

The Incorporation of Dalits into India's Business Economy & its Implications for Social and Economic Policies

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by

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I hereby certify that this thesis is the result of my own work except where otherwise indicated and due acknowledgement is given.

SIGNED

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Abstract

Even after six and a half decades since Indian Independence, Dalits (ex-untouchables and oppressed castes) continue to experience caste-based discrimination and social exclusion in social as well as economic life. This research examines the incorporation of Dalits into the business economy - how they enter the market as owners of businesses rather than as wage-workers. The research has three key objectives: first, to analyse the spatial and sectoral patterns and variation of Dalit's incorporation; second, to explain factors and processes affecting their entry; and third, to analyse the implications of key social and economic policies on Dalits' incorporation.

This doctoral research project uses mixed methods, moves between different scales and deploys a wide range of evidence. The research estimates 'indices of participation' and produces a series of maps to show patterns and trajectories. It uses spatial econometric techniques to model quantifiable factors affecting Dalits' entry. It relies on qualitative methods for individual case studies to unravel other factors and processes. Using Schaffer's policy analysis framework, the research examines the politics of affirmative policies for Dalit businesses in the agenda-setting, the establishing of procedures and rules, and resource mobilisation.

The study revealed that the trajectory of Dalits' incorporation is uneven and the spatial patterns across several sectors and regions show persistent under-representation. Urbanisation is the most significant predictor of Dalits' incorporation. Dalits' entry into the business is conditioned by the interactions of opportunities and resources and by the barriers created by subtle forms of exclusionary and discriminatory practices inherent in social structures, market institutions and the state. The study also found that the politics of patronage, of bureaucratic inefficiency, underinvestment and procrastination, and of domination of the business interests of higher castes are mutually reinforcing. This research has clear policy significance from the perspectives of equity and inclusiveness in the business economy.

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Glossary

<i>Adivasi</i>	literally, ‘original inhabitant’; the preferred political self-identification by scheduled tribe communities
<i>Chamar</i>	a Dalit sub-caste
<i>Crore</i>	1,00,00,000
<i>Dalit</i>	literally, ‘downtrodden’; the preferred political self-identification by scheduled caste communities
<i>Jati</i>	a unit of caste
<i>Kirana</i>	grocery
<i>Lakh</i>	1,00,000
<i>Pradhan</i>	head of the village local body
<i>Varna</i>	a notion of caste heirrarchy derived from the Hindu religious philosophy

List of Abbreviations

AIC	Akaike Info Criterion
AICTE	All India Council for Technical Education
ASI	Annual Survey of Industries
ASSOCHAM	Associated Chambers of Commerce of India
BE	Budget Estimates
BPL	Below Poverty Line
BSE	Bombay Stock Exchange
BSP	Bahujan Samaj Party
BUPGB	Baroda Uttar Pradesh Gramin Bank
CII	Confederation of Indian Industry
CMD	Chief Managing Director
CPSUs	Central Public Sector Units
CSS	Centrally Sponsored Scheme
CST	Central Sales Tax
DBO	Dalit Business Owners
DE	Directory Establishment
DIC	District Industries Centre
DICCI	Dalit Indian Chamber of Commerce & Industry
DLTFC	District Level Task Force Committee
DPL	Double of the Poverty Line
EDIs	Entrepreneurship Development Institutes
EDP	Entrepreneurship Development Programmes
FCI	Food Corporation of India
FICCI	Federation of Indian Chamber of Commerce & Industry
FISME	Federation of Indian Small & Medium Enterprises
GDP	Gross Domestic Product
GIS	Geographic Information System
GoI	Government of India
GoM	Group of Ministers
HP	Himachal Pradesh
IAS	Indian Administrative Service
IDBI	Industrial Development Bank of India
IDFC	Infrastructure Development Finance Company
ITIs	Industrial training institutes

KVIC	Khadi Village Industries Commission
LIC	Life Insurance of India
LISA	Local Indicator for Spatial Association
LM	Lagrange Multiplier
MCN	Multicollinearity Condition Number
ML	Maximum Likelihood
MP	Madhya Pradesh
MSEs	Micro and Small Enterprises
MSJ&E	Ministry of Social Justice & Empowerment
MSME	Micro, Small & Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NCDHR	National Campaign on Dalit Human Rights
NCEUS	National Commission for Enterprises in the Unorganised Sector
NCSC	National Commission for Scheduled Castes
NCTE	National Council For Teacher Education
NDA	National Democratic Alliance
NDE	Non-Directory Establishment
NE	North-Eastern
NGO	Non Government Organisation
NHRC	National Human Rights Commission
NIC	National Industrial Classification
NSDC	National Skill Development Corporation
NSDF	National Skill Development Fund
NSFDC	National Schedule Caste Finance & Development Corporation
NSIC	National Small Industries Corporation
NSKFDC	National Safai Karamchari Finance & Development Corporation
NSS	National Sample Survey
NSSO	National Sample Survey Office
NSTFDC	National Schedule Tribe Finance & Development Corporation
NW	North-West
OAE	Own Account Enterprises
OBC	Other Backward Classes

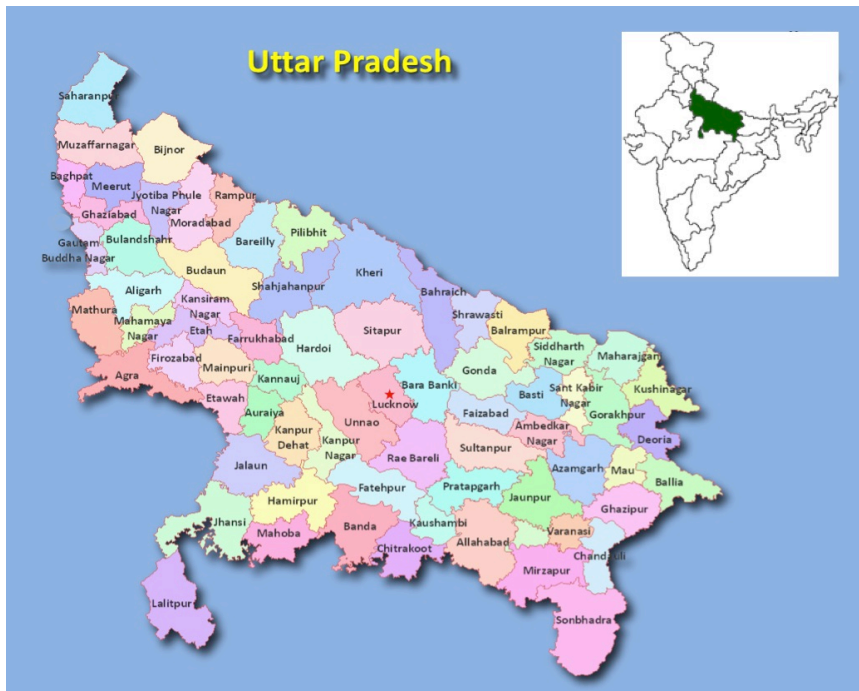
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Square
PH	Physically Handicapped
PI	Indices of Participation
PMEGP	Prime Minister Employment Generation Programme
PMMY	Pradhan Mantri Mudra Yojana
PPP	Public-Private Partnership
PSBs	Public Sector Banks
PSUs	Public Sector Units
RBI	Reserve Bank of India
RE	Revised Estimates
RES	Rural Engineering Services
RGUMY	Rajiv Gandhi Udyami Mitra Yojana
RSEs	Relative Standard Errors
RSETIs	Rural Self-employment Training Institutes
SC	Scheduled Castes
SCDCs	State Scheduled Caste Development Corporations
SCP	Scheduled Caste Sub Plan
SDE	Skill Development & Entrepreneurship
SE	Standard Error
SFCs	state finance corporations
SIDBI	Small Industries Development Bank of India
SIDO	Small Industries Development Organisation
SME	Small and Medium Enterprises
ST	Scheduled Tribes
T-PRIDE	Telangana State Program for Rapid Incubation of Dalit Entrepreneurs
TSP	Tribal Sub Plan
UN	United Nation
UP	Uttar Pradesh
UPA	United Progressive Alliance
UPSCFDC	Uttar Pradesh Schedule Caste Finance and Development Corporation
USA	United States of America
UT	Union Territory
VAT	Value Added Tax

Maps of India, Uttar Pradesh and Raebareli



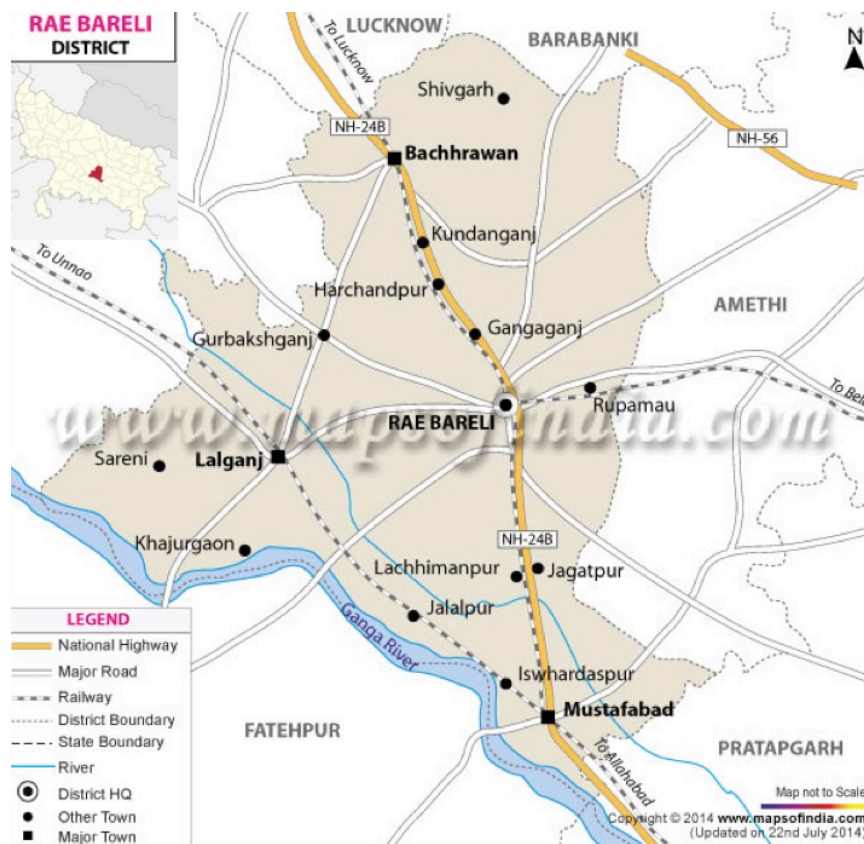
Source: <http://www.mapsofindia.com/>

Map of Uttar Pradesh



Source: <http://www.nrsc.gov.in/>

Map of Raebareli District



Source: <http://www.mapsofindia.com/>

1 Introduction

Dalits (Scheduled Castes (SCs)) constitute 16% of India's total population¹ and are labelled 'backward groups'. Their backwardness spans economic, social and political development. The various frameworks of the Constitution of India such as the 'Fundamental Rights' and 'Directive Principles of State Policies' delineate the state's obligation to provide equal opportunities to all its citizens in social, political and economic spheres and to eliminate established practices that perpetuate inequities (NHRC 2004:199). The Indian state has made many provisions to improve the situation of Dalits including reservation policies providing them with positive preferential treatment in the allotment of jobs and access to higher education. Further, the state has sanctioned special projects for allocating exclusive resources and benefits to Dalits with an aim to bridge the wide gap in social and economic condition between the Dalits and other social groups.

However, the literature continues to record discrimination against Dalits in many settings including labour, housing, services, credit and land markets (Thorat 2002) and Dalits face the brunt of the unequal outcomes of state policies as implemented on the ground (Prakash and Harriss-White 2009). Tanning, scavenging, sweeping, and cleaning jobs remain mostly Dalit occupations in modern India. The majority of Dalits work as landless labour or near-landless labourers in agricultural production or the lowest paid kinds of manual work or have been confined to jobs in the informal sectors (Thorat 2002, Thorat and Mallick 2004, Thorat and Umakant 2004). The vast majority of Dalits continue to experience discrimination and social exclusion even after six decades of independence. Marginalisation has been central to the existence of Dalits in India. It has permeated not only their social life but also their economic life (Shah 2001). Dalits have

¹ Census of India 2001

been confined mainly to wage work while a few have jobs in the bureaucracy. Whether policies directed towards Dalits are selectively implemented (or completely sabotaged) is a grave concern from the perspectives of equity and inclusive development.

Most studies on the economic incorporation of Dalits focus either on the labour market or affirmative policies. In this research, my interest lies in a hitherto relatively neglected area: the analysis of Dalits' incorporation in India's private business economy. This area is a neglected area of study, both empirically and theoretically. The private business economy in India has grown manifold with the high economic growth of the post-reforms period, and there are very few studies analysing the relationship between caste and business ownership (Harriss-White and Vidyarthi 2009, Deshpande and Sharma 2013, Harriss-White, Vidyarthi et al. 2014, Jodhka 2015, Prakash 2015). And yet, from the perspective of equity and inclusive development, since Dalit labour market participation has been less than reasonable, an understanding of Dalits' incorporation into the business economy is crucial to the body of knowledge about Dalits in India and thus to policy for their development. In the new policy thrust on inclusive development (Kannan 2007, Thorat and Sadana 2009, Arunachalam 2010, Bhagwati and Panagariya 2013), the state aims to bring broad-based benefits from accelerated economic growth to all citizens, especially to the marginalised groups in society. This is because the issue of inclusive development has come to centre stage in light of the failure of economic growth to bring about holistic improvements in the living conditions of the vast majority of marginalised people.

The first objective of this research is to analyse how Dalits are participating in the business economy as the owners of firms and how this process varies spatially. Specifically, I investigate the regional, sectoral and temporal patterns of Dalits' businesses across India during 1990-2005 to understand the nature and dynamics of

Dalits' participation. Following from this analysis, my second objective moves towards explaining spatial and sectoral variation with an aim to elicit insights about factors and processes implicating Dalit participation. My third objective is to examine how social and economic policies affect these processes. In doing so, my main research questions are situated firstly, in the process of economic incorporation as being embedded in social structures; secondly, in the hypothesis that discriminatory and exclusionary processes are central to the explanation of sectoral and spatial variation; and thirdly in the hypothesis that these processes are being perpetuated both through the institutions of market exchange and inside the state.

In this introductory chapter, in the first few sections, I outline the background of the research, with particular reference to the economic incorporation of Dalits and wider theoretical literature addressing this issue. Then, I outline the rationale for the research project and the research questions. Further, I describe the approach to the analysis of economic incorporation. Finally, I briefly discuss the research methodology.

1.1 Caste, Liberalisation and Economic Incorporation

In this section, I situate my research objectives within Dalit studies with particular reference to the economic incorporation of Dalits. I also summarise knowledge gaps and critiques of the existing knowledge base.

1.1.1 Who are Dalits?

‘Dalit’ means ‘ground down’ or ‘broken’ in Hindi (Rao 2008). The term was first used by B.R. Ambedkar in the late 1920s and gained currency in academic and activist circles around the 1970s. The groups referred to as ‘Dalits’ have been variously described as belonging to the lowest rung of, or lying outside, the Hindu caste-system (Shah

2001).²The social category of Dalits has been historically categorised as “Untouchables” which is the anglicised version of a term drawn from the Hindu scriptures that sanctify caste-based hierarchisation and discrimination (Shah 2001). Through its constitutional framework, the state refers to Dalits as the ‘scheduled castes’ (SCs). The criterion for consideration and inclusion of a particular caste into the Schedule is based on its social, educational and economic backwardness arising out of ‘traditional’ customs related to the practice of untouchability (Webster 2007). I use the word “Dalits” rather than the government classification “scheduled castes” because it is now the preferred political self-identification of the oppressed peoples.

Even though Dalits are found in most states, they are mainly confined to the states of Uttar Pradesh and Bihar in the North, West Bengal in the East, Tamil Nadu and Andhra Pradesh in the South and Rajasthan and Maharashtra in the West (Shah 2001). In spite of the diversification of their occupations, a slow rise in literacy rate and urban migration, the vast majority of Dalits continue to experience discrimination and social exclusion (ibid). Here, ‘discrimination’³ can be defined as any distinction, exclusion, restriction or preference based on traits other than merit or utility. These can be sex, race, caste, age, religion, the social status which denies individuals and groups of people equality of treatment (UN 1981, European Commission 2008). Discrimination occurs in many settings, including employment, housing, services, credit and the land market. ‘Social exclusion’ can be considered as a ‘vocabulary of disadvantage’ encompassing processes preventing adequate access to resources and integration into key social institutions (Room 1995:5).

² as do *Adivasis* (Schedule Tribes - ST).

