the traders from other castes (Non-SC/ST) and scheduled castes respectively.

Tables 24(a) and 24(b) show the categorization of raw material purchased by scheduled caste (SCs) artisans from other castes or scheduled castes or both the retailers. In Table 24(b) we can notice that scheduled caste artisans have purchased raw materials, except leather, majorly from other caste retailers. Figures from both tables raise the question of why scheduled caste artisans have to purchase raw materials from other caste retailers rather than scheduled caste retailers. When we asked this question from SC artisans, most of them replied that the retail market is fully occupied by other caste retailers; there are a few SCs retailers who run small shops, and sometimes, they have a shortage of materials. Some of the SC artisans said that other caste retailers have been running shops for a long time, they have good relationships with

other caste traders in Hing ki Mandi, and they use their networks to secure prior orders. A few SC artisans also said that our caste people's shops are far from our factories, and we have to incur extra transportation costs if we buy materials from them. During the survey, we asked them about other problems in purchasing raw materials. Many of them, approximately 2/3rd, complained about high prices and anguish of uncertainty about the price of raw materials. This is because other caste retailers decide the price of raw materials and share information with other retailers through their closed social network, and it reduces the bargaining opportunity for scheduled caste pity commodity producers (artisans).

Table 24(b). Categorization of raw material purchased from retailers (total)

Material	Purchase from			Total
	Other	SC	Both	
Foam	26 (84)	2 (6)	3 (10)	31
Leather	2 (18)	8 (73)	1 (9)	11
Cotton Lining	23 (67)	8 (24)	3 (9)	34
Sole	31 (80)	4 (10)	4 (10)	39
Eva Seat	10 (77)	3 (23)	–	13
Polyurethane	35 (88)	2 (5)	3 (7)	40
Box	31 (88)	3 (9)	1 (3)	35

Source: Field Data. The figures in parentheses show percentages.

Table 25. Categorization of products sold to traders

Manufacturing Unit	Product Sold to			
	Other	SC	Both	Total
Synthetic Shoes	22 (88)	–	3 (12)	25
Leather Shoes	7 (78)	1 (11)	1 (11)	9
Slipper	3 (60)	2 (40)	–	5

Source: Field Data. The figures in parentheses show percentages.

Table 25 illustrates the facts about the products sold by scheduled caste artisans. It allows comparisons between scheduled caste artisans who sell their product either to other caste traders, or to scheduled caste traders, or to both. From Table 25 we observe that most scheduled caste artisans are selling their products to other caste traders. However, the other caste in Agra control and maintain the trading of shoes through capital-intensive rather than labour-intensive. Scheduled caste businessmen in Agra don't have enough capital that is required to open a shop

in Hing ki Mandi. Hence, there is a negligible number of SCs traders who run their small shops in another place in Agra rather than Hing ki Mandi. Therefore, the shoe industry in Agra is primarily controlled by Baniya, Marwaris, and Punjabis who are engaged in trading.

Table 26. Categorization of different problems raised by SC artisans during trading

Problems	Purchasing Raw Material		Sale of Shoes	
	Yes	No	Yes	No
Credit	15 (37.5)	27 (62.5)	40 (100)	0
Bargaining	27 (62.5)	15 (37.5)	10 (25)	30 (75)
Product Return	0	40 (100)	32 (80)	8 (20)
Caste Impact	22 (55)	18 (45)	30 (75)	10 (25)

Source: Field Data. The figures in parentheses show percentages.

Table 26 addresses the questions on discrimination. The first column in the table represents the ways in which discrimination can arise at the time of purchasing raw materials or at the time of sale of shoes. We have made two segments of the questions. The first segment includes questions related to discrimination that SC artisans face during the purchase of raw materials. These questions are: First, do you get raw materials on credit? From the above table, we can notice that more than 60 percent SCs artisans purchase in cash. Second, are you allowed to bargain? More than 60 percent accept that they are allowed to bargain. Third, are you allowed to return the raw material you purchased? It is noticeable from the table that none of the interviewees have been allowed to return raw materials after purchase. Fourth, do you feel that caste affects the purchasing of raw materials? It can be seen in the table, 55 percent think that somehow caste affects purchasing.