³ Here, it should be noted that any distinctions or preferences such as affirmative action, reservation for particular social group established by the state for positive targeting do not constitute discrimination.

1.1.2 Theories of Caste

Caste has been defined from a wide variety of perspectives- tradition, hierarchy, inequality, production relations, and even religion. The caste system was a social hierarchy entrenching inequality in the society. The caste system has been subjected to much theorisation focusing on the principle of natural superiority, the notion of purity and pollution, bodily connotations of untouchability, through terms of indignity, stigma, prejudice, humiliation and social disdain among others (Srinivas 1962, Beteille 1966 , Gupta 1980, Dumont 1988, Gupta 1992).

The structural-functionalist theorists (Srinivas 1962, Dumont 1988, Srinivas 1994) view caste as a system of interdependence and reciprocity based on the principle of hierarchical rankings. Hierarchies are based on the ideas of *varna*, *karma*, and *dharma*; and often structured around the ritual status emanating from the notions of purity and pollution. Each caste group occupy a specific ritual status in the hierarchical order and is considered to have a certain level of ritual purity, which may be polluted by commensal contacts with groups having a lower level of purity (Mayer 1956). The commensal relations among caste groups are dictated by caste's hierarchal position. Moffatt (1979) views the caste system as a mechanism of cultural consensus in an elaborately hierarchical social order (Moffatt 2015). Several anthropologists (Berreman 1965, Deliege 2001, Mosse 2006) have focused on conflicts and differences between socio-religious ideologies of caste groups.

Gupta (1992) has argued that the principle of natural superiority constitutes the guiding spirit and the central criterion of the caste system. What enables the sustenance of the system, according to Gupta, is the obvious ways in which the differences between the different castes are expressed on a day to day basis in the form of ritualistic practices,

marriage, occupation, diet, clothing, etc. In keeping with the traditional text-based understanding of caste, Gupta also directly associates the caste-based system of stratification with notions of purity and pollution (Gupta 1992). The notions of purity and pollution have been refined by several scholars - just as the social exchanges mediated through caste themselves are changing.

The caste system has also been defined as a closed system of stratification in which social groups follow tradition in relation to occupation, marriage and kinship alliances. Caste is recognised through combinations and subsets of attributes such as ritual purity, occupation and inherited property rights, diet, rules of endogamy (which may be routinely broken), religion, language and the political categories of states (Harriss-White and Vidyarthi 2009).

Klass's theory of the social role of caste sees it as a crucial element of the economy in which the rule of endogamy enforces the specialisation and the ranking in the redistributive system (Klass 1980). Berreman considers endogamy as a crucial factor of caste as he defines the caste system as 'a hierarchy of endogamous divisions in which membership is hereditary and permanent' (Berreman 1960:120). Endogamy is one of the necessary factors for maintaining and perpetuating caste and provides a basis for the stability of the caste system. Incidences of endogamy among caste groups resort to the closely associated social and economic factors. It is often said that the caste system has sustained as a fundamental part of the social structure in India through the specific kinship nature of its internal organisation- endogamy, social norms and customs, hereditary occupations etc.

Relying on colonial and orientalist writings, Bogle identified three core elements that make caste: hereditary specialisation, hierarchical arrangements, and mutual repulsion among different groups (Bouglé 1968:30). Dumont extended Bogle's theory by arguing

the core element in the ideology of caste is the hierarchy which is naturalised and legitimized by the Hindu religious beliefs (Dumont 1988). He defined hierarchy as the superiority of the pure to the impure and considered it as the underlying structural logic of the ideology of caste (ibid:43). There are several authors who argue that theories by Bogle and Dumont undervalue the role of caste in power relations and inequalities in material life and its reproduction.

Joan Mencher's analysis of caste presents caste as a very effective system of economic exploitation from the point of the view of people at the lowest end of the scale (Mencher 1974). Fuller has highlighted how caste relations are integrated into larger political systems through his village studies in pre-colonial India (Fuller 1977). Manor argues that caste hierarchies not only exist at the level of ideas and beliefs but are also rooted in materiality (Manor 2010). Srinivas discusses how caste is expressed as a relationship of power and its reproduction, reinforced with coercion and dominance (Srinivas 1960). Beteille has demonstrated the relationship of caste, ritual traditions, and domination in the village society, based on his long-drawn fieldwork in a south Indian village (Beteille 1966). Caste has also persisted in the form of substantialized identities and as a source of privileges and deprivations (Jodhka 2012). The idea of 'untouchability' can be considered as an obvious extension of the idea of purity and pollution.

The caste system not only reflects the deep-entrenched hierarchy in the society, but also the multiple aspects of power relations and materiality. Caste reproduced itself through five key features (Corbridge, Harriss et al. 2013). First, the caste system tended to specialise occupationality passed on inter-generationally within the family. Second, caste reproduced through rules about food sharing, bodily contact and other interpersonal relations including access to public spaces such as temples, schools, and water sources. Third, caste shaped marriage practices. Most caste groups practiced

endogamy. Fourth, the internalisation of social subordination by lower castes brought stability to caste hierarchies. Fifth, higher castes' ability to translate their ritual status into a wider dominance over political and economic power reinforced caste.

Though restrictions on commensality and interaction between castes have weakened, caste continues to resurface and reproduce in newer ways. Caste-based prejudices, stigma, humiliation, atrocities, discrimination, and exclusion continue to be shaped by the notions of purity and pollution.

Over the decades a huge anthropological literature has developed on caste. From actual bodily connotations of untouchability, it has now come to be understood in terms of indignity, stigma, prejudice and social disdain. Guru uses the language of 'humiliation' to describe the struggle and experience of the sustained and internalised assault on the human dignity and self-respect of marginalised social groups (Guru 2009). These concepts enable us to approach the caste system from a sociological perspective, but the notions of purity and pollution also justify the exclusion of Dalits from the contours of society as whole which includes participation in the economy. A casteist ideological landscape shapes the operation of the market economy and limits the occupational mobility of Dalits - with the help of social restrictions on capital, land, labour, credit, other input markets and in those services necessary for any economic activity (Thorat, Aryama et al. 2005).

There are limited economic analyses of the caste system. Ghandy argues that the history of the caste system is linked to the development of class society, the emergence of the state, and the feudal mode of production (Ghandy 2011). Her attempt to explain the caste system in materialist terms is based on the principle that social stratification is associated with the levels of accumulations or the scale of surplus production in the

society. Omvedt has also examined how caste shaped agrarian relations in the traditional feudal society (Omvedt 1980).

Akerlof's formal model of the caste system attempted to apply neo-classical economic theory to the institution of caste (Akerlof 1976). According to the model, the persistence of caste may be because the caste system represents a voluntary stable equilibrium and this kind of equilibrium has been allowed to persist for centuries. A system where occupation is hereditary, compulsory and endogamous, any transaction that breaks the caste taboos changes the subsequent behaviour of uninvolved parties towards caste-breakers who then suffer economically. Such predictions can lead to an equilibrium in which all expectations are met, and economic incentives favour obedience by the caste code. These modelled attributes predict the inherent immobility of labour between caste occupations, and create caste-based segmentation in labour markets, the consequence of which is a lack of competition (Akerlof 1976, Thorat, Aryama et al. 2005).

Adding to the Akerlof model, James Scoville (2003) argues that the caste system (through the system of social and economic ostracism) creates enormous and virtually insurmountable transition costs to break the restrictions on labour or occupational mobility (Scoville 2003). The significant difference between Akerlof and Scoville is that while the former argues that caste-based labour segmentation is maintained through the system of penalties, the latter goes to the penalties and locates the reason for the transaction and enforcement costs of breaking the caste-based occupation or employment (Thorat, Aryama et al. 2005). Whether these systems of penalties/transaction costs can provide insights into the under-representation of Dalits in the business economy remains to be examined.

1.1.3 Economic Incorporation

The word 'incorporation' can be defined as the 'process whereby social groups, classes, and individuals are integrated into a larger social entity' (Marshall 1994). The larger social entity includes the economy. Incorporation is a multidimensional process, entailing economic, political, spatial, educational as well as cultural dimensions (Bader 1997, Engelen 2006). Incorporation is a value-laden concept whose meaning and measurement is subject to contestation. Its main advantage seems to be that it is not as prejudiced as its rival concepts: assimilation, integration, inclusion and their respective counterparts non-assimilation, disintegration, segregation, segmentation, exclusion, marginalisation (Bader 1997).

According to a well-established sociological consensus, partaking in economic activities is a necessary condition for 'successful incorporation' which can be defined as 'the absence of structural disadvantages' (Engelen 2006:75). Economically well-incorporated social groups can still be excluded politically, spatially, educationally and/or culturally. The degree to which marginalised social groups are incorporated in economic settings is largely the result of how one defines and operationalises economic incorporation. When economic incorporation is defined and measured in the context of the labour market, two processes are evident: participation in the labour market and employment. While in the context of private ownership of capital, two critical processes are the entry to the market and participation in the business economy. In my project, I use the word 'incorporation' to signify the participation of Dalits into the private business economy as the owners of enterprises. Here, a private enterprise is officially defined as an undertaking engaged in the production and/or distribution of goods and/or services meant primarily for the purpose of sale (Government of India 2008).

1.1.4 Liberalisation and Enterprise Growth

India's incorporation into the global capitalist system was shaped in the 1990s by the introduction of the "New Economic Policy", which was implemented in 1991, at the behest of international donor agencies (Nair 2008). Private enterprise was encouraged to expand into areas of economic activity that were hitherto not open to it. Jodhka (2010) has argued that the expansion of private capital in India during post-1991 period marked significant ideological shifts. First, the state started retreating from the economy, and second, the 'socialist' rhetoric of planned development grew mute, and emerging markets and the middle class came to occupy the central stage politically displacing the emblematic 'village' and its poor peasants (Jodhka 2010). In the first fifteen years of the reform period, 1990-2005, the absolute number of 'censused' private enterprises in India increased by more than two-thirds (i.e. from 22 million to 38 millions) (Harriss-White, Vidyarthee et al. 2014). However, the average employment per establishment at the All India level reduced from 2.88 in 1990 to 2.75 in 1998 and further to 2.41 in 2005 (Government of India 2008). Presently, most of the enterprises are small and unorganised (95% of enterprises in 2005 had less than or equal to five workers), with a family labour force, and employing wage-workers if and when they grow. Thus, the growth in the business economy of India in the neo-liberal era has been self-employment driven, with a thrust on small enterprises. It has been argued that technology intensive growth under this regime also led to a fall of organised sector jobs and the further increase in the unorganised sector along with informalised labour within the organised sector itself (Nair 2008).

Hence, the increased opportunity for micro-entrepreneurship and ownership of a private but small enterprise in neo-liberal India holds the potential to expand areas of the economy that might be detached from the traditional caste occupation structure.

However, in the first fifteen years of the reform period, 1990-2005, even though the total number of Dalit enterprises increased from 2.18 million to 3.69 million, the proportion of all private enterprises owned by Dalits remained stable at 9.8% which is far less than their proportion of the population (16%) (Government of India 2008). This shows the persistence of social inequality in the ownership of enterprises during the first fifteen years of liberalisation. Clearly, the post-1991 economic growth has not been inclusive.

1.1.5 Market Outcomes and Social Structures

Much of the social-economic theorising of the last 150 years (Marx, Weber, Veblen, Schumpeter, Myrdal, Akerlof and North), together with the observations made by the founding fathers of modern Indian sociology (Madan, Srinivas and Panini) and the work of anthropologists such as Parry, Searle-Chatterjee and Sharma suggest that capitalist modernity would destroy archaic forms of exchange and economic regulation (see the review in Harriss-White and Sinha 2007)⁴. However, the condition of Dalits in contemporary India would seem to contradict this. Harriss-White and Vidyarthi (2009) showed that for groups at the foot the 'traditional' system of social hierarchy resulting in discriminatory and exclusionary processes in economic domains had not weakened markedly with the process of liberalisation and modernization. Aspects of identity such as caste and religion are reworked not only in the economy but also inside the state apparatus. Contradictory social and economic relations based on identity also develop in close physical proximity in the same social space (Mhaskar 2012). Kunnath has highlighted the coexistence of contradictory processes of compliance and defiance by Dalit communities in rural Bihar (Kunnath 2013). He has argued for an integrative

⁴ See the review in the introduction chapter (Harriss-White and Sinha, 2007).

framework to locate these contradictory processes in a mutually constitutive field of structure, agency and power (ibid).

Recent literature on Dalits and liberalisation has argued different points of view. For instance Teltumbde in his study examining the magnitude and direction of the impact of liberalisation policies on Dalits has found that Dalits have been negatively impacted in absolute as well as relative terms (Teltumbde 2001). He further argues that Dalits' social disabilities, largely reinforced and sustained by economic deprivation, are accentuated with liberalisation policies. Chandra Bhan and colleagues, on the other hand, have argued that liberalisation has broken down caste barriers especially in terms of consumption patterns and had led to 'very substantial shifts in Dalits' lives, consistent with a growing sense of empowerment and opportunity and declining ability of others to impose social inequalities' (Kapur, Prasad et al. 2010:48). Sudha Pai has argued that the absence of an upsurge from below limits the ability of the state-sponsored economic upliftment aimed to help Dalits in the market reforms era (Pai 2010).

Harriss-White (2003) in her book '*India Working*' argues that the informal economy is shaped by social institutions of discriminatory economic regulation notably by caste, religion, gender, class and space. Rather than accelerating the destruction of old forms of exchange, India's liberalisation may be better understood as increasing the tension between forces dissolving social forms of regulation and those intensifying them or creating new forms (Harriss-White 2003: chapter 9, repeated by World Bank 2006:179). This process may be sectorally and spatially uneven. A deeper institutional analysis of this phenomenon can generate ideas with which to critique the theories of institutional change and perhaps to help understand why, with liberalisation, certain social institutions are destroyed, while others are created (Schumpeter 1994) and some adapt,

to become forces regulating the social economy (Meagher 2004) and a few persist practically unchanged (Harriss-White 2003).

Here, I would argue that a pluralist framework is needed to study the complex processes of economic incorporation which can be sectorally and spatially uneven.

1.1.6 Entrepreneurship and Self-employment

The 'self-employed' can be considered to be those individuals who earn no wage or salary but derive their income by exercising a profession, business or service on their own account and at their own risk (Parker 2004). Two classical theories of entrepreneurship provide a framework for examining characteristics of the self-employed. On the one hand, the self-employed can be seen as persons with particular abilities; and self-knowledge of these abilities motivates individuals to establish their own enterprises (Knight 1933 as cited in Carr 1996:29). On the other hand, a contrasting perspective regards self-employment as a 'default' option for those facing constraints to traditional wage and salary employment (Schumpeter 1934 as cited in Carr 1996:29). This also suggests that ethnic minorities, immigrants, the physically disabled, the poor, and those living in geographic areas with high unemployment may react to obstacles in the traditional wage and salary employment sector by forming their own businesses. These two competing theories of self-employment are both based on the model of labour market participation, where individuals behave rationally to maximise their financial rewards. In a similar vein, according to 'recession-push' theory, unemployment reduces the opportunities of gaining paid employment and the expected gains from job searches which 'push' people into self-employment (Parker 2004:95). Further, many studies show that people take to self-employment because they are discriminated against in the formal or primary labour market (Wilson and Portes 1980, Meyer 1990, Clark and

Drinkwater 2000). But given that discriminatory and exclusionary processes may also affect the process of entry to the market as enterprise owners, it remains important to analyse their participation in the business economy.

1.2 The Contexts of Dalits' Economic Incorporation

1.2.1 Constitutional Provisions

The Indian Constitution has provided a framework to improve the situation of Dalits. This includes protective arrangements (i.e. measures required to enforce equality and to eliminate established practices that perpetuate inequities), compensatory discrimination (i.e. provision of positive preferential treatment in the allotment of jobs and access to higher education, popularly referred to as 'reservation'), and promotive development policies (i.e. provision of resources and benefits to bridge the wide gap in social and economic conditions between the Dalits and other communities –exemplified in the 'Special Component Plan'⁵) (NHRC 2004). The Constitution also provides for the establishment of a permanent body to investigate and monitor the social and economic progress of Dalits (Thorat 2009).

India's constitutional framework has legally abolished the practice of untouchability and the discrimination arising out of untouchability (Article 17). The Constitution guarantees equality before the law (Article 14); provides for the promotion of the educational and economic interests of Dalits and for their protection from social injustice and all forms of exploitation (Article 46); provides for special measures through reservation in government services; and also reserves seats in democratic political institutions (Articles 330 and 335, 73rd Amendment Act, 1992).

⁵ The Special Component Plan (SCP) for Scheduled Castes (SCs) has been an important strategy used in the planning process for quite some time in order to ensure that outlays and benefits from the general sectors of the Plans flow to SCs and STs at least in proportion to their population both in physical and financial terms.