Toward the goal mentioned above, we ask about the experiences of SCs artisans that they have during the purchase of raw materials from other caste retailers. Some artisans have shared their experiences:

Atender (changed name) says that when I request them (raw material traders) to give me materials on credit they add their margin (increase the prices). They ask me to pay an extra 10 rupees for each item. But they don't ask extra 10 rupees from the persons who belong to their caste. When I go to them to return the defective materials, they refuse to take it back because they don't trust me. But if anyone comes from their caste to return the material, they accept it without any argument.

Ajeet (changed name) says, I purchase raw material from both caste retailers. Other caste retailers do not sell materials on credit, but our caste does. Bargaining is not allowed when we purchase on credit. Sometimes they differentiate in quality. They sell poor quality material to us and good quality material to their caste persons at the same price. Because of this poor-quality material, we have to adjust the quality of the shoes. Thus, we have to sell our shoes at a very low price.

Neeraj and Kushal (changed names), who have opened manufacturing units recently, say, we are scheduled caste and new entrants, and we don't get credit facilities. They ask us to pay at the time. They even say, if you don't have money now, don't purchase in bulk. But we have noticed that they show sympathy and support to their caste persons. They give priority to their caste. They ask us to wait while they first prefer to sell material to their community even though they came after us. Sometimes their behaviour is inappropriate.

These testimonies reflect the prevailing socio-economic conditions that influence interactions and relationships between scheduled caste artisans and other caste retailers. We can perceive from the testimonies that other caste retailers may possess prejudiced attitudes towards SCs artisans due to the social hierarchy rooted in the caste system. The other caste retailers allow bargaining with other caste artisans but not SCs artisans. It shows that the caste-based identity conflict still harbours enough attributed distrust to undermine the atmosphere of bargaining. In the testimony of Ajeet, we understand the importance of community support. He makes purchases from both SC retailers and other caste retailers. SCs retailers allow him to purchase raw materials on credit while other caste retailers deny him purchasing raw materials on credit, but they provide purchase on the credit facility to other caste artisans. Hence, SC artisans suffer more compared to their counterparts, the other caste artisans, during the purchase of raw materials. This is because the market of raw materials is mostly run by other caste traders whereas the presence of SC traders in the market is negligible.

The second segment includes questions related to discrimination that SC artisans face during the sale of shoes. These questions are: First, have you ever sold your product on credit? In Table 26 it is clear that all the interviewees said, yes. No one gets full payment at the time of sale. Second, are you allowed to bargain for a high price? In the table we see, approximately 75 percent of SC artisans accept that there is no space for bargaining with traders. Third, do traders return your prepared products? It is noticeable that 80 percent of SC artisans nod yes. Fourth, do you think that caste affects the sale? It is found that 75 percent SC artisans feel that their caste status affects their sales. In this sense, some SC artisans have shared their experiences:

Premveer (changed name) says, I earn less profit compared to other caste artisans. Other caste artisans sell their shoes with high margins. Sometimes, I have to bear a loss in sales because I need money to feed my family and start the second round of production. But other caste artisans have strong support from traders (other castes) and never face payment problems. Some other caste artisans run the same scale units but, due to their social networks, they are able to sell more shoes, even at higher prices.

Somnath (changed name) says, once we wanted to get a prior order so we prepared a sample of shoes and showed it to one of the traders. The trader kept this sample with him and asked us to come tomorrow. When we went to his shop the next day, he returned our sample by saying that no one wants this sample. But after some days I came to know that the same sample shoes were produced by other artisans who happened to be from his caste (who have copied the model). He took our sample and gave it to his caste. It makes us think that they do it necessarily because I belong to a scheduled caste. I also sold our products at a loss. Sometimes, they tricked us. They gave us a new order of shoes; we prepared them and went to deliver them. When we asked for the payment, instead of payment he returned our old unsold shoes and deducted some amount from the new payment. He forced us to settle the total payment. Our businesses depend on them. Thus, we earn very less profit and are unable to save and invest.

Gajendra (changed name) says, when they have to return our prepared shoes, they give many unnecessary excuses. No matter how perfect the shoes you supply them are, they will still find a hundred flaws and always attempt to squeeze a few more rupees out of us, which reduces the remaining margin. Once, I prepared a new sample of shoes and showed it to one of the other caste traders. He kept it with him and asked me to come tomorrow evening. I went the next day to his shop. He rejected the sample and said that the agent did not like it. But he had prepared the same sample shoes in his own factory and sold them to an outside agent. They also don't like our presence at the shoe exhibitions where many big agents come from outside to select samples and give orders for shoes. If we go to the exhibition, they threaten to break the tie between us. They sometimes stop giving us prior orders of shoes. In that case, we have to depend on new traders. I also opened a shop in Hing ki Mandi but they did not like it. They got united against me. I could not survive there for a long time. They don't want us to enter into the same business.

Arun Sachin (changed name) says, they buy our products at low prices compared to other caste artisans. They do this because they don't want us to grow our business and become economically prosperous. They fix our price to the minimum level and exploit our profit. It leaves us with no other option but to survive in the market. They just consider us as laborers who can make shoes at a cheaper cost. They never consider us a businessman. They give us the order of shoes that can be produced cheaply. We hardly earn good profit on the sale of these quality shoes. But they give orders of the best quality shoes to their caste artisans, and these artisans earn huge profits on the sale of these types of shoes. Whenever these other caste traders get big orders from an outside party, they ask us to prepare some shoes because they are unable to produce all the shoes in their factories. But here also they give us a small order of shoes and

they give a big order to their caste artisans. Those outside agents also don't give orders to us because they trust only other caste traders.

There are other artisans who shared almost the same problems in business. The above testimonies explain how business procedures are still influenced by caste. In the first testimony, we get to know the importance of social capital for small petty producers. Other caste artisans benefit from the relationship with other caste traders. Other caste artisans, unlike SCs artisans, don't face payment problems because traders and other caste artisans belong to the same caste. From the second and third testimonies, we comprehend that the other caste traders not only exploit the profit of SCs artisans but also exploit their skills. While haggling, other caste traders have a unique scorn look for SCs artisans; it's not a buyer-seller game, but rather a sign of caste-superiority feelings. It is not much of a gamble, as traders are committed to the strict specifications for their products. It does, however, weaken the bargaining position of the artisans, because they are exposed to the full risk, and this vulnerability limits their interaction with fierce price negotiations. Traders trick them and steal their samples of shoes prepared by skilled SCs artisans. From the above testimonies, we also ascertain that, although SC artisans have better skills, they find themselves helpless. This is because, on the one hand, other caste traders, until and unless, give them prior orders or buy shoes from them, they cannot produce shoes. On the other hand, when SCs artisans go to shoe exhibitions in order to get direct orders from outside agents, these other caste traders cut off orders. SCs artisans have to depend on other caste traders for their business. Further, when scheduled caste businessmen somehow open shops in Hing ki Mandi; if other caste traders feel that these scheduled caste businessmen constitute a threat to their sales, the all other caste traders get united and make sure that scheduled caste businesses don't get prosperous.

Table 27. Classification of units showing changes in Investment and years taken.

Change in Investment (rupees)	Years			Total
	Less than 10	10-20	More than 20	
Up to 0	5	6	4	15 (37.5)
1 – 100000	4	4	1	9 (22.5)
100001 – 300000	3	1	3	7 (17.5)
300001 – 600000	1	—	1	2 (5)
600000 – 1000000	1	1	—	2 (5)
More than 1000000	2	3	—	5 (12.5)

Source: Compiled by the author

The figures in parentheses show the percentage.

Table 27 gives figures on ‘change in investment’ through the years. Change in investment is calculated by subtracting the ‘initial investment’ from the ‘current investment’. The table lists the number of the SCs artisans who were running the manufacturing units at the time of the interview. The change in investment also represents the progress of the unit. Progress of the unit is considered according to the capability to produce shoes. Looking at the first row of up to 0, we notice that approximately 38% of manufacturing units could not progress. They were still producing footwear in fewer numbers. Turning our attention to the remaining figures in the same row we can see that even the manufacturing units that have been running for more than 10 years (6 units) or more than 20 years (4 units) could not increase the production capacity. It is noticeable from the table that when the change in investment (or say, production capacity) increases, except in the last row, the number of manufacturing units declines. Only 12.5% of manufacturing units registered a change in the investment of more than 10 lakhs. The question that arises here is why capacity did not increase. It is because the average income for SCs artisans is actually significantly less than what a simple extrapolation of thin margins would predict because direct sales provide the least regular workflow. In general, these SCs artisans either rely on direct sales or prior orders of small orders for cheap shoes. In direct sale, the other caste traders make the scheduled caste artisans sell their shoes for a bare pittance because they are always running out of cash and cannot delay sales as they need to feed their families and purchase raw materials to start another round of production. In prior orders, they have to wait for payment from other caste traders. Hence, scheduled caste artisans are unable to increase investment and accumulate capital.