1.2.2 The Agenda for Inclusive Development

A wide-ranging agenda of inclusive development came to occupy centre stage among development discourses only after the failure of economic growth and the “trickle-down theory” to bring about holistic improvements in the living conditions of a vast majority of people. At present, inclusive development is conventionally defined as ‘development that includes the needs of the poor and the excluded’ (Chibba 2008:145). In the context of promoting sustained high economic growth in developing countries, Spence (2008) outlines "inclusiveness" in terms of equity of outcomes, equality of opportunities and the protection of the people in a transition of the country from low to advance income levels (Spence 2008). Economists at the Asian Development Bank argue that inclusive development should focus on two specific areas – first, addressing extreme poverty and rising inequalities; and creating economic opportunities and second, broadening access to opportunities to support social inclusion (Ali and Zhuang 2007).

Perhaps in recognition of the broad potential of the inclusive development agenda, the recent policy thrust of the Government of India has been an inclusive development approach to achieve broad-based benefits from accelerated economic growth that accrues to all citizens, especially marginalised groups in society. Thus, the economic incorporation of Dalits into the business economy as enterprise owners emerges as an important issue for research from the perspectives of equity and inclusive development in contemporary India.

1.2.3 Government Interventions

Over the years the Government of India has initiated few exclusive measures to promote the entry of Dalits into the market and enhance their ownership of private enterprises. These policies mainly include preference in the allocation of sites for business, the

supply of capital, training in entrepreneurship skills and incentives for market development (Thorat and Sadana 2009). There are few states in India which have initiated exclusive measures for Dalits' incorporation into the business economy. Pai analyses the case of the hardly successful 'Supplier Diversity' policy in Madhya Pradesh under which thirty percent of all government supply orders were reserved for Dalits/Adivasi, and a special scheme was initiated to provide credit to Dalit/Adivasi entrepreneurs to set up their own manufacturing enterprises (Pai 2010).

The continuing presence of social exclusion and discrimination in the economic sector (especially in the labour market and credit) has been reiterated in many studies including successive Plan documents of the Government of India as well as reports by a number of committees/ commissions established by the Government (see evidence in Prakash and Harriss-White 2009) but none of these analyses focuses how these processes are allowed to persist in the realm of the state. Surjit Singh in his review of credit extended to Dalits and Adivasis by various public sector banks and financial institutions for the period 1997-2005, argues that credit and finance extended to deprived groups neither matches the credit-deposit ratio nor corresponds to their share in the population (Singh 2007 as cited in Prakash and Harriss-White 2009).

1.3 The Reality of Dalits' Economic Incorporation

1.3.1 Dalits' Status in the Economy

Despite constitutional provisions and various arrangements made by the state for more than the past six decades, at the start of the 21st century, Dalits were roughly twice as likely to be poor, unemployed and illiterate as non-Dalits (Sen 2002, Gang, Sen et al. 2008). Dalits are still mostly confined to casual agricultural labour, construction, sanitary work and carcass skills, or to petty production and trade. Tanning, scavenging,

sweeping and cleaning jobs remain distinctively Dalit's occupations in modern India. The majority of Dalits work as landless or near-landless labourers in agricultural production or the lowest forms of paid manual labour (Thorat 2002, Thorat and Mallick 2004, Thorat and Umakant 2004). These outcomes have also been officially recorded by the National Commission for Scheduled Castes and Scheduled Tribes in their sixth report in 2000-01 as well as the 11th five-year plan document. However, perhaps the worst traditional occupations of Dalits is the practice of manual scavenging which still employs up to 200,000 persons, an estimate by Bezwada Wilson, national convenor of Safai Karamchari Andolan (Jyoti 2016).

Dalits often face exclusion from labour markets, credit, land markets, rental markets, services, agricultural inputs and consumer goods. There are noted caste-specific variations in the terms and conditions of contracts, prices, and the services in education, housing, health, access to common property resources, to public space and other infrastructure; and wages in the labour market (Thorat 2002, Das and Dutta 2007, Thorat and Newman 2007, Banerjee, Bertrand et al. 2009, Heyer 2009, Iversen, Kalwij et al. 2010). India has a poor record of recruitment of Dalits relative to the non-Dalits to the organised sector (Thorat, Aryama et al. 2005). Even though 15% of public sector jobs are reserved for Dalits, it is unclear how effective they are given that over 90 percent of Dalits work in the private sector (ibid) and most public sector jobs for Dalits secure them jobs in the lowest rungs of the bureaucracy.

It is, therefore, important to explore how Dalit status in the economy has developed in the context of liberalisation and how Dalit enterprises have grown.

1.3.2 Dalits as Enterprise Owners

In the last decade, most studies of Dalit incorporation into the economy focused either on the labour market or on affirmative policies (Narula and Macwan 2001, Thorat and Deshpande 2001, Babu 2004, Meerman 2004, Vicziany 2005, Das and Dutta 2007, Thorat and Newman 2007, Banerjee, Bertrand et al. 2009, Thorat, Attewell et al. 2009) and on the differential participation of marginalised groups in the formal sectors (i.e wage employment in the public and private sector) (Thorat 2002, Thakur and Thakur 2008, Thorat, Attewell et al. 2009, Thorat and Newman 2009). Most empirical research has focussed on discrimination in the labour market with evidence to prove that Dalits are disadvantaged, a condition which manifests itself in discriminatorily lower wages (Banerjee and Knight 1985, Kingdon 1998, Iversen and Raghavendra 2003, Thorat and Attttewell 2007); secondly, a higher propensity to be stuck in dead-end jobs (Banerjee and Knight 1985); thirdly, inferior employment terms, such as disproportionate casual employment (Dutta 2006, Das and Dutta 2007). Recent research also indicates that prejudice against Dalits also operates in upper end urban private sector jobs and occupations (Deshpande and Newman 2007, Madeshwaran and Attewell 2007).

Very recently, a limited number of studies (Harriss-White and Vidyarthi 2009, Prakash 2009, Jodhka 2010, Deshpande and Sharma 2013, Jodhka 2015, Prakash 2015) have given some attention to the economic incorporation of marginalised groups in the liberalised business economy. Two studies are of direct relevance to the material presented in this chapter: Jodhka's study (2010 & 2015), which showed that caste powerfully affects Dalit entrepreneurs in the contemporary market economy, and Prakash's (2009 & 2015) analysis of 90 life histories of Dalit entrepreneurs, which showed that market outcomes are embedded in existing social structures. One of the

recent books that provide a critical analysis of discrimination against Dalits is 'Blocked by Caste: Economic Discrimination and Social Exclusion in Modern India' (Thorat and Newman 2009). The central argument of this book is that Indian society is characterised by multiple forms of discrimination and exclusion that create profound barriers to upward mobility and freedom from structures of deprivation. Their study of the job market clearly indicates the differentiated binary outcomes for low and high caste candidates and scientifically proved through an experiment that Dalits and Muslim applicants face significant discrimination in the white-collar job market on the basis of their caste identity (ibid:45). However, none of these studies told us about sectoral variation in Dalit's participation in the business economy.

1.4 Rationale for the Research

Four key points have emerged from the discussion in the earlier sections: first, Dalits are a comparatively disadvantaged group and persist in having to face discrimination and social exclusion in multiple aspects of economic as well as social life. Second, even though the state has put in an array of arrangements in place to improve the situations of Dalits, it has failed to bring a change in the deep-rooted discriminatory and exclusionary processes. Third, the Indian business economy has been rapidly growing in the last two decades of liberalisation with a bias to small enterprises. Last, Dalits' economic incorporation is very crucial for the inclusive development. It is in this context that the issue of Dalit ownership of enterprises needs to be studied.

Further, attention has been drawn to a number of gaps, some of which this study seeks to address. First, most studies on Dalit incorporation into the economy focused either on the labour market or affirmative policies neglecting the area of their economic incorporation in the private business economy. Second, there are no coherent and

conclusive explanations for spatial, temporal, and sectoral variation in Dalits' participation. Third, the impact of recent policies on the economic incorporation of Dalits has not been analysed. Fourth, the persistence of discriminatory and exclusionary processes in the 'neo-liberal' business economy has not been theorised. Fifth, frameworks such as discrimination and social exclusion ignore the issues of spatiality, temporal variation, and the degree of such variation. Sixth, the question whether the experience of unemployment and discrimination in the formal labour market leads to entrepreneurship needs to be tested in the Indian context.

My research project aims to address these concerns by analysing the spatial and sectoral variations and dynamics of structures of economic incorporation of Dalits as business owners. Using the Economic Census data (1990 and 1998), Harriss-White and Vidyarthi (2009) analysed Dalits' and Adivasis' participation in the business economy in the 1990s trying to locate their participation according to regional variation at the state level and in the context of the stigma attached to their work. The present work looks at Dalits' incorporation during the period between 1990-2005 using the latest data and analyses the variations at the district level. Harriss-White, Vidyarthi et.al (2014) developed an atlas of Dalit and Adivasi participation in the business economy. The Atlas invoked many factors (including the processes of discrimination and exclusionary practices inherent in social structures) which promote/impede the extent of incorporation. This thesis uses mixed methods to analyse the factors affecting the economic incorporation of Dalits. It also aims empirically to test several variables that may be hypothesised to influence the process of incorporation and its spatial distribution using spatial analysis techniques and qualitative analysis.

1.5 Aim and Research Questions

In this section, I summarise research questions to be examined in this research. The research questions are divided into three groups.

Research Question One

The first group of questions relates to the spatial pattern and sectoral variation of the economic incorporation of Dalits into the business economy. The central question is “how does the economic incorporation of Dalits as business owners vary across different regions of India as well as in various sectors of the Indian economy?” As components of this question, two major sub-questions are asked which required mapping and description;

- What kinds of the spatial pattern of economic incorporation are made by Dalits in different economic sectors; and how do they vary at the various levels of spatial aggregation?
- What are dynamics of sectoral patterns of incorporation of Dalits across economic sectors during 1990-2005?

Research Question Two

The second group of questions relates to the explanation of spatial, temporal and sectoral variations. The main question that is asked is “why are there variations –spatial, temporal as well as sectoral - in the economic incorporation of Dalits within a state (or a region) and across states (or regions)?” In addressing this major question, two sub-questions are also asked;

- What are the factors and processes that affect Dalits in the process of setting up their enterprises and in carrying on with their businesses and how do these affect them?
- How do these factors and processes vary across regions and economic sectors?

The answer to this set of question requires two ways of knowing –first, quantitative analysis of factors affecting the processes of economic incorporation and second, analysis of evidence from fieldwork.

Research Question Three

The third group of questions relates to the policy practices aimed at promoting Dalit business ownership. The central question here is "how do different stakeholders shape policy practices for Dalit businesses?" In answering this question, two sub-questions are asked;

- What are the mechanisms by which the state intervenes with the explicit objective of encouraging the economic incorporation of Dalits into the business economy?
- What are the roles of different stakeholders in shaping the policy practices-agenda-setting, proceduralisation, access, and resource mobilisation?

The answers to this set of question require a mix of official information and field interviews with the main policy stakeholders.

1.6 Analysing Economic Incorporation

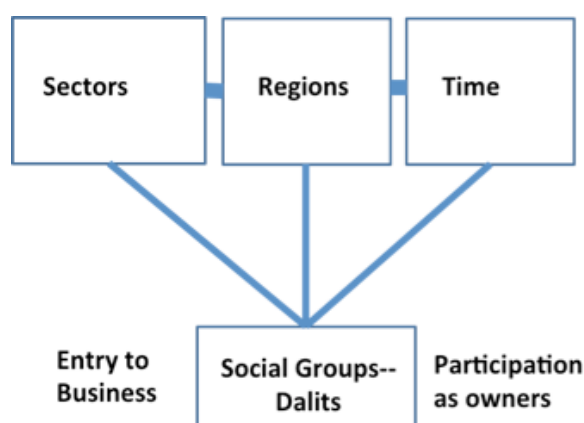
1.6.1 Economic Incorporation as a Process Embedded in Social Structures

Most of the incorporation studies are directed towards immigrants' social and economic lives and have used a process-oriented approach for analysing incorporation (Hansen 1982, Baganha 2000, Itzigsohn and Saucedo 2002, Van Tubergen, Maas et al. 2004, Bean, Brown et al. 2006). Incorporation can be analysed as processes by which individuals or groups which have not formerly been part of society - to various degrees and in different societal fields - become part of it (Bader 1997). All incorporation processes can be analysed from two different perspectives: from an 'objective' perspective one can study the degree of actual incorporation in various fields; and from a 'subjective' perspective one can study the specific processes, experiences, expectations (individual or collective) and articulations of identities (ibid). Such studies correspond to both quantitative and qualitative methodologies.

The processes of incorporation can be analysed at different levels as well: different individuals within marginalised social groups, different social groups within the same state. Here, I use these perspectives to study two aspects of economic incorporation of Dalits (as a group) - (a) the process of entry into the market, and (b) participation in markets as enterprise owners. While analysing the processes of economic incorporation the focus is on the process of entry into the market, the analysis of the economic participation of enterprise owners is directed towards measuring the extent of actual incorporation. In all studies of the processes of incorporation, the time dimension is important. Further, incorporation into modern, functionally differentiated societies is a

highly complex process (Bader 1997). In the context of analytical approaches for the analysis of complexity in incorporation, it is necessary to identify ‘sectors’, ‘spaces’ and ‘fields’ to indicate or locate the different places of incorporation (ibid). So, the analysis of spatial and sectoral variation in Dalits’ enterprise ownership during the first fifteen years of liberalisation acts as a tool to measure the degree of incorporation of Dalits into the private business economy and its complexity across various regions of India and sectors of the economy (as presented in Figure 1.1).

Figure 1.1: Analytical Approach to Study Economic Incorporation



The first step in my approach is to locate the process of economic incorporation in a context which the literature suggests creates adverse terms of incorporation for marginalised social groups. The motivation to set up a business comes from spotting an opportunity to make money or from the increasingly restricted opportunities for earning one’s living as an employee (Bharadwaj 1985). While any enterprise requires conducive conditions in which capital is available for investment and economic incentives, professional advice and ideas attract entry; these resources are themselves the results of institutions with which the entrepreneurs interact (Barrow and Greene 1979). Various theories of caste such as a ‘system of penalties’ (Akerlof 1976, Scoville 2003), the division of labour and social order according to the Hindu system -‘occupational

segregation' (Hutton 1963, Shah 2001), and as the embodiment of the notion of 'purity and pollution' (Gupta 1980, Dumont 1988, Gupta 1992) can enable us to analyse Dalits' economic incorporation.

Scholars have framed individual's entry into business in many ways (See Bryson and White 1996, Clark and Drinkwater 2000, Earle and Sakova 2000, Hughes 2003, Pietrobelli, Rabelotti et al. 2004, Keilbach, Tamvada et al. 2009). The literature on entrepreneurship suggests two factors affecting the flow of entrepreneurs seeking to form their own businesses: positive effects which 'pull' individual into a particular market or opportunity, and the negative aspects of their current position which 'push' them into entrepreneurship as a preferred alternative (Binks and Coyne 1983:32). Meanwhile others have analysed it from the perspectives of characteristics of enterprises and their owners (Borjas 1986, Kawai and Urata 2002, Dana 2007). A few studies combine the dual perspectives of 'market opportunity' and 'characteristics of enterprises' to analyse the entry of new firms into the market (Barrow and Greene 1979, Binks and Coyne 1983, Ward and Jenkins 1984, Wallace 1986, Chiang 2004).

1.6.2 Market Organisations and Other Social Structures

The structural position of a business owner in a society is relevant to running a business (Ward and Jenkins 1984: 13). The cultural attributes of ethnic entrepreneurs are derived from the positions they have held in society: literacy, gender, attitudes towards competitive achievement and cultural attributes are all aspects of the social structure, along with economic and political institutions. But the absence of particular attributes which facilitate business success and the presence of others that inhibit it means that any such acculturated disadvantage has to be overcome by learning and training until the experience of successful participation in business generates its own reinforced culture (Ward and Jenkins 1984: 13). Prakash (2009) has found that capital accumulation by Dalit entrepreneurs is actively resisted by upper castes. Here, I argue from the literature

that the caste-based occupational structure is an element in a social structure possessing inherent mechanisms of discrimination and social exclusion. Further, the regional character of forward caste hegemony and the resistance of other backward castes (OBC) and upper castes to Dalits' assertion may be analysed to explain spatial and social variations in economic incorporation. And it can be hypothesised that discrimination and social exclusion embedded in the social structures are central to the lower participation of Dalits in the business economy as a whole.

In social science an array of interpretations of the social institutions of business has been suggested. Economists however rarely factor in the presence, social embeddedness and at times the domination of social structures such as caste.⁶ Historians like Polanyi have argued that the economy is embedded in both economic and non-economic institutions (Polanyi 2001). Granovetter's empirical evidence suggests that economic actions are embedded in social networks, built on kinship or friendship and trust or goodwill, which sustain economic relations and institutions and also govern economic rewards and punishments (Granovetter 1973:33). Boyer has not only shown the social embeddedness of market relationships but also flagged the important role of civil society in nurturing and sustaining the norms and conventions practised and observed in market transactions (Boyer 1990). Kotz argues that capital accumulation over an extended period is the product of the role played by supporting social institutions (Kotz 1994); and Harriss-White shows for the Indian economy that social institutions such as caste, gender, age, space, ethnicity and religion are constantly reworked to provide the basis for building networks in the market, to thwart competition, mobilise resources, control labour and so regulate the market (Harriss-White 2003:197). These scholarly insights constitute the school of socio-economics maintaining the social embeddedness of the economy (for a detailed review see Prakash 2015).

⁶ Gender, perhaps, supplies the paradigm Agarwal, B. (1995). A Field of One's Own: Gender and Land Rights in South Asia. Cambridge, Cambridge University Press.

The idea of social embeddedness is not confined to South Asia. Meagher's theorisation of 'Identity Economics' is based on the study of the social networks and informal economy in Nigeria. She demonstrates that informal forms of coordination based on identity are central to the processes of economic development and restructuring in developing countries more generally but that their importance may wax and wane (Meagher 2010). Prakash (2015) takes this kind of argument about the fluidity and changing economic roles of regulative institutions further. Prakash's findings from his fieldwork on 90 Dalit businessmen shows that caste plays an important role in providing Dalits with a distinctive network based on their identity but Dalit networks have a far more limited influence on market outcomes than those of business castes and higher "backward castes". These arguments help us to understand the reasons why marginalised social groups like Dalits may face adverse inclusion in the marketplace.

Analysing the role of market organisations in the broader framework of a 'political analysis of markets' in which markets are conceived as arenas of politics, White has argued that market organisations take a broad range of associational forms - formal as well as informal, e.g. business associations, commodity cartels, trade unions, consumer groups and professional associations. They give rise to institutionalised mechanisms operating to define and protect privileged positions in the market and to limit the claims of other (actual or potential) market participants (White 1993:7). The exercise of this associational power by market organisations has dual and opposite effects. First, it has a negative economic effect since it creates unearned rents and thereby distorts the 'proper' operation of markets; second at the same time it may have many positive effects, for example in amassing and distributing information, setting and monitoring standards, and providing mechanisms for arbitration or sanctions (ibid). Here, I would argue that market organisations reflect and express hierarchised social relationships as well as 'horizontal integration'. They may discriminate and/or exclude Dalits.

Compensatory discriminatory policies in public sector jobs have resulted in a ‘creamy layer’ (i.e. first and second generation Dalit elites), where only the least discriminated and least deserving in terms of income reap benefits (Thorat, Aryama et al. 2005). The creamy layer may reproduce itself and resist entry to ‘lower status Dalits’ (ibid). In this thesis, I explore the role of the Dalit elite itself and of social differentiation among Dalits themselves in affecting Dalits' entry into the business. I examine whether Dalits who have benefited from state reservations act to prevent entry by other Dalits into markets.

1.6.3 Role of Market Institutions in Economic Incorporation

The process of economic incorporation as enterprise owners relies on a mixture of market institutions for formal and informal credit, for savings and for the sale of assets to enter markets and trade (Prakash 2009, Prakash 2015). Prakash (2015) found in his study that caste prejudice was seen by Dalits as a powerful factor responsible for the denial of institutional credit to them. My hypothesis is that social structures and inherent discriminatory and exclusionary processes shape Dalits’ experience with money market institutions, such as banks and suppliers.

1.6.4 Role of the State in Economic Incorporation

Incorporation processes can be influenced by a range of state policies (social as well as economic), to varying degrees. These will depend on the institutional setting, the legal, political and administrative apparatus of different states on the one hand, and on fields of incorporation (i.e. economic, political or social) on the other (Bader 1997). Policy practices and mechanisms with the help of which the state intervenes with the stated/explicit intention of improving the Dalits’ entry into the business economy at different levels also need to be analysed to understand the complex process of economic incorporation.

In Chapter 5, I carry out a policy scoping study of the few affirmative policies explicitly aimed at improving the Dalits' incorporation into the business economy. Policy studies are overwhelmingly biased to policy formulation and policy making in which implementation is considered as a residual and ex-post evaluations tend to result in suggestions for improving policy-making. Policies have also been studied as a set of stakeholder relations by various scholars in an attempt to view the policy as constantly changing and evolving process - as opposed to being static and unalterable (Long and Long 1992, Sabatier 2007). Sabatier and Jenkins-Smith propose a framework that explains the interaction of actors with belief systems and tries to explain policy changes or shifts over time while recognising that policy change is a function both of competition within the sub-system and of events outside the sub-system (Sabatier and Jenkins-Smith 2007). Long and Long's framework looks at the ways in which motivations, interests and negotiations taking place between various actors shape policy making and implementation (Long and Long 1992). Long describes these actors as not only being the policy makers but also the influencers, the implementers, the resisters and the receivers (Long 1992:166). This dynamic actor-oriented approach is seen as a departure from more conventional, ahistorical and normative ways of studying policy, which treat the policy as an 'implication', or a prescription, thereby overlooking the debates and the differences of opinion in policy processes (Mackintosh 1992:2).

Bernard Schaffer, however, offered a framework to describe the policy process as a series of overlapping zones of practices (Schaffer 1984). Harriss-White has used Schaffer's conception of the policy process, identifying four kinds of simultaneous bureaucratic politics: the agenda - generating policy decisions, the establishment of procedure, the politics of mobilising resources for policy (which Schaffer neglected) and access to public sector allocations (Harriss-White 2002). This approach to policy has the

distinct advantage of delineating the power relations inherent in policy processes. This study adopts Schaffer's framework to analyse the complex layers of politics involved in affirmative policies for Dalit businesses and to elucidate the power relations in the policy domain. It examines how affirmative policy processes are developed and evolve; and critically looks at the various aspects of affirmative policies for market support, credit and skill development and the reasons for their specific forms and patterns. The politics of policy processes affecting Dalits' incorporation to the business economy are unravelled and the roles played by the various stakeholders and levels of the bureaucracy (i.e. municipality, police, etc.), NGOs, and political representatives in the policy processes at different levels are revealed.

Since liberalisation, India has witnessed the effective implementation of pro-market policies whose purpose is to galvanise growth through private capital, benefitting social groups which are strong in capabilities and assets, and excluding social classes and groups lacking them. In the absence of institutions which can distribute the benefits of growth equitably across regions, social groups and classes, pro-market policies benefit the new professional classes and the capitalist elite (Prakash and Harriss-White 2009). Many studies show that certain social groups, especially Dalits, Muslims, and Adivasis face the brunt of the unequal outcomes of state policies; and policies directed towards disadvantaged social groups may be selectively implemented - or completely sabotaged (ibid). Such exclusionary practices by the state are reinforced by discrimination inherent in "social structures" and "market institutions". Thus, my hypothesis here is that the state uses a range of means to perpetuate discriminatory and exclusionary processes against Dalits in the business economy.

1.6.5 Caste and Gender Overlap

The economic contribution of Dalit women remains undocumented. Moreover, schemes and policies for Dalit businesses either lack gender dimension or suffer from a policy-implementation gap. Moser brings to fore the primacy of gender planning and putting gender concerns as central in planning and economic development policies (Moser 2012). She argues that despite recent shifts in terminology from ‘women in development’ to ‘gender and development’, women and development concerns have not attained planning legitimacy and are often excluded from the national planning process.⁷ She highlights how a large number of policies and plans for women fail to be well implemented and ultimately affect the decision-making capacities of women. She further argues that women need to be recognised as key actors in the economic system, and their neglect in development plans does not tap their potentially large contribution (ibid:15).

Focus on the social and economic role of women within the context of policies and state resources was also driven by the United Nation’s Decade for Women (1976-85). This resulted in shifts in approaches by policy makers and researchers from an examination of women's role within the family and reproductive responsibilities towards women's employment and their productive capacities (Moser 2012). Yet there remains a significant gap between research, which does highlight the complexities of gender relations and divisions of labour in specific socio-economic contexts, and practice (ibid).

⁷ While the ‘Women in Development’ or WID approach focuses on biological differences between men and women, the ‘gender and development’ or GAD approach focuses on social relations between them (Moser 2012). GAD approach instead of looking at women in isolation to attention to gender relations with a focus on emancipation, making GAD more ‘confrontational’ approach than WID (ibid:17).

Moser discusses low-income women and employment opportunities in the Third World and recognises the lack of skills as a major constraint (Moser 2012:61). The lack of skill-based training is further constrained by what is considered to be men's work. Often even credit schemes are unsuccessful as resources are allocated at the family level and often remain at the hands of the male member. She notes that even when there was a household level family business and wives undertook productive processing activities, it was simply recognised as an extension of their reproductive work, while men controlled the final product and earning.

While it has been generally well established in research and practice that Dalit women continue to face double deprivation, first on account of their gender and second on account of their caste, there is little literature specifically on the experience of Dalit business women. Most literature on the double deprivation focuses on material deprivation, oppression, and discrimination. It also focuses on limited access to educational and employment opportunities (Dunn 1993). This lack is to an extent that 'doubly disadvantaged' women strive not for gender equality but their very survival (Mukhopadhyay 1984). Yet there is recognition of the fact that Dalit women experience more egalitarian gender relations, fewer constraints on mobility and fewer taboos that upper caste women might be subject to (Deshpande and Sharma 2013). However, the dominant ideologies of gender in business studies are caste-neutral.

Dalit women's discourse has recognised how patriarchal society and exploitation of women by men prevents Dalit women from asserting their choices and participating in decision making at the level of community and family (Sabharwal and Sonalkar 2015). However, mainstream feminist discourses have not confronted the specific questions, related to caste-based discrimination in accessing livelihoods, that are crucial to Dalit

women and have often recognised caste as an aspect of class (ibid). Dalit women often face different traditional restrictions on mobility and social interactions than non-Dalits. Differences in caste and religion affect how gender mediates disparities. The combination of caste and gender makes Dalit women vulnerable to discrimination and atrocities. Non-Dalit women do not share caste-based humiliation, hereditary occupations like manual scavenging, obligatory rituals, and norms. The experiences of Dalit women need to be analysed from the perspectives of gender-caste overlap, which creates her specific identity and opportunities, as well as the different structures of domination (Kumar, Kurian et al. 2010).

Deshpande's study of the gender disparities in business ownership (not Dalit women, but women overall) using the MSME censuses highlights that female-ownership⁸ increased from 11.32 percent in 2001-2 to 14.7 percent in 2006-7, whereas female-managed units increased from 9.56 to 11.54 percent (Deshpande and Sharma 2013). However it must be noted that all female-managed enterprises are not female-owned: in 2006-7, 88 percent of female-managed enterprises were female-owned, but only 69 percent of female-owned firms were female-managed. She also examines the distribution of activities by gender (as opposed to caste) and notes that expectedly female owned and female managed firms are mainly engaged in the manufacture of apparel, food products or beverages and textiles (Deshpande and Sharma 2013). While women continue to be more risk averse than men (Niederle and Vesterlund 2007, Eckel and Grossman 2008), this may not fully explain propensity to be engaged in particular activities.

Caste gender overlap will be interesting to study in detail but some preliminary insights from the literature are drawn. Firstly, given the historical egalitarian tradition,

⁸ enterprises where 51 percent of share capital belongs to a woman.

Deshpande and Sharma (2013) notes that female ownership among lower castes is both higher and has increased much more than among others (by five to six percentage points among SCs, STs) compared to less than two percentage points among others. Thus, in 2006-7, more than twice as many SC and ST firms were woman-owned compared to Hindu upper castes. This suggests that historical taboos on upper caste women with respect to entry into public arenas of economic production are weaker for Dalit women.

Secondly, it must be noted that while relatively egalitarian structures in terms of gender relations might benefit Dalit women in some ways it may not be enough to offset the discrimination they face as Dalits. As I have argued in this thesis Dalits continue to face discrimination in terms of capital, resources, credit and policy support structures. They also find it difficult to break into businesses and establish themselves as entrepreneurs. This might be further exacerbated for Dalit women given the double discrimination framework.

Thirdly, as noted above, a major economic activity for women is food and beverages. However given historical discrimination that Dalits have faced in this field and the still prevailing ideas of purity and pollution, it is expected that Dalit women will face resistance in this field. In fact, as a study by Centre for Social Equity & Inclusion (CSEI) on Dalit women entrepreneurs in Delhi notes that type and nature of enterprises for Dalit women were quite similar to those of Dalit men (Kumar, Kurian et al. 2010). Most were engaged informally in running (or working in) beauty parlours, provision shops, followed by their own tailoring and laundry units. The study found that Dalit women continue to operate in within double discrimination and lack of education and the resultant lack of confidence and commitment, become their major constraint in initiating and developing successful enterprises. This was further aggravated because of lack of

training and knowledge, with either no knowledge of any government scheme for skilling or lack of such policies existing for women, or poor implementation of such schemes (ibid).

Dalit women who are setting up their own businesses and enterprises are doing so not only in the face of discrimination due to gender and caste but also in the face of lack of government assistance in terms of skilling or credit. A large number of Dalit women enterprises often fall outside the categories recognised by MSME Act thus excluding these women from any protective and social security measures. This further exacerbates the risk averseness observed in Dalits in general. These gaps in policy and planning are reflective on the lack of extensive research on 'double discrimination' faced by Dalit women. This is beyond the scope of the present thesis. Through the discussion, I have attempted to examine the literature on gender and business and on the gender-caste overlap to draw some insights into how Dalit women entrepreneurs and businesswomen might be impacted. This study also partially explores the relationship between the overall business ownership of Dalits and women's participation relative to men.

1.7 Discrimination and Social Exclusion

A major problem for an exploratory study of Dalits' participation in the private business economy is that there are many frameworks with which to approach such research involving disadvantaged groups (Banerjee and Knight 1985, Sayce 1998, Jomo 2006, Madeshwaran and Attewell 2007). However, most of these frameworks have explored concepts of either discrimination or social exclusion for explaining persistent group disadvantages but have rarely used these concepts in combination for their analysis. In my research, I am focusing how social structures, market institutions and the state affect the economic incorporation of Dalits. In this pluralist context, both concepts -

discrimination and social exclusion - are very useful for capturing different aspects of Dalits' incorporation - a process full of complications and constrained by power relations and interests.

Discrimination takes no account of the specific characteristics of an individual as such but considers his/her attachment to a particular group. Discrimination may manifest itself in a situation that can involve exclusion or restriction on entry into markets, and/or selective inclusion with unequal and unfavourable treatment in various market transactions (e.g. the credit and insurance sectors). It is important to recognise that the dynamics between individuals or groups take place within a broader social context. Broader social structural features of a society can contribute to unequal outcomes through the ordinary functioning of cultural, economic and political relations (Pager and Shepherd 2008).

Even though there are many competing theories in new institutional economics discrimination models, they draw attention to the various microeconomic issues relating to discrimination, e.g. market imperfections (Becker 1957), transaction cost minimisation and employment relations within the firm (Phelps 1972, Arrow 1973), and economic motives and ethnic cartels (Krueger 1963, Thurow 1969). Further, neoclassical and modernisation theorists argue that market exchange is expected to eliminate discrimination based on ascriptive criteria due to the transition from 'traditional' social hierarchies to modern meritocracies (Jomo 2006, Pager 2006). However, either this has not occurred or is a process that is far from complete.

'Social exclusion' is considered to be the opposite of social integration, mirroring the perceived importance of being part of society, of being 'included' (De Haan 1998). Social exclusion focuses on the multiple and overlapping aspects of the disadvantage of sections of society on the basis of their identity (Kabeer 2006). Discrimination and

social exclusion are made manifest in the social and economic lives of marginalised groups (Shah 2001). Room establishes that ‘where citizens are unable to secure their social rights, they will tend to suffer processes of generalised and persistent disadvantage and their social and occupational participation will be undermined’ (Room 1995:5). Despite much debate on social exclusion, theoretical insights into how exclusionary processes affect economic participation are quite limited. The participation (lack and/or differential) in all the main activities of the society- social, political and economic- is central to the concept of social exclusion. However, most analyses on social exclusion often focus on social aspects alone.

Thorat and his team recognise two kinds of process which enforce and police the deprivation and discrimination: ‘unfavourable exclusion’ and ‘unfavourable inclusion’ (Thorat 2002). Unfavourable inclusion/exclusion is a helpful tool to capture the specificities of a range of ‘exclusionary’ processes. Another area which needs to be addressed within the ‘discrimination’ and ‘social exclusion’ literature is the severe neglect of the spatiality and degree of variation.