Table 28. Classification of profit- & loss-making units among SC artisans

Profit & Loss (rupees)	Manufacturing Unit		
	Synthetic Shoes	Leather Shoes	Slippers
Up to 0	5	1	1
1 – 50000	10	4	4
50001 – 100000	2	3	–
100001 – 150000	3	–	–
150001 – 200000	1	1	–
More than 200000	5	–	–

Source: Compiled by the Author

Table 28 includes statistics on profit & loss that SCs artisans had received on the recent sale. Recent sale refers to the selling of prior orders of pairs of shoes, and it also includes direct sales. It is noticeable that most of the SCs artisans earn profits up to Rs. 50000. There are 7

units that incurred a loss on their recent sale. Only 5 units reported a profit of more than 2 lakhs. These 5 units are those units that have increased their investment by more than 10 lakhs (Table 27). The question that arises is why they are able to earn less profit or sometimes incur a loss. The answer can be traced to the socioeconomic structure of the industry. SCs artisans get exploited in two ways: first, the industry is extremely competitive among themselves, and financial predicament makes them helpless. They have to sell their products at a very low margin. To complete the orders on time they have to exploit family labourers as they cannot hire more workers because of the financial crisis. Second, the caste ideology gives rise to adverse economic outcomes for SCs artisans, as we have comprehended from their testimonies.

5. Other General Problems

In our field survey we asked interviewees about the major problems they often deal with. One of the major problems that most of the SC artisans have stressed out is financial predicament. Most of them use either their personal savings or borrow from friends and relatives. Very few of them have taken loans from banks under the government schemes. A large number of SC artisans are not aware of the government loan schemes for business. In our field survey, we met two SC artisans who were aware of the government schemes and they applied for it. But they could not avail of the schemes. Bank officials, who belong to other castes, deny loans to SC artisans despite their being legally entitled to them. In his study, Aseem Prakash tries to explain the near exclusion of Dalits from institutional credit. He has examined and explored two different argument sets. The first set follows the neoclassical school of thought, whereas the second set comes from Dalit entrepreneurs' perspective about being denied credit. On the one hand, the neoclassical explanation can be found in the rational decision of banks. Banks extend credit only to those entrepreneurs who are associated with lower risks and transaction costs and better security. On the other hand, the Dalit entrepreneur perceives this denial of credit as an attempt to stick him to his traditional caste occupation and thereby continue the status quo (Aseem Prakash, 2015, pp 55 – 117). The second major problem is payment delay. The artisans prepare shoes and supply them to traders. The traders do not clear the bill at the time. Other caste traders pay artisans with a credit slip called locally a parcha. A standard parcha specifies that the artisans can receive their cash payments after a few days. But these SCs artisans who work on orders must pay for raw materials in cash. Sometimes traders give them half of the total payment and ask them to wait. But SC artisans cannot wait because they

don't have enough savings to feed their families, and they have to start the second round of production. On the one hand, they are not allowed to purchase raw materials on credit, on the other hand, the traders buy their shoes on credit or at low prices. The artisans are now in a hopeless situation since, if they ask for payment repeatedly, there will be no follow-up orders and, most likely, no sooner delivery of their money or credit slip. This time gap in payment makes artisans borrow money from their friends or local lenders so that they can start producing the shoes and complete the production on time. The huge competition in the footwear industry compels artisans to sell their shoes on credit. Sometimes, because of the delay in payment and shortage of money, they have to reduce the production capacity. The third major problem SC artisans face is a lack of information. The agents and wholesalers from other parts of India come to Agra and place big orders for shoes, but they communicate with other caste traders in *Hing ki Mandi*. There is a lack of interaction between the scheduled caste artisans and the agents and wholesalers. Whenever there are changes in fashion or style and demand for footwear, the information remains hidden for a long time for the scheduled caste household entrepreneurs. Information is circulated between exporters/agents and other caste wholesalers/traders.

6. Conclusion

We have combined both quantitative data and qualitative assessment to understand the structure of Agra's small-scale footwear industry. In our research field, we found that producing shoes for SCs artisans is more than a caste-related job; it is a family affair and a means of survival. Hence, in our fieldwork, we also found that the government seems as an abstract entity with no accountability for its operations, and its formal credit institutions are inaccessible for Dalits. The growing effect of globalization is anticipated to open up more economic opportunities for scheduled castes. However, based on our field evidence we found that the majority have access to minimal capital and still earn a low return in the liberalized shoe market.

The analysis in this chapter shows how market outcomes are rooted in the existing socioeconomic structure of the footwear & leather industry in Agra. In order to demonstrate how prevailing social norms shape India's social structure of accumulation, we resorted to a primary survey. We looked at the caste system's function as one of the key components of India's accumulation-based social structure. Because the market offered the normative promise of emancipation, the SC artisans with whom we spoke chose to enter it. But we understood

from their experiences that caste as an ideology promotes, rather than breaks down, the discriminatory behaviour by other caste traders against SC artisans. We also noticed that the industry has an economic as well as social basis (caste ideology). However, the latter always impairs the economic interests of SC artisans. During the field research, we have learned that the explicit economic objective of other caste traders is to ensure favourable economic returns for themselves as well as for other caste artisans at the expense of scheduled caste businessmen. For instance, other caste traders get united and threatened and reduce the profit of scheduled caste businessmen in Hing ki Mandi to prevent competition from scheduled caste in the same business; they also don't like the presence of SCs artisans in the shoe exhibition. If another caste trader feels that his business is threatened by a scheduled caste partner, he cuts off the regular orders. The consequences of violating the bound, the penalties are greater than the advantages. Other caste traders want to maintain caste hierarchy in the trading business and exploit surplus as much as they want. Therefore, poor economic outcomes for artisans from the SCs may result from the social and economic foundations of caste belief. Arun Ghosh mentioned in his paper that "this segment reflects quite closely the Marxian concept of maximum 'realization of surplus value' except that the surplus value is realized, in this case, not by the 'entrepreneur' but by the trader, who happens to have capital or resource power. The trader appropriates the entire 'surplus value' of output" (Ghosh, 1997). Thus, we can say that it leads to the Centralization of capital and decentralization of production processes.

The testimonials of the artisans from the SC revealed that the notion of caste does not appear to function through the practice of purity and contamination. Instead, it functions shrewdly to maintain a power hierarchy between the other caste traders and SCs artisans. The testimonies also suggest that this power hierarchy is structured and maintained by social capital. To put it another way, caste ideology has the power to strengthen ties between market participants who are members of the same caste. Such solidarity actuates the configuration of social networks in markets, and it aims at protecting and promoting the economic interest of the members. In the Agra footwear & leather industry, most of the profound social networks, not explicitly resisting SCs artisans, are tightly knit bodies, which work towards the economic interests of other castes but invariably work against the economic interests of SCs.

Chapter: 7

Conclusions and Discussion

The prevailing paradigm in the social sciences generally suggests that the processes of capitalist development and modernization will inevitably reduce the significance of social identities and their impact on economic outcomes. Neo-classical economists contend that social identities have the ability to lessen market competition, obstruct institutional change, increase transaction costs, and lower market efficiency. Therefore, market-driven economies, often known as free market economies, have the potential to weaken social identities that are based on ascription. The new institutional economics acknowledges the significance of informal institutions, such as religion and caste. However, historical evidence indicates that formal institutions play a crucial role in reducing transaction costs and consequently fostering competition. This, in turn, has the potential to stimulate economic growth. Therefore, it is anticipated that capitalism, as an economic system, will introduce a specific form of market rationality that diminishes the significance of social identities over time. In other words, market outcomes will mostly be determined by the junction of supply and demand, whereas the markets would be regulated by secular and formal institutions in order to prevent any market exigencies. Regarding India, several researchers have written about the connection between the market economy and caste. These works share the general assumptions of both new institutional economics and neo-classical economics, which is that markets have the power to reduce the influence of caste identities on market outcomes. Since political democracy has failed to meet the expectations of marginalised caste groups regarding their chances of economic success, markets have also become more significant.

1. Conclusions

In our study we focused on delving into the intersectional relationship between caste, free market approach, and social capital which influences market outcomes. On the basis of the argument, we set the hypothesis as to whether neo-liberalism in India has increased the economic inequality between scheduled caste households and other caste households in post-reform India. We found that the neo-liberal policies have expedited economic inequality between scheduled caste households and other caste households after economic reforms in