Discrimination and social exclusion are interrelated terms, and a certain degree of overlap is inevitable (Rodgers, Gore et al. 1995, Sayce 1998, Estivill 2003). Both reflect the multiple and overlapping nature of the disadvantages experienced by certain ‘groups’ and ‘categories’ of the population, with social/ascriptive identity as the central axis of interaction (Bourhis, Turner et al. 1997, Kabeer 2006, European Commission 2008). Both concepts can enrich studies of incorporation in many ways as they help contextualise disadvantages in social systems and structures; they stress causality and multidimensionality; highlight the importance of politics and history; and inherently focus on the interaction between structure and agency (Atkinson 1998, Clert 1999, Hickey and du Toit 2007, O'Brien and Penna 2008). This dual conceptualisation helps

me to unravel the relationship between economic processes and the set of social structures and to understand how a given component of the social structure may work in different relational ways in different positions in the economy.

Caste-based discrimination and social exclusion based on the underlying notions of purity and pollution take multiple forms. It includes residential segregation, denial, and restrictions on access to public space, land, shops, markets; premium rental, the differential rate of interest for credit among others. The degrees of purity and social status based on hereditary and hierarchic system limits occupational choice to a fixed hereditary occupation, resulting in the exclusion of one's caste from opting for another caste's occupation. Dalit's adverse incorporation in leatherwork and manual scavenging is associated with the notion of purity. The rituality principle dispensing statuses to caste groups reinforces caste-based exclusions. Individuals are excluded from certain practices due to attached deep-rooted social values and linked status. Thorat (2012) argues that discrimination and exclusion has a material basis as it works in favour of the material interests of the dominant groups.

1.8 Spatial and Sectoral Variation

The spatial dimension is of significance in its own right for three main reasons. First, it shows a concern for the maintenance and promotion of national cohesion and social and political stability. Persistent regional inequality may exacerbate prevailing tensions and conflicts. Second, it shows a concern with the impact of the regional concentration of discrimination and exclusionary processes, in turn limiting the implementation of the agenda of inclusive development (Cook 2006). Third, it rectifies the widespread ignorance about the spatiality and degree of variation in discrimination and social exclusion. The spatial distribution of inequality and development has long been of interest to anthropologists, sociologists, public health specialists, political scientists,

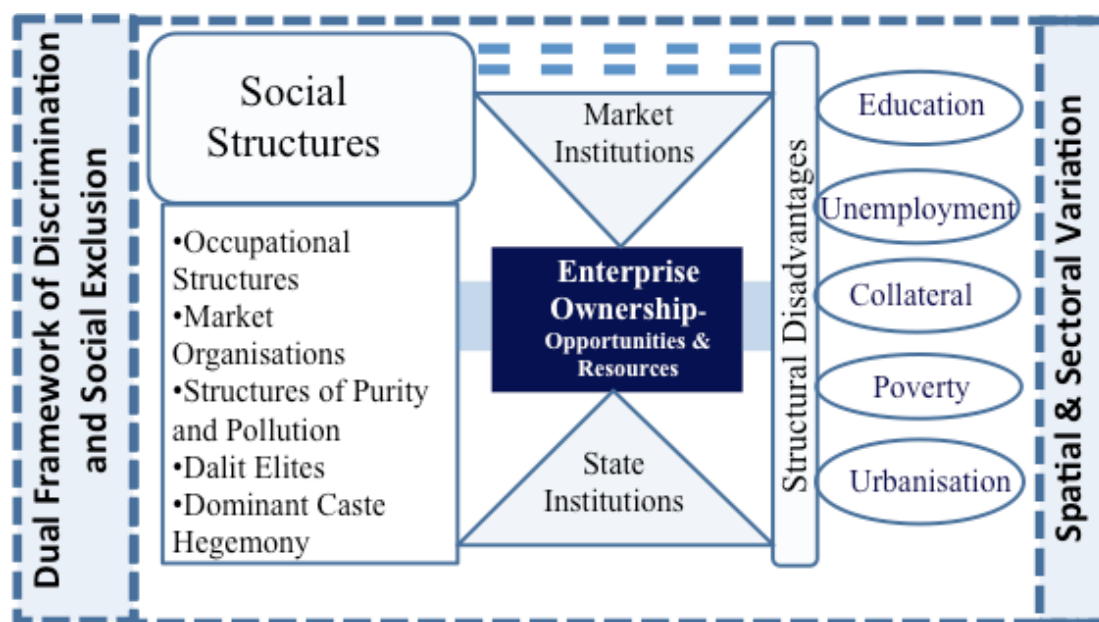
economists and geographers (see Harvey 1996, Krugman 1997, Porter and Sölvell 1998, Krugman 1999, Henderson, Shalizi et al. 2001, Kanbur and Venables 2007, Lobao, Hooks et al. 2007). However, the way in which exclusion and discrimination vary from region to region, and persist or change over time has not been analysed. Yet, geography is significant in shaping both opportunity structures and the complex ways in which the social systems and structures interact to construct enduring differences (Lobao, Hooks et al. 2007). So, fourth, in an era of liberalisation and regional reconfiguration, it is imperative to situate the social processes in a spatial context.

In addition to contextualising economic participation in structural factors and processes including state interventions and the operation of markets, I find that the effects of these factors and processes vary across sectors and regions and that these variations are reflected in the sectoral variation and spatial patterns of Dalits' participation as enterprise owners. Processes of discrimination take place over space, and spatial patterns should be understood as the result of the distribution of social processes over space (Massey 1984). Sectoral variations among ethnic enterprises can be seen as a product of two sets of factors: the structure of opportunities to go into business and the resources to which they have access in attempting to set up on their own (Ward and Jenkins 1984: 5). Each locality brings to the social processes its own specific history and its own character (Massey 1984). Moreover, Olsen's study of economic exchanges in rural markets in Andhra Pradesh found that structures of exchange relations can vary significantly over small distances (Olsen 1993).

Thus, here a hypothesis can be derived that the process of incorporation of Dalits is spatially & sectorally uneven. Spatial and sectoral analysis of Dalits' enterprise ownership can act as a tool to measure the inclusiveness of the private business economy in general and the degree of incorporation of Dalits in particular. Figure 1.2 represents a

schematic version of the multi-level analytical framework developed for the study of the economic incorporation of Dalits. The economic incorporation (as enterprise owner) is driven by the access to opportunities and the resources such as credit, skills, sites, etc. Opportunity structures and resources are considered to be restricted by discriminatory and exclusionary practices as well as structural disadvantages. It is hypothesised that social structures, market institutions and the state may perpetuate discriminatory practices and affect Dalits' entry into the market. Moreover, these practices and processes may vary across sectors and regions and have varied implications for economic incorporation.

Figure 1.2: Analytical Framework for Studying Dalits' Incorporation



1.9 Methodology

This section explains the research methodology that I use in my thesis. This study involves a multilevel approach to analyse Dalits' incorporation into the business economy and to test the factors affecting the process of incorporation defined at multiple levels. The use of multi-level analysis allows the simultaneous examination of group-level and individual-level factors (Diez-Roux 2000:171). Even though it allows the

investigation of a variety of interrelated research questions, the specification of relevant constructs and the levels at which factors are defined and measured is critical to multi-level analysis (ibid). Multi-level analysis explicitly acknowledges the hierarchical nature of the problem: individuals operate within higher level social and political environments that affect their decisions (Fazio and Piacentino 2009). In this thesis, we analyse both the various structural factors such as education, poverty, etc. (aggregated at a spatial unit level-i.e. the district in this case) and also other group-level factors such as discriminatory and exclusionary processes inherent in social structures (e.g. caste based occupational structures). While quantitative techniques are used for testing some factors, other group-level factors are examined using qualitative techniques due to data constraints. The degree to which marginalised social groups are incorporated in the economy is a question at the mercy of data and their measurement - through labour market participation and conditions of employment - or through private business ownership and growth.

It is evident that mixed methods – quantitative as well as qualitative are needed. The project has three broad components: first, exploring spatial patterns, temporal and sectoral variation (i.e. choropleth mapping and trajectory analysis); second, modelling quantifiable factors affecting economic incorporation (i.e. spatial autocorrelation tests and spatial regression analysis); and third, analysing social structures, the market and the role of the state in promoting economic incorporation (i.e. case study analysis- semi-structured interviews and thematic analysis) (see Figure 1.3). Spatial mapping and analysis involve estimating indices of participation (the methodology for the indices of participation described here was first developed by Harriss-White and Vidyarthi in 2009). It should be noted that regression analyses are indispensable for testing causal mechanisms but qualitative case studies and ‘thick descriptions’ of the way in which

structure and agency interact are crucial to getting to the mechanisms that address the complexity of a process (Mahoney and Rueschemeyer 2003).

This study has relied on the pragmatic approach and legitimised the mixing of qualitative and quantitative methods to the extent that they solve research problems better than either approach employed in isolation. While qualitative methods are associated with inductive reasoning (i.e. building theory from data), quantitative methods are associated with 'deduction' (i.e. testing theory with data) (Blaikie 2009).

A case study method fits certain of my research objectives well. The case study allows me to understand the complexity of processes in a real life context. It can help in the analysis of local factors, processes and mechanisms such as the extent of an occupational status hierarchy, social differentiation among Dalits, the role of power elites affecting Dalits' entry into the business and the role of the Dalit creamy layer itself.

This study relies on the research process of inducting theory using case studies. Inductive research requires taking specific observation and moving towards more abstract generalisations (Blaikie 2004). It is based on establishing patterns based on specific observations. Inductive research thus begins at the bottom with an observation from which we then observe patterns and generalities followed by a hypothesis and a theory (Fox 2008). This is useful for the type of research questions I explore in this thesis. For instance, I discuss in the later chapters that it can be observed that Dalits are advantaged in the construction sector and personal and community services. The reason for this is that political empowerment of Dalits resulted in government contracts mainly in the construction sector. Moreover, the movement of Dalits from agriculture labour in rural areas often resulted in their employment in the construction sector. Similarly, it can be observed that ownership and management of small businesses like laundry, garbage

collection, leather works by Dalits are common due to values attached to ritual status and occupational hierarchies. Additionally, the larger pattern of targeted programmes for Dalits can be responsible for this as the credit given through these is often too small for any other business. Their exclusion from small food and restaurant business is often attributed to ideas of purity and pollution.

However, it should be noted that the ability of the case study method to examine complex processes in real life settings comes with limitations to generalisability. Given this limitation - and after the spatial analysis - I select a case study area in the largest state of Uttar Pradesh. I conducted a total of 36 semi-structured interviews with a representative sample of Dalit enterprise owners from four major economic sectors. These sectors were chosen to represent the relative 'advantage' and 'disadvantage' evident in the aggregated research.

Lack of prior contacts within the research area and the absence of a publicly available list of Dalit business owners necessitated that the sample of respondents being drawn while I was in the field. Initially, it was difficult to locate the Dalit business owners. For gaining access as well the selection of informants, I used the snowballing technique. I took help of a field assistant, a local Dalit student from a college in the same town. His knowledge of the local area and his acquaintance with key resources in Raebareli helped me access key informants in market association and update my list of secondary data sources as well. He helped me in identifying business locations of various caste sub-categories and locating various offices and sites of information, and moving from one place to other. His association also helped me build rapport with Dalit business owners.

My research work dealt with two ethical issues – (a) gaining “consent” from the informants, and (b) the opportunity costs of interviews for enterprise owners. Besides this, the study posed very little risk to the participants in terms of discomfort, distress or

hazards. It is possible that as informants were asked for a written consent, some answers might have been guarded as the study focuses on discriminatory and exclusionary processes related to the entry to market which is generally regarded as sensitive information. I informed my informants beforehand about the scope of my research, and gained 'free' consent for the interview, and about the use of information and publication of findings. I shared a fact sheet in the local language with a fairly full explanation of the reasons for my interest, the purpose of the research, the subject matter to be covered in our meeting and an assurance of confidentiality. I explained my research interests as clearly as possible and in such a manner as to appear unthreatening. Furthermore, all the informants were assured of data confidentiality and anonymity. I also took care of other crucial ethical consideration i.e. the opportunity costs by conducting interviews during off days and/or during morning and evening time when the business owners were not busy.

I updated the topic guide and the list after first three interviews to incorporate specificities of businesses in the study district (see Annexe 6 for topic guide for interviews). I had expected a natural reluctance of business owners to reveal information about their personal business history, credit status, licensing status, discrimination etc. since such issues may be very sensitive to many of them. Hence, I decided to adopt three principles-first, I carefully sequenced the topics covered in interviews - starting with most general ones and slowly moving towards more specific ones, if appropriate; second, I gave them choice of not answering any question if they didn't feel comfortable; third, I focused more on the process of entry than their day to day business operations and accounts. This allowed me to gain their trust and develop a rapport to get an in-depth insight. I learned the art of asking sensitive questions about caste-based discrimination towards the end of the interview. However, my position as an outsider,

the formality, and the limited time of these interviews might have affected some of the answers. Almost half the interviews were on the site and remaining at their homes.

One of the major components of the reflexive research is taking into account the involvement of the researcher and being aware of researcher's positionality and identity. I based my fieldwork and writing on the understanding that it was impossible for me to remain completely 'outside' or 'inside' the research process. I am neither a Dalit nor an upper caste person. Though I belong to the Other Backward Classes (OBC) category, I was aware of the key debates around caste and entrepreneurship. Further, with a basic understanding of rural settings of the northern region of my native state of Bihar, I focussed on exploring the power relations and experiences of discrimination and exclusion. I had an advantage of knowing the local language, Hindi. While I did have the basic questions that I needed to cover, I encouraged respondents to elaborate on their experiences. I took care to maintain that I did not become biased while interviewing and writing. The process of transcription later allowed to me gain distance and helped me to reflect on my own biases and understand the position of the respondent. I also tried to cross-check the factual information given by the respondent about government schemes and market processes by comparing it with other sources like secondary information or published reports.

However, it is important to note two possible limitations in these interviews. First, distortions in the responses of the interviewees might have arisen due to their personal bias, expectations or their emotional state at the time of interview. Moreover, some information might have been hidden due to the fear that disclosure could put them at some kind of risk. Second, my perspective, (being a young, male researcher from Bihar, belonging to OBC category, comfortable with the local language) and my field assistants' perspective (being a young, Dalit, male student from the local town) might

have been shaped by particular combination of our caste, gender, class, age, language etc. which in turn are likely to have influenced both access to certain interviewees and their responses.

The interviews were done in person and lasted around 45 minutes to one hour. I audio recorded interviews with their consent, but also took notes in notebooks.⁹ Later, the interviews were transcribed and thematically coded for the detailed analysis. According to Riessman (1993:3), “the thematic approach is useful for theorising across a number of cases – finding common thematic elements across research participants and the events they report”. Thematic analysis becomes very important for my research as this helped me to follow the many theoretical propositions that this study has set up.

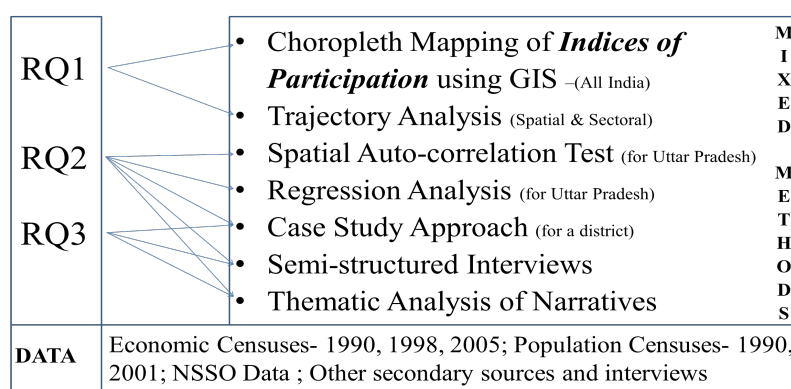
Then, using a pluralist Schafferian view of the policy processes, I interviewed various stakeholders such as government officials at various levels, leaders of market organisations, NGOs and academics to explore how these stakeholders interact to promote or prevent the market incorporation of Dalits. A political analysis of policy processes through fieldwork is a way of ensuring that the roles of different interests in the policy process are revealed. The interview guidelines for policy makers consisted of key conversational pointers which identified issues and interfaces such as disbursement of funds, identification of target groups, procedure of compliance with regulations, and coordination between agencies - among others. During the interviews, I put special emphasis on identifying and discussing the formal and informal practices of policy processes to incorporate/exclude/discriminate Dalit business. While most Government officials and bank representatives were hesitant to give recorded audio interviews¹⁰, representatives from market associations and civil society were quite forthcoming. I

⁹ It is possible that as informants were asked for a written consent and interviews were recorded; some answers might have been guarded as the study dealt with discriminatory and exclusionary processes related to the entry to market which was generally regarded as sensitive information.