India. To assert our claim, we addressed main four research questions. First, have the economic reform policies of 1991 reduced the economic inequality between the scheduled caste and other caste households? To assess economic inequality, this study examined the trend of accumulating wealth after economic reform in 1991 by social groups. This was addressed by the concentration of assets and employment status of households i.e., self-employment households and employee households. We employed Analysis of Gini (Anogi) method to measure wealth inequality. Our result found that within-group inequality for paid-employee households was greater than the within-group inequality for self-employed households. This states that the distribution of wealth within the paid-employee households' group was highly unequal compared to the self-employed households' group. The results also suggested that the wealth inequality between scheduled caste and other caste households increased for the self-employed households' group but it reduced significantly for the paid-employee households' group after economic reforms. Our study claims that after economic reforms in India, the self-employed households experienced a sharp increase in wealth inequality compared to the paid-employee households and it resulted in a significant increase in the wealth inequality between overall scheduled caste and other caste households. It means, after economic reforms in 1991, it is the self-employed households' group that has been enforcing the higher wealth inequality between social groups in India.

Second, has the socioeconomic status of self-employed households improved from the income/earnings from household businesses? and has the earning gap reduced in free market structure between scheduled caste and other caste households? In our study, we examined the socioeconomic factors such as – Education status, Household size, Economic status, access to social networks, and Regions – that determine the outcomes for businesses run by different caste groups. To examine the impact of socioeconomic background characteristics on the difference in mean earnings between scheduled caste self-employed households and other caste (non-sc) self-employed households, we employed threefold Blinder-Oaxaca decomposition. The results of our study found that the globally interconnected markets, largely, benefit those self-employed households who have access to better education, capital assets, and other useful resources. In other words, in the globalized Indian economy, scheduled caste self-employed households have fewer advantages in the market, but other caste self-employed households have the upper hand over the market. When looking at the characteristics of the households in terms of adult education, a similar picture of the disadvantages of SC self-

employed households and other caste self-employed households` advantages is evident. The idea is accurate given the widespread and ongoing disadvantage that SC groups face in today's world when considering the related findings of previous studies about the significant deficiencies of the average SC household in consumption, education, and development indices. Our study indicates that human capital endowments played a significant role in explaining the earnings gap between self-employed households from the scheduled caste and other castes; however, inequitable treatment or the return on endowment distribution combined with market discrimination had been a significant factor for the earnings gap.

Third, does social capital influence businesses of different social groups equally? We focused on exploratory analysis of the relationships between social capital and household businesses and captured the essence of the social network embodied between state, markets, and social identity that influences market outcomes. we measured the earning disparity produced by the caste-based social capital and predicted the level of distribution of various types of caste-inspired social capital between scheduled caste self-employed households and other caste self-employed households. We found that apart from the mere dissemination of information, social networks also contribute significantly to the promotion of economic activity within various markets by means of a broad range of activities, both economic and non-economic in nature. These undertake “supplying ideological justification for the exclusion of certain market players from legitimate economic endeavours, providing access to state resources, regulating the entry and exit of labour and informal credit, facilitating business by providing access to the required physical space, deploying the collective strength of social networks to reward its members, and punish market competitors by means that may include violent intimidation” (Aseem Prakash, 2020, p.169). Depending on caste and the particular forms of social capital involved, we found that the influence of social capital varies.

Additionally, we have discovered the role that social capital plays in the differences in earnings between self-employed households belonging to the scheduled caste and those belonging to other castes. According to the study, inequality among households lacking social capital decreased between 2004–05 and 2011–12, while inequality among households having social capital increased during that same period. For households with social capital, the increase in between-caste inequality between 2004–05 and 2011–12 was 45.5 percentage points, more than twice as high as for those without social capital (22.3 percentage points). Based on the

results, we can state that there is a statistically and economically significant correlation between social capital—which includes connections to influential people in the community through social networks and memberships in local organizations—and higher household income from business. These findings align with the theoretical framework's hypotheses.

Fourth, do scheduled caste businesspersons experience ‘unfavourable inclusion’ in the market? In order to demonstrate how current social norms that define India's social structure of accumulation influence market results, we went to a primary survey. For study purpose, we interviewed scheduled caste petty producers (shoe artisans) in the Agra footwear industry. The artisanal group that makes shoes and the trading community that sells them are divided by a deep-seated caste divide that defines the Agra footwear industry. We aimed at demonstrating that the market is regulated and managed by the caste ideology and social-political structure in which the economic agents live. We did, however, understand from scheduled caste artisans’ experiences in the market that caste as an ideology serves to legitimise the discriminatory practices of other caste traders against SC artisans, rather than to mitigate them. The testimonies of the scheduled caste artisans indicate that the idea of caste is not implemented through the practices of pollution and purity. Rather, it cleverly serves to uphold a power structure between the artisans of the SCs and the other caste traders. We also noticed that the industry has an economic as well as social basis (caste ideology). However, the latter always impairs the economic interests of SC artisans. The testimonies also suggest that this power hierarchy is structured and maintained by social capital.