¹⁰, I assured them of complete confidentiality and explained the importance of noting down their comments. I took extensive notes during the interview and summarised comments afterwards.

also noted my observations and interpretations for each interview to provide ideas for data synthesis. These rich qualitative narratives were juxtaposed with the concepts, analytical categories and theories of policy processes used in this study. The integration of Dalit business histories with the narratives of policy makers helped me both to capture the dynamic nature of power relations and social structures and to analyse the politics of policy processes. I have also triangulated findings from one method with the other to achieve greater validity.

Figure 1.3: Multiple Research Methods Used in the Study



1.10 Chapter Outline

Chapter One: Introduction- In the introductory chapter, I outline the background of the research, the rationale for my research objectives and the questions I seek to examine. I first situate my research objectives within the wider Dalit studies; and, second, discuss how these objectives have emerged from critiques and gaps in the literature. I establish the epistemological stance taken, present an overview of the research methodology and methods adopted, and an outline of subsequent chapters. I outline theoretical approaches to the caste, enterprises and liberalisation, and locate them within Dalit literature. I also examine how various approaches have been deployed in the context of economic incorporation and show how each framework is insufficient on its own to describe the complexities of Dalits' incorporation. In conclusion, I draw from these multiple sources to build an analytical framework for analysing economic incorporation and justify why I

consider it appropriate for the analysis of Dalits' incorporation in the Indian business economy.

Chapter Two: Regional and Sectoral Variations in the Economic Incorporation of Dalits.

In this chapter, I explore spatial patterns, temporal and sectoral variations using choropleth mapping and trajectory analysis techniques. I present evidence from the empirical work which involves estimating indices of participation at different geographical levels for three different points of time: 1990, 1998 and 2005 using the data from the Economic Censuses.

Chapter Three: Spatial Analysis of Regionally and Sectorally Uneven Economic

Incorporation. This chapter models quantifiable factors affecting economic incorporation using spatial autocorrelation tests and spatial regression analysis techniques. I present the analysis of the effects of a broad array of structural disadvantages at the state as well as district levels including poverty status, access to credit, urbanisation level, education, and unemployment. I highlight the need for more refined forms of investigation using other kinds of evidence and different levels of aggregation.

Chapter Four: Dalits' Entry into Business.

In this chapter, I examine Dalit businesses from the standpoint of the creation of new enterprises and their entry into the market. I present a qualitative analysis of experiences of Dalit business owners in the case study area – Raebareli. First, I present the profiles of business owners in Raebareli. Second, I analyse the process of entry to the market; access to opportunities and resources; and the ways in which these processes are socially constructed. Finally, I focus on variations - sectoral as well among Dalit sub-groups - in economic incorporation and explanations for them.

Chapter Five: The Contexts for Affirmative Policies for Dalit Businesses.

In chapter five I look at state interventions for Dalits' incorporation such as subsidised credit, the

preferential allotment of sites for business and fixed contracts. Here, I analyse the intertwined historical, economic, social and political contexts of affirmative policies for Dalit businesses.

Chapter Six: Policy Processes and their Implications. In the sixth chapter, I turn to the politics of policy processes using Schaffer's framework for policy analysis. I also discuss how the complex policy practices described in chapter 5 are persistently failing to incorporate Dalits in the business economy.

Chapter Seven: Conclusions. These analyses are integrated into the concluding chapter. I summarise the evidence for sectoral and spatial variations and their explanations; experiences of Dalit business owners and the relevant policy practices. I relate my findings to others' works in Dalit studies and policy studies and reflect on theoretical assumptions. I also identify some of the methodological concerns and the areas that require further research.

2 Regional and Sectoral Variations in the Economic Incorporation of Dalits

2.1 Introduction

Understanding the marginalisation of Dalits in the business economy is the central objective of this chapter through an analysis of the spatial and sectoral variation of Dalit participation. Specifically, I map the geographical and regional variation of the process of economic incorporation of Dalits for different economic sectors and their dynamics during the period 1990–2005. Using the Economic Census data (1990 and 1998), Harriss-White and Vidyarthi (2009) analysed Dalits' participation in the business economy in the 1990s at the state level. Their analysis reveals that during the 1990s the trajectory of economic incorporation was uneven with large differences existing in both extent and trends of incorporation between different regions of the country as well as between sectors and over time.

The aggregate spatial pattern across sectors is not uniform, nor are there uniquely distinct spatial concentrations for (sets of) sectors. The analysis also indicates that some of the regions - including certain northern states, and more unexpectedly the southern states - face strong and persistent 'negative discrimination' in almost all the sectors of the economy. Economic growth post-1991 has not been inclusive, and the proportional participation of Dalits as owners of enterprises has been static. This persistent relative under-representation in certain sectors and regions is a subject of concern from the perspectives of equity and inclusiveness. This analysis provoked many further questions. Are the entry barriers to the different sectors economic, social or both? Why does incorporation vary regionally? What are the reasons for regional variation in the extent, sectors and modes of incorporation of Dalits, as well as for regional variations over time? All these questions remain to be answered. As this analysis was first done for the 1990s at the state level, the current project aims to analyse the spatial pattern for the period of 1990-2005 at multiple levels.

Using different levels of aggregation (i.e. state, district and selected case studies at the local level) for analysis, various factors affecting the processes of incorporation can be

unravelling. Even though states are the conventional administrative unit to study aspects of regional variation, economic incorporation can differ widely within states also. The underlying intuition is that district level spatial and sectoral analyses will provide additional insights relative to the aggregate analysis we have already got at the state-level. This is because districts are more agro-ecologically homogeneous (affecting rural social structure) (Palmer-Jones and Sen 2003) and politically distinctive, being the focus of the local administrative system and more representative of disaggregated social and economic relations. Moreover, using different geographical scales in the spatial analysis of social processes can generate different sets of data for both patterns and explanations (Anselin 1992, Anselin 1999, Gough 2004, Fouillet 2009). At any stage, but especially in the era of liberalisation and regional economic and political reconfigurations (given the convergence predictions of economic theory), it is important to situate the social processes in their spatial contexts at different levels. This project, therefore, aims to examine the spatial variation and regional patterns of economic incorporation at district as well as state level. The Economic Census 2005 enables me to do this.

In this chapter, I also briefly explore some explanations that may help us understand the differential incorporation of Dalits across regions and sectors. The marginalisation of Dalits from business entrepreneurship can perhaps be explained in terms of deficits. To enter the entrepreneurial sphere Dalits already start at a disadvantaged level in terms of physical and human capital. They lack human capital in terms of education. Lack of access to education has plagued Dalits for many decades and overcoming such historical barriers has proved to be extremely difficult. A recent study of the relationship between social background and different dimensions of well-being suggests continued persistence of caste disparities in education, income and social networks and Dalits being the most disadvantaged (Desai and Dubey 2011).

Dalits usually rely on their community networks for any form of assistance for capital, contacts or managing regulatory barriers. These community networks are socially restricted, not strong and thus not particularly helpful (Jeffrey, Jeffery et al. 2004, Mosse 2006, Vanneman, Noon et al. 2006). Moreover appropriate physical capital in terms of

land and money are also not usually available to the Dalits. Iversen et al. (2011) have argued that land redistribution holds the key to neutralising disparities attributable to upper caste dominance and found that in terms of land ownership Dalits remained the worst off and fell further behind Adivasis and other backward castes in the post-reform years (Iversen, Kalwij et al. 2010). There is, of course, regional variation in these ‘lacks’ which may have differential impacts on business sectors. In Chapter 3, I make an attempt to analyse how some of these structural disadvantages affect Dalit’s incorporation. I also analyse social structures, market institutions and the role of the state in promoting economic incorporation (using case study analysis, semi-structured interviews and thematic analysis) in Chapter 4 and 6.

The current chapter has two broad components - first, exploring spatial patterns, temporal and sectoral variation using techniques of choropleth mapping and trajectory analysis; and second, offering explanations for the specific patterns. The second section details out the quantitative methods and data used in this research. The third section outlines the trajectory of Dalits’ incorporation, both temporal and spatial. I offer possible explanations for the differential incorporation across regions in the fourth section. The last section summarises the findings.

2.2 Exploring Spatial, Temporal and Sectoral Variation: Data & Methods

The empirical work involves estimating indices of participation at different geographical levels for three different points of time: 1990, 1998 and 2005 using the data from the Economic Censuses; and producing series of maps using GIS techniques to show patterns and trajectories of Dalits’ economic participation.

A simple Index of Participation (PI)

[SC enterprises (SCE) in sector i , region x / total enterprises in sector i , in region x] / [SC Population (SCP) in region x / total population in region x]

$$\frac{SCE_{ix}}{\sum E_{ix}} \bigg/ \frac{SCP_x}{\sum P_x}$$

generates a value of 1.0 which represents parity in the proportions – and therefore an absence of bias: i.e. the proportion of Dalit enterprises equals the proportion of Dalits in the region. A rank of <1 denotes disproportionately low participation in the market, and >1 disproportionately high participation in relation to the relative population of Dalit (Harriss-White and Vidyarthee 2009).

Using the Geographic Information System (GIS) tool, the indices are used to create a series of choropleth maps showing the incorporation of Dalits as owners of capital in the Indian business economy in 1990-2005 across various states and economic sectors for three different points of time. More than 50 choropleth maps have been produced and analysed. A choropleth map is made by shading the cells of tessellation, with an intensity proportional to attribute values (Okabe 2006). More than six categories of cells in classed choropleth maps challenge cognitive competence (MacEachren 1995) so the classification generates fewer than six types.

Studying a trajectory over time can involve multiple approaches. In this chapter, I analyse patterns and trajectories from a spatial perspective at three different points in time and different levels. I then aggregate these spatial analyses of the Dalits' incorporation to view regional and sectoral patterns.

2.2.1 Data

For the spatial, temporal and sectoral analysis of Dalit enterprises, this research will rely on secondary data. The Government of India has several economic statistics programmes for the enumeration of enterprises- the Annual Survey of Industries (ASI), the National Sample Surveys (NSS), the Economic Census, and Census of Registered Small Scale Industries (now termed micro, small & medium enterprises (MSMEs)) (Government of India 2008, Government of India 2009). The ASI primarily estimates the contribution of different industry groups to national income and analyses various factors influencing industry. It covers the entire country except three States and one Union Territory (UT). The NSS makes enterprise surveys for particular groups of sectors on a regular basis in 5-10 year cycles or on a priority basis. Its design follows a stratified

multi-stage sampling scheme and thus leads to a substantial number of sub-areas where its sample sizes are too small. The All-India Census of MSMEs covers all *registered* enterprises under various organisations on a complete enumeration basis and the rest of the enterprises-the vast bulk- are treated as the unregistered MSME sector and are covered through a sample survey. The Economic Census includes economic activities except those involved in crop production and plantation on a full enumeration basis and covers all states/UTs.

In this research, I use the Economic Censuses which provide state-wise data on the number of private, overwhelmingly 'own account enterprises' (OAEs), owned and operated by Dalits- disaggregated and identified here by their official classification: Dalits (Scheduled Castes (SCs))¹¹, Adivasis (Scheduled Tribes (STs)) and other castes for 10 sectors of the economy for the year 1990 and for 14 in 1998 and 2005. Enterprises in this context are the economic undertakings 'not for the sole purpose of own consumption' (Government of India 2006:17). Rather than discuss the classification of 'enterprise', in this project I have simply adopted the definitions of the Economic Census. In addition, the Population Censuses are used to provide data for Dalits/SCs and total populations by each Indian state for the years 1991 and 2001, and by districts for the year 2001. Further, I acquired spatial data for districts and states of India for the year 1990, 1998 and 2005 using the indirect spatial-data acquisition technique. Indirect spatial-data acquisition means deriving spatial data from material represented by conventional maps and census documents that contain information obtained from direct observations, such as administrative boundaries defined by surveying and set down as part of a map (Okabe 2006).

There are three difficulties with these data: first, matching business data for 1990, 1998 and 2005 with demographic data for 1991 and 2001¹²; second, it is difficult to aggregate

¹¹ In this chapter though the data are for SCs, the acronym SC and the label Dalit will be used interchangeably.

¹² I use the 2001 population census for calculating indices of participation for the economic census years-1998 and 2005. Here, I assume that the proportional population of Dalits does not vary in such a short period.

the changes in sectoral classifications over the ‘short decade’ of 1990-98¹³; and third, the territories of the states (which were also reclassified over this period) produce distortions to India’s agro-ecological regions¹⁴. By the concept of ‘region’ we understand physical territories with dense weightings of definable attributes but with boundaries which aren’t always neat or fixed. They are a product of official categories such as districts/states which mask variations within them. The regional pattern this study discovers is a product of the intervals used to map the characteristics. Our explanations cannot avoid the constraints of official categories and of the power relations, routines and scaled information requirements of official agencies – they cannot avoid being data-driven.

In 1990 the sectors were livestock; agriculture and forestry; mining; manufacturing; utilities (electricity, gas and water); construction; trade, hotels and restaurants; transport, storage and communications; finance and real estate; and health, education community and personal services. In 1998 and 2005 they were livestock; agricultural services; mining; manufacturing; utilities; construction; wholesale trade; retail trade; restaurants and hotels; transport; storage; communication; finance and real estate; and community social and personal services. These data are used to produce indices of participation (PI).

2.2.2 Analysing Spatial Patterns across Sectors during 1990-2005

Choropleth mapping techniques based upon the Geographic Information System (GIS) are useful both in analysing statistical data aggregated over defined regions and in presenting the result of such analyses. It provides an easy way to visualise how a measurement varies across a geographic area and allows the identification of highs, lows, and trends (Andrienko and Andrienko 1999). It must be noted that the choropleth mapping method is limited in three ways- first, choropleth mapping achieves a smoothing out of data by suppressing the variation in an attribute through reclassifying

¹³ I have grouped few sectoral categories for the year 1998 with the help of NIC-codes for a comparative analysis.

¹⁴ Three new states namely -Jharkhand, Uttrakhand and Chhattisgarh were designated in November 2000. I have calculated indices for these states for the economic census year 1998 for trajectory analysis.

values into just a few categories¹⁵ for ‘cognitive efficiency and enhanced memorability’ (MacEachren 1995:164); second, the patterns of a choropleth map depend substantially on the analyst’s choice of both classification method and the number of data classes; and, third, this technique assumes a relatively even distribution of the measured phenomenon within each spatial unit (Haining 2003, Grengs 2007). Here, keeping these limitations in mind, this research uses choropleth mapping to depict the indicators and attributes of spatiality of Dalits’ incorporation at the aggregated level (i.e. state) as well as disaggregated level (i.e. district). The disaggregated spatial analysis of Dalits’ incorporation makes the unit of study more micro. Several new patterns of regions can be analysed by grouping districts which may belong in different states but fall in the same choropleth mapping category.

The data for choropleth mapping are classified using the method of statistically optimal classification rather than classification into equal intervals or classification with equal frequencies of objects in the classes since the statistical distribution of the mapped variable is not uniform. However, this data masks the complexity, dynamism and specificity of Dalit sub-groups as we do not have sub-group level enterprise data.

Maps are analysed to derive the regional patterns and spatial trajectories for all sectors during 1990-2005. A trajectory refers to tracing the course of evolution of a certain phenomenon, in this case, the incorporation of Dalits into the Indian neo-liberal business economy as owners of enterprises. Besides enriching our understanding about the spatiality of differential economic incorporation, these maps provide the scientific basis as well as a dynamic framework for analysing the impacts of various structural shifts in policy - including the liberalisation of the Indian economy. As these maps identify the regions of economic discrimination as well as regional success stories of positive incorporation of Dalits into the economy, they can be of considerable value for promoting directional shifts in the overall strategy of inclusive development in India. Further, these maps can help in targeting appropriately and enhancing resources for

¹⁵ It is considered difficult to interpret choropleth maps with more than 6 categories.

marginalised groups under the broader framework of inclusive development. Moreover, the nature and dynamics of sectoral variations across space and time can also be described and understood.

2.3 Spatial and Sectoral Patterns of Dalits' Incorporation

2.3.1 General Trends in the period 1990-2005

In the first fifteen years of the reform period, 1990-2005, the absolute number of private enterprises recorded in India increased by more than two-thirds (i.e. from 22 million to 38 million⁶). While during 1990-98, it increased by a quarter; in the subsequent seven years, 1998-2005, it increased by more than a third. Even though the total number of Dalit enterprises nearly doubled from 2.18 millions to 3.69 millions, the proportion of all private enterprises owned by Dalits remained stable at 9.8% (see Fig 1). This is disproportionately low, given that Dalits constitute roughly 16% of the general population (under a slow decline). There is persistent inequality in the ownership of firms during the first fifteen years of liberalisation (see Table 2.1).

⁶ In 2009-10, the workforce in India was estimated at 459 million and well over half was said to be self-employed (i.e. 232 millions) NSSO (2011). Employment and Unemployment Situation in India 2009-10, 66th Round (July 2009 - June 2010) New Delhi, National Sample Survey Organisation, Ministry of Statistics and Programme Implementation.. The Economic Census is intended to enlist all enterprises (except agricultural enterprises engaged in crop production and plantations) and cover both own-account enterprises (OAEs) and establishments with hired workers. However, past economic censuses did not cover 'all enterprises without fixed premises and the enterprises carried out in residential premises due to field difficulties' National Statistical Commission (2012). Report of the Committee on Unorganised Sector Statistics. New Delhi, Ministry of Statistics and Programme Implementation, Government of India.. This resulted in the undercount of enterprises, especially own-account enterprises. Hence, there is a huge discrepancy between the estimated number of self-employed workers through the National Sample Survey and the number of enterprises (38 millions, vast majority - OAEs) enumerated through the Economic Census. The discrepancy in alternate data sets and the gross underlisting in the Economic Census was identified in the Report of the 'Expert Committee to Examine Wide Variations in Data Sets on the Same Subject' in the year 2000 (ibid:52). However, the underestimates seem to be consistent (i.e. the field method does not change) and therefore, the emerging patterns (i.e. as something of a vast sample rather than a population) are worth taking seriously.

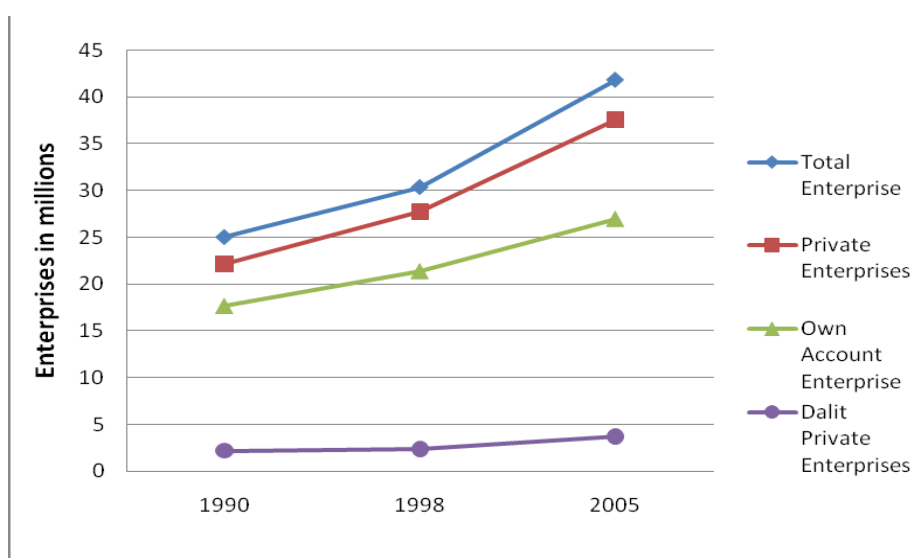
Table 2.1: Growth of Dalit Enterprises, 1990 -2005

	Total No. Private Enterprises ¹⁷ (m)	% Dalit Population ¹⁸	% Dalit firms
1990 ¹⁹ (-1)	22.14	16.33	9.85
1998	27.71	16.20	8.42
2005	37.58	16.20	9.82

Sources: Census and Economic Census data

During 1990-98, the proportion of enterprises owned by Dalits actually *declined* by 15%, and between 1998-2005 the proportion only increased by a very small amount (17%). The annual growth rate of Dalit enterprise was comparatively low during 1990-98 (0.42% per annum) in comparison to the period of 1998-2005 (6.77% per annum) (see Figure 2.1). The increase in the growth rate has been observed both in own-account enterprises (OAEs) and enterprises with hired workers.

Figure 2.1: Enterprise Growth in India 1990-2005



Source: Economic Census 1990, 1998 and 2005

The average employment per enterprise at an all-India level reduced from 2.88 employees in 1990 to 2.75 in 1998, and 2.41 in 2005. The proportion of own-account enterprises marginally decreased during 1990-2005, but it still accounts for almost two-thirds of all enterprises. However, the proportion of enterprises with more than ten

¹⁷ This does not include non-profit institutions, cooperatives and private corporations.

¹⁸ Proportional share of Dalits in the total population has been kept same for the year 1998 and 2005 due to the paucity of authentic data.

¹⁹ This does not include enterprises in Jammu and Kashmir as it was excluded from the economic census.

workers reduced by more than 50%. In 2005, more than 95% of enterprises had been employing less than five workers (see Table 2.2). This clearly shows that growth and capital accumulation in the neo-liberal business economy have been driven by small enterprises in the informal sector. The point to note here is that formal sector jobs constitute merely eight percent of the total employment available in the country.

Table 2.2: Distribution of Enterprises by Employment and Enterprise Type

Employment size	1990	1998	2005
1-5	93.41%	94.00%	95.07%
6-9	3.46%	3.30%	3.42%
10 and above	3.13%	2.80%	1.51%
Enterprise Type			
Own-account Enterprises	70.73 %	70.43%	64.41%
Enterprises with hired workers	29.27%	29.57%	35.59%

Source: Economic Census 1990, 1998 and 2005

From a sectoral perspective, the most important category of enterprise – in the range of 42 to 46% in 1990, 1998 and 2005 - is the strange official classification of wholesale and retail trade, hotels and restaurants. While health, education, community, and personal services declined relatively from 19 to 8% in the first fifteen years, firms in agriculture and allied sectors rose from 10 to 16% (see Table 2.3). Together, by the turn of the century, trade and services constituted 56% of GDP but 67% of enterprises. Manufacturing firms accounted for 23 to 20% of the total number of firms (and about 22% of GDP, proportionate to their share of total enterprises) (Harriss-White and Vidyarthi 2009).

Table 2.3: Distribution across Sectors of Private Enterprises in India

	Sectors	1990		1998		2005	
		Total Private Enterprise	%	Total Private Enterprise	%	Total Private Enterprise	%
1	Agricultural and Allied	2243042	10.13	3438010	12.41	5887783	15.66
2	Mining and Quarrying	47143	0.21	34072	0.12	80179	0.21
3	Manufacturing	5131524	23.18	5481722	19.78	7968435	21.20
4	Electricity, Gas and Water Supply	10557	0.05	12159	0.04	28348	0.08
5	Construction	221162	1.00	283200	1.02	314520	0.84
6	Wholesale and Retail Trade, Hotels and Restaurants	9373327	42.34	12407036	44.77	17264756	45.93
7	Transport, Storage and Communication	628054	2.84	1120313	4.05	2043795	5.44
8	Finance, Real Estate, Business and others	351806	1.59	597711	2.16	1120791	2.98
9	Health, Education, Community and Personal Services, etc.	4125573	18.63	4334534	15.64	2878250	7.66
10	Others	8645	0.04	5648	0.02	1294	0.00
	Total	22140833	100	27717190	100	37588151	100

Source: Economic Census 1990, 1998 and 2005

2.3.2 Sectoral Trends for Dalits

The sectoral trends for Dalits are very distinctive. During 1990-98, the absolute number of Dalit firm owners in the agricultural, manufacturing, and mining and quarrying sectors declined by 3.8%, 63.6% and 16% respectively. In wholesale and retail trade, hotels and restaurants sector the number of Dalit owners of firms increased by 47.2%. However, during the period of 1998-2005, the absolute number of Dalit enterprises saw a significant increase in all sectors except the notable decline of 33% in the sector of health, education, community and personal services³⁰, etc. In sum, it is clear that sectoral unevenness in the numbers of firms increased rather than declined during the 1990s; and that the process of Dalit entry into the market took different forms across different sectors.

³⁰ It includes sewage and refuse disposal, sanitation, and similar activities; garbage collection, transportation and disposal; removal of human wastes and their treatment and disposal, including maintenance of sewers and drains; other sanitation activities such as outdoor sweeping and watering of streets; laundry services, hairdressing and other beauty treatment, funeral and related activities, shoe shining, porters, household maintenance activities etc.

2.3.3 Spatial Variations

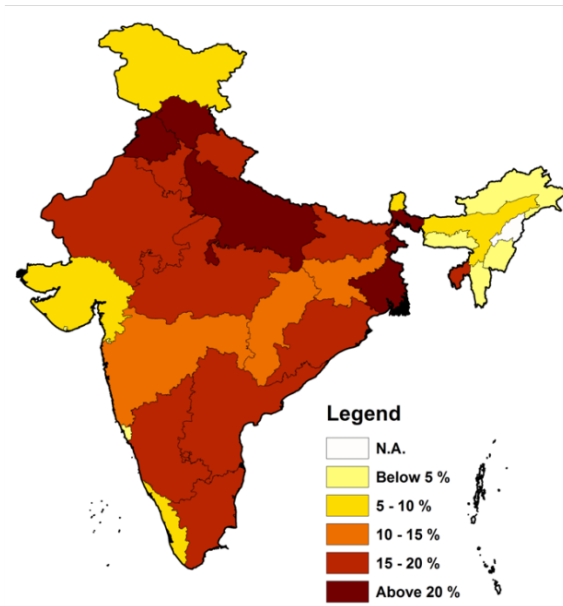
The size of the Dalit population varies significantly from state to state in India. The proportion of Dalits in relation to the total population is greatest in the North and South-East (SE) India and lowest in the West India, the North-Eastern states (NE) and Kerala in the south (see Map 1). The proportion of Dalit enterprises takes a somewhat different spatial expression from the population in general (see Map 2).

State-wise enterprise growth during 1990-2005 is very uneven. During 1990-1998, the central belt (i.e. including Bihar, Madhya Pradesh, Haryana, Gujarat and Rajasthan), Karnataka in the South and Mizoram in the NE saw negative growth rates in terms of the absolute number of Dalit enterprises. Yet between 1998-2005, these states reversed this trend and reported positive growth rates. Himachal Pradesh and Goa were the only states with negative growth rates (see Maps 3- 5).

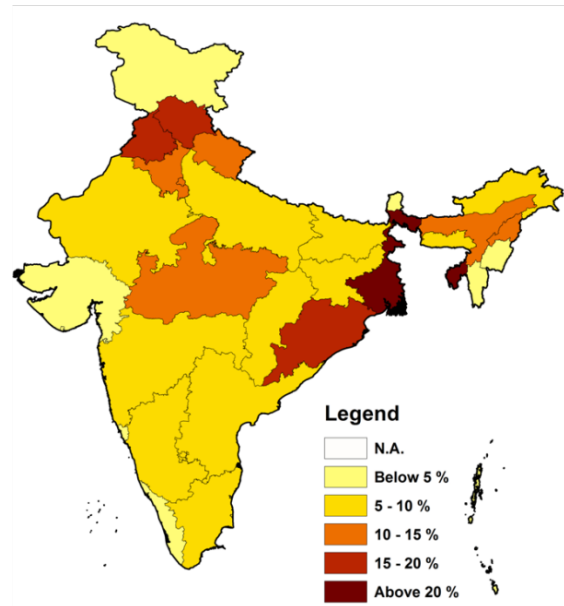
Strong regional patterns emerge. Dalit enterprises are proportionally most abundant in the NE where, due to restrictions on citizenship, property ownership and movement in tribal states, they are absolutely most thin on the ground. While between 1991 and 2001 there was no change in the demographic regions, maps of the participation index (PI) for all private enterprises show that during 1990-98, the apparent effects of 'negative discrimination' against Dalits spread throughout the south and intensified in the area between Rajasthan and Gujarat, through to UP, Bihar and Chhattisgarh. From 1998 to 2005 Dalits' relative participation increased in most of the southern states and UP. It decreased in Odisha and remained unchanged in the rest of India (see Maps 6-8).

Maps 1-2: Proportion of Dalit Enterprises and Population

Map 1: Proportion of SC Population (%) -2001 Census



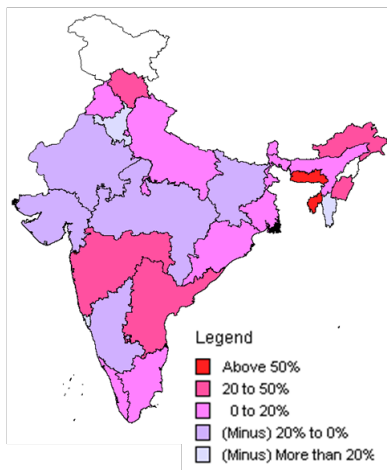
Map 2: Proportion of SC Enterprises (%) -2005 Census



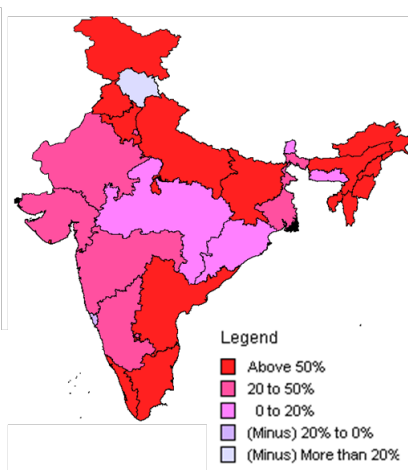
Data Source: Economic Census 2005 and Population Census 2001

Maps 3-5: Enterprise Growth across States during 1990-2005

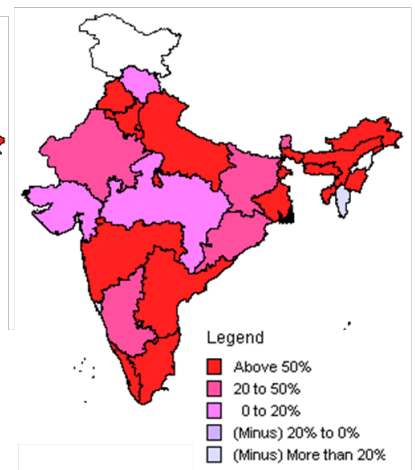
Map 3: Enterprise Growth in % (1990-98)



Map 4: Enterprise Growth in % (1998-2005)

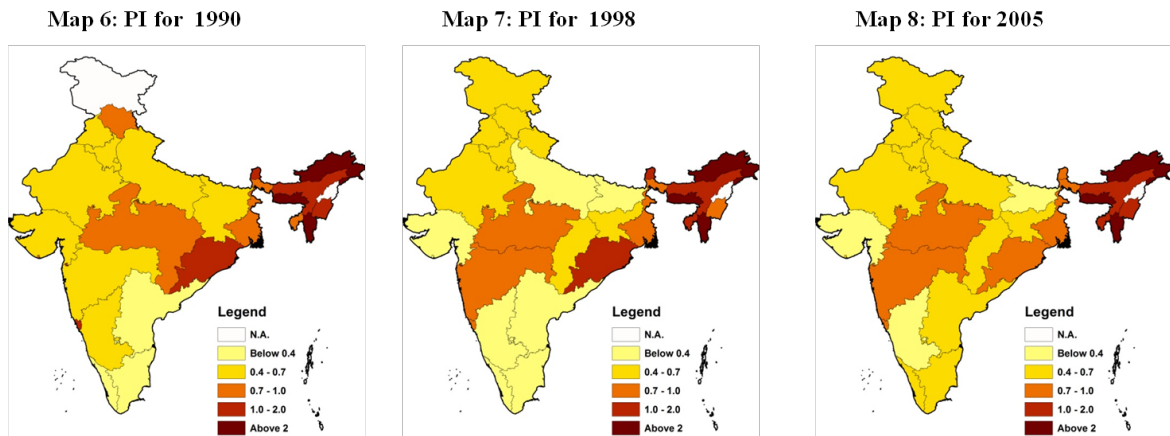


Map 5: Enterprise Growth in % (1990-2005)



Data Source: Economic Census 1990, 1998 and 2005

Maps 6-8: Regions of Dalits' Economic Incorporation (All Sectors)



Data Source: Economic Census 1990, 1998 & 2005; Population Census 1991 & 2001

Harriss-White, Vidyarthi and Dixit (2014:59) have suggested that, although there is considerable internal variation and state-level idiosyncrasy, there are four regional patterns of incorporation. It is possible to discern commonalities in two polar compass directions – South and North - and across a swathe of states in the centre-east of India and a set of small tribal states in the extreme NE (see Table 2.4). The Western states are anomalous in various ways.

2.3.3.1 The Southern Region: AP, TN, Kerala and Karnataka

This region has a substantial presence of Dalits (10-20%) and a high total number of firms (9m firms, i.e. 1 firm: 40 people). In fact, despite the high absolute numbers of firms, the participation of Dalits as owners of firms is unusually low (the index varies from 0.37 to 0.3) – suggesting strong discrimination against them despite the records of various kinds of ‘pro-poor politics’ in these states. Self-employment preponderates, with a slow increase over time in the proportion of Dalit enterprises employing wage-labour – (varying state-wise between 10-15%). In this, at the turn of the millennium, Tamil Nadu was in an anomalous All-India vanguard with disproportionately few Dalits able to enter the business economy and yet with a very high proportion – one third - of those Dalit firms that have successfully entered business employing up to 6 wage workers – up from 13% in 1990 – and with 5% employing over 6 workers (ibid:59).