We also observed that hiring workers to carry out economic activities was a frequent entrance hurdle, and the majority of scheduled caste artisans had a challenging time acquiring initial orders for their businesses because the shoe market in Agra is driven by other castes. In the case of footwear manufacturing, the majority of scheduled caste artisans appear to have lost out to large capital and are primarily engaged in piece-rate production. According to Arun Ghosh, “this segment reflects quite closely the Marxian concept of maximum 'realization of surplus value' except that the surplus value is realized, in this case, not by the 'entrepreneur' but by the trader, who happens to have capital or resource power. The trader appropriates the entire 'surplus value' of output” (Ghosh, 1997). Thus, we can say that it leads to the Centralization of capital and decentralization of production processes. As an essential factor of India's social structure of accumulation, caste played a crucial role that we looked at.

2. Discussion

As is evident from the foregoing discussion, scheduled caste capital-owning self-employed households experience what Sen (2000) calls "unfavorable inclusion" in the market, although the degree of distress differs by region and market sector. Put differently, neither explicit restrictions nor opportunities for full integration as equal participants exist for members of scheduled castes, who own capital, with regard to their access to marketplaces. Furthermore, the balance of institutional forces in the larger socioeconomic and political domains influences the inclination of market processes towards either total accommodation or absolute rigidity. In other words, if scheduled castes self-employed households encounter unfavorable inclusion in the market processes, which is appropriately compounded by the passivity of the state, the origins of the problem reside in civil society. In the sphere of civil society, the intellectual framework of caste relations is cited and maintained (Prakash, 2015). Here, the advantages of social networks are used to support other caste households' entrepreneurial ventures. Again, potential and actual violence against scheduled castes occurs within civil society. As a result, caste needs to be seen as a separate entity within Indian civil society since it both influences the state (social network) and has a significant impact on how markets function by managing credit, organising labour, and governing supply and procurement. Our argument is that the state, the market, and civil society all interact in a way that fosters and maintains the numerous types of discrimination that are carried out against scheduled castes artisans. Therefore, outcomes in the markets are influenced by social institutions as well as the formal economic institutions of the state and the markets.

According to the findings of the study, discrimination is defined as providing unequal treatment to families headed by self-employed individuals who are in comparable circumstances. The social standards of purity and pollution defining the connections between various castes have altered significantly as a result of the quick shift in socio-political institutions. There are still hierarchical power relations and inequality between the scheduled castes and the other castes, despite the fact that the rules have taken on new aspects. The social interactions between scheduled castes and other castes continue to be defined by prejudice against the scheduled castes in the context of market relationships. This prejudice is intentionally raised and performed to suit the needs of market competition. This prejudice is executed to fulfill the demands of market competition.

The activities of the scheduled caste are impeded by their inability to get state resources in the "general business" category and the new sectors that have arisen as a result of the liberalisation of the markets. Their inability to exploit the social networks that other caste households employ to run their informal loan market is their biggest drawback. The ability of any business to obtain informal short-term credit will determine how successful or unsuccessful it is. The scheduled caste is excluded from these unofficial networks. The interest rate they pay is occasionally far more than the market rate, even if they are successful in securing informal loans. Due to their inability to obtain informal credit or the requirement to arrange loans at exorbitant interest rates, they are unable to fulfill the deadlines of profitable trades. Finally, when it comes to renting or purchasing strategically significant premises for their companies, households belonging to other castes provide a challenge for households that are scheduled castes.

Discrimination, over time, leads to the suppression of competition and yields inefficient outcomes in the market. It is the actions of individuals that perpetuate discriminatory practices, resulting in inefficient labour allocation, reduced profits, and lower wages. In contrast to assumptions made by the scholars from neo-classical and new institutional schools, it can be argued that caste and networks lies within the caste structure do not act as suppressors of competition. Instead, they function as institutional mechanisms that effectively address the demands of market competition. These mechanisms primarily regulate credit and labour, thereby exerting a significant influence on market outcomes. More importantly, caste's ability to regulate helps to set up a system of "social structure of accumulation."

The fundamental claim made by academics and proponents of free market policies to end discrimination is that economic liberalisation can reduce the disparity between political equality and the enormous economic disparities that exist between various upper and lower castes. They base this claim on the idea that the market, which is the result of free individuals maximizing their utilities, has the power to eliminate bias and discrimination. However, support for free market policies is coupled with a demand for state intervention to assist Dalits in entering the markets. Ashwani Despande (2011) in her book named, *The Grammar of Caste: Economic Discrimination in Contemporary India*, mentioned that "the bulk of economic theory is built on the assumption that social identities of agents do not matter in the market, there are powerful exceptions that show how social identities of economic agents can be central

to determination of their economic outcomes”. Akerlof (2005) with the help of economic modeling, demonstrates how the sanction of caste might reduce market competition since a trader who succeeds in a discriminating transaction will not be a winner but a social outcaste. He mentioned that “an economic agent who is involved in the transaction with lower caste may suffer the stigma of the outcastes. If the punishment of becoming an outcaste is predicted to be sufficiently severe, the system of caste is held in equilibrium, irrespective of individual tastes, by economic incentives; the predictions of the caste system become a self-fulfilling prophecy”.

3. Future Research

This study provides empirical information on the economic inequality between social groups in post-reform India. However, there are a few important research gaps that can be taken up in the future. First, to understand the spread of ‘Dalit capitalism’ it is not enough to focus on the top end of Dalit business but instead, to investigate the extent and spread of Dalit participation in small business, which more accurately reflects the material conditions of millions of Dalits who are not in wage employment. Second, What specific socio-political and economic factors support the market's reproduction of social power, which has a negative economic impact on households belonging to the scheduled caste?

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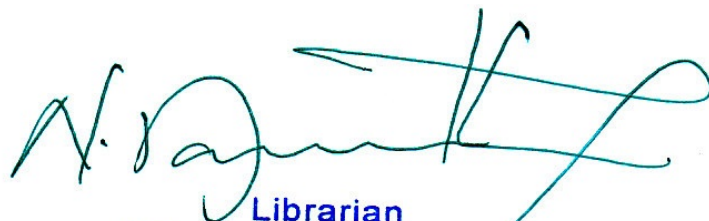
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Employment status and wealth inequality between scheduled caste and other caste households in India

Saurabh¹ · R. V. Ramanamurthy¹

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Abstract

In the early 1990s, the proponents of the economic reforms believed that liberalization of the market would reduce the economic inequality and benefit the marginalized sections, especially Scheduled Castes, in India. In this context, this study examines the trend of accumulating wealth after economic reforms 1991 by social groups. This has been addressed by the concentration of assets and employment status of households, i.e., self-employment households and employee households. In this study, we also explain why wealth disparities between the caste groups rose significantly after economic reforms in India. This study is based on three rounds of All India Debt and Investment Survey, i.e., 48th round (1991–92), 59th round (2002–2003) and 70th round (2012–13), collected by NSSO. We have applied the Anogi decomposition method to document the inequality and overlapping, within and between the social groups, by employment status of households, i.e., self-employed and paid-employee. The results show that a sudden increase in overall wealth inequality and between caste groups inequality, after economic reforms, was due to a sharp increase in wealth inequalities across the self-employed households in India. It means, after economic reforms, it is the group of self-employed households that has been enforcing the wealth inequality between social groups in India.

Keywords Wealth · Self-employed · Paid-employee · Lorenz curve · Inequalities · Overlapping

JEL Classification H31 · J15 · J24 · J71 · P30

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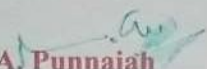
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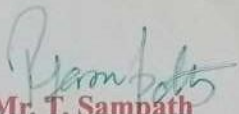
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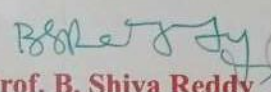
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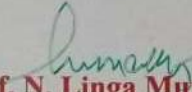
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57th Annual Conference of The Indian Econometric Society (TIES)

This is to certify that Prof./Dr./Mr./Ms. *Laurabh*

has presented a paper titled *Caste and Earning Disparity in Post-Reform India : A Case study of self-employed households*
in the 57th Annual Conference

jointly organised by

~~Department~~ ^{School} of Economics, University of Hyderabad

and

The Indian Econometric Society (TIES)

during 4th to 6th January 2023.

K. Shanmugan

Dr. K. Shanmugan
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