Table 2.4: Regional Patterns of Economic Incorporation of Dalits

S.No	Regions	SC People (%)	Total Enterprises	Enterprise Ratio (firm vs. people)	Structure of the Enterprises	Participation Indices	Discrimination against Dalits
1	<i>Southern Region (Andhra Pradesh, Tamil Nadu, Kerala and Karnataka)</i>	10-20%	9m (high absolute no)	1:40	Relatively well developed non-agricultural economy	0.37 to 0.3 (unusually low)	Strong negative discrimination
2	<i>Central-Eastern Swathe (Madhya Pradesh, Maharashtra, Odisha, West Bengal and Assam)</i>	16% to 28% (Higher than average proportion)	10m	1:30	well developed non-farm economy	0.8 and over 1	Weak moving into positive in the east
3	<i>Northern States (Bihar, UP, Punjab, Haryana, HP, Delhi, Chandigarh)</i>	15-28% (Above average incidence)	7.5m (relatively low total incidence of firms)	1:46	Very low wage labour base	0.3 to 0.6 (generally low participation indices)	Strong negative discrimination
4	<i>Western States (Gujarat and Goa)</i>	2-7% (low incidence of SC - distinguishing feature of this region)	2.6 m	1:20	flourishing non-farm economies		strong negative discrimination
5	<i>North-Eastern Tribal States: Arunachal, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura</i>		0.2	1:62	High frequency and high wage labour base		Positive discrimination

Source: (Harriss-White, Vidyarthi et al. 2014)

2.3.3.2 The Central-Eastern Swathe: MP, Odisha, West Bengal and Assam

The percentage of Dalit population in these states varies from 14% to 23% (with Assam as a low outlier at 7%), and there is a well-developed non-farm economy with 10 m firms (1 firm: 30 people). Discrimination against Dalits is much weaker than in the South, moving into positive in the East (the index ranges between 0.8 and over 1 for Assam and Odisha). Firms are overwhelmingly own-account enterprises – indicating conditions of incorporation that are at worst under conditions of distress with relations of exchange that prevent growth and at best the result of the prevalence of very small

investible surpluses. In West Bengal, liberalisation has released constraints on accumulation and mobility from 'own account' status to firms employing small numbers of wage labourers is comparatively high, but there has been hardly any such movement in Odisha. In Assam, Dalits have in-migrated, and liberalisation has been associated with a sharp increase in their ownership of firms employing wage labourers²¹ – from a very low base before 1990 (ibid:60).

2.3.3.3 *Northern States: Bihar, UP, Punjab, Haryana, HP, Delhi, Chandigarh,*

With an above average incidence of Dalits,²² this belt of states has a relatively low total count of firms – 7.5m (1 firm: 46 people) and poor participation indices – varying from 0.3 (UP) to 0.6 (HP) including the cities of Delhi and Chandigarh (0.5-0.45). The restriction of nine-tenths of firms to the smallest size category is only broken by Delhi - a major site of opportunity for accumulation in which Dalits are active. Here a fifth of Dalit firms employ a wage labour force of under six, and 9% have over six workers. The transformation of the Dalit business economy to a scale of production and trade where labour must be hired is occurring at relatively fast rates in parts of this region - but from very low bases (ibid:60).

2.3.3.4 *Western States: Gujarat, Maharashtra, Rajasthan and Goa*

The low incidence of Dalits in the population is the distinguishing feature of this region - varying from 17% (Rajasthan) through 7% Gujarat to 2% (Goa). With 2.6 m firms (1 firm: 20 people) these states have flourishing non-farm economies. Otherwise, they do not form a coherent region. While Gujarat resembles the Northern region in terms of strong negative discrimination, Goa is at parity. Maharashtra, the state with the highest number of enterprises in the urban sector, has a relatively high percentage of Dalit enterprise owners – but it is still below parity with the Dalit population share. One attribute that most of these states have in common is that Dalit firms are almost

²¹ True of both Economic Census categories – firms with below and with above six workers.

²² Ranging from 15% in Bihar to 28% in Punjab.

completely restricted to own account enterprises – the exception is Maharashtra, with 12% Dalit businessmen owning small labour-hiring firms (ibid:61).

2.3.3.5 *North-eastern Tribal States: Arunachal, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura*

In the outer and inner Himalaya, there are very few firms - about 0.2m (1 firm: 62 people) and very few Dalits. Imported under the British to perform menial services, there are political barriers to their remaining in these territories. Those few who manage to cut through the red tape of work permits, are rarely allowed to own property and have instead to rent licences, residential and business premises from local tribal people. However, they are disproportionately positively represented both as owners of firms and as employers of labour.²³ The highest frequency and fastest growth of Dalit firms with wage labour are in the states of this region. The variety of trajectories here, where states are very small, is suggestive of possible intrastate variation elsewhere (ibid:61).

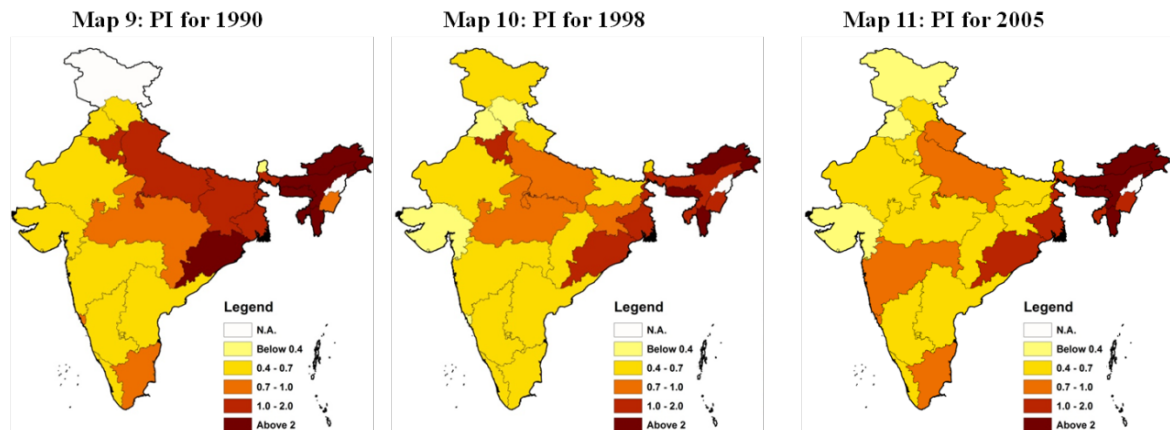
2.3.4 Sectoral Spatiality of Dalits' Incorporation

Despite the limitations of the data, different sectors show different patterns of regional distribution, which intensify both positively and negatively during 1990-2005 (Harriss-White, Vidyarthi et al. 2014:57-58).

Agricultural and Livestock Businesses: In 1990 Dalits/SCs were disproportionately prominent in agricultural business in the NE and under-represented in the Western India. By 2005, however, negative PIs spread throughout the country except for Odisha, West Bengal and NE states (see Maps 9-11).

²³ Harriss-White, B., D. K. Mishra and V. Upadhyay (2009). "Institutional Diversity and Capitalist Transition: The Political Economy of Agrarian Change in Arunachal Pradesh, India." *Journal of Agrarian Change* 9(4): 512-547.

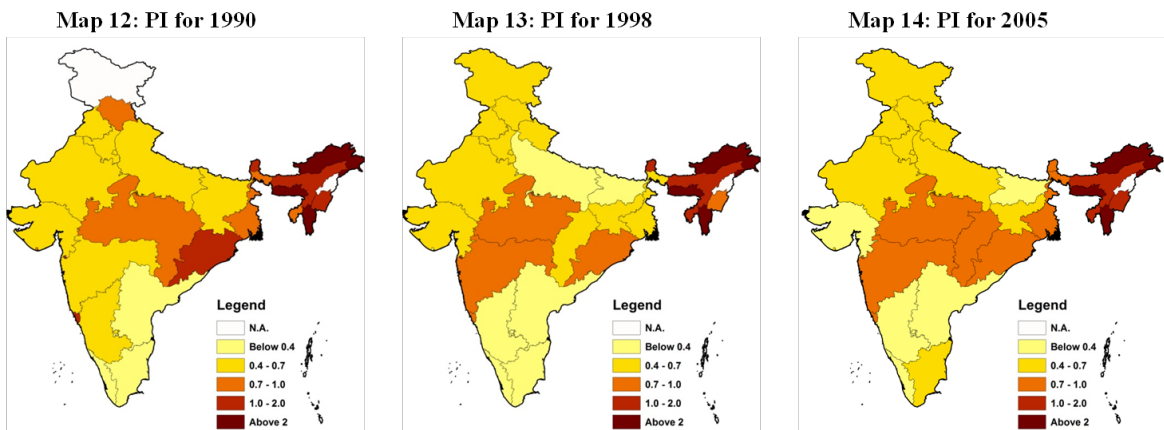
Maps 9-11: Regions of Dalit Economic Incorporation (Agriculture & Allied)



Data Source: Economic Census 1990, 1998 & 2005; Population Census 1991 & 2001

Non-agricultural Business in general: In 1990 Dalits were strongly under-represented in the South and relatively over-represented in Himachal Pradesh, MP and the North-eastern states. By 2005, disproportionately low participation had spread from the South to NW making a solid region of low participation throughout South India and in UP, Bihar and the NW (see Maps 12-14).

12-14: Regions of Economic Incorporation (Non-agricultural Sector)

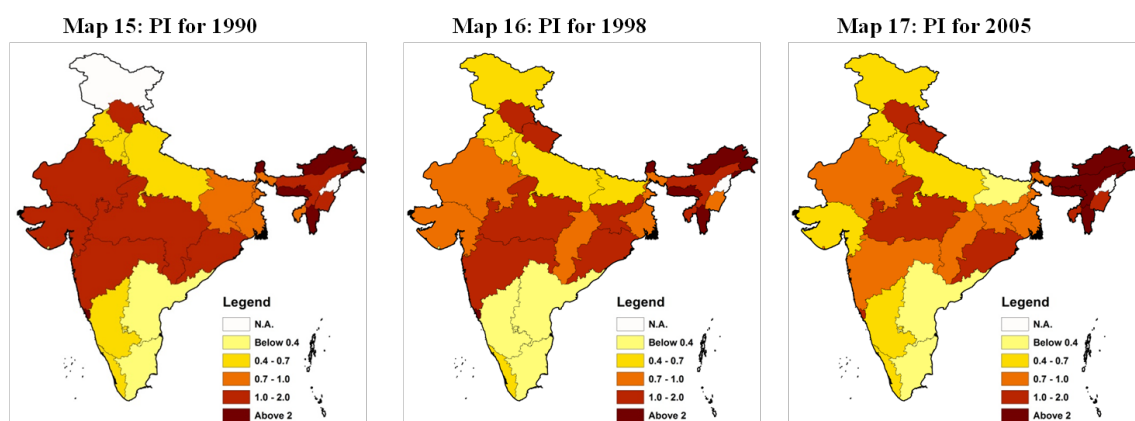


Data Source: Economic Census 1990, 1998 & 2005; Population Census 1991 & 2001

Mining, Quarrying and Construction: In 1990 Dalits were disproportionately active in these sectors in large parts of India. By 1998 ‘positive discrimination’ had spread to a belt in the centre and north but the whole of South India had negative discrimination. Even in 2005, the South was starting to see the effects of ‘negative discrimination’.

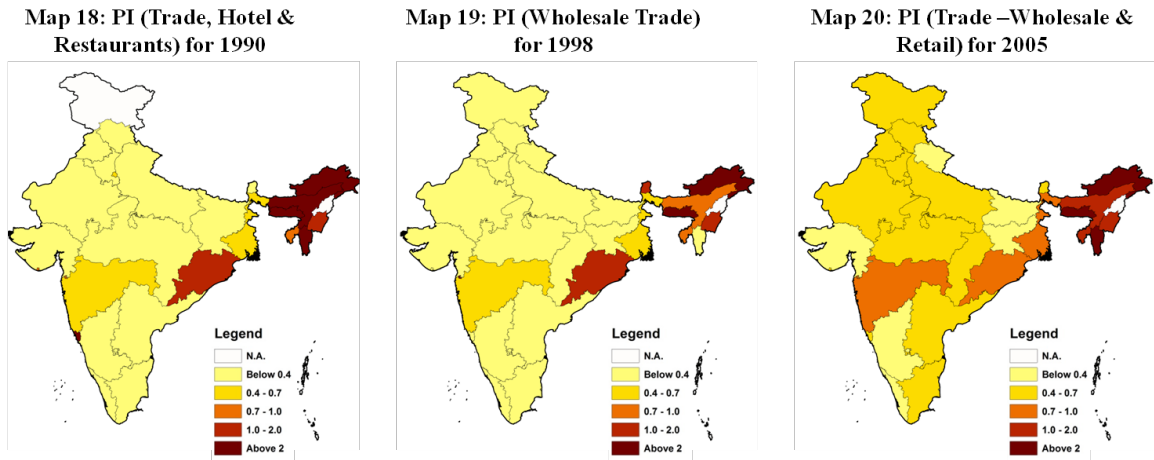
Manufacturing: In 1990, Dalit participation was positive in Central India and relatively low in the so-called ‘cow belt’ (especially Haryana, Uttar Pradesh and Bihar), SE and NW. However, by 1998 relative disadvantage had spread to Karnataka in the South and Gujarat and Rajasthan in the North-West while positive advantage was starting to emerge in Central and North-Central India. By 2005, there was a disproportionate increase in participation in the NE and a relative decrease in the West (see Maps 15-17).

Maps 15-17: Regions of Dalits’ Economic Incorporation (Manufacturing)



Data Source: Economic Census 1990, 1998 & 2005; Population Census 1991 & 2001
Trade, Hotels, etc.: In 1990 Dalits were conspicuous for their low levels of participation, except in Odisha and the NE tribal states. It seems that here above all there are powerful entry barriers at work. By 1998, when these categories are disaggregated, the pattern persisted. However, by 2005 Maharashtra and West Bengal had observed a relative increase in participation (see Maps 18-20).

Maps 18-20: Regions of Dalits' Economic Incorporation (Trade- Wholesale & Retail, Hotels & Restaurants)



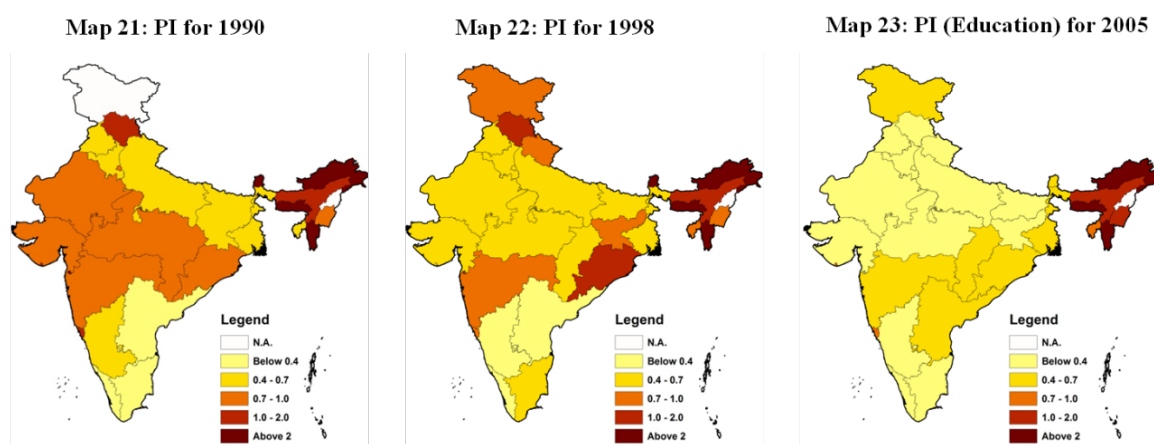
Data Source: Economic Census 1990, 1998 & 2005; Population Census 1991 & 2001

Transport, Storage, Communications, Finance, Real Estate: There is persistently low participation in these sectors throughout India, except in the NE states. However, by 2005 a relative increase in participation has started emerging in a belt in the SW and East.

Personal and Community Services (Health and Education): These are sectors in which it might be expected that the impact of reservations in education and the public sector would be most obvious. But in general, the participation of Dalits is disproportionately low, intensifying throughout the decade except in a belt in the SW and East, and the NE states (see Maps 21-23).

Dalit participation in private enterprises has not increased overall. While it persists at highest levels in the North Eastern States of Arunachal Pradesh, Meghalaya and Mizoram, (where the proportion of Dalits in the population is low), it decreases in Odisha by the third Census date of 2005. The participation level of Dalits in Central belt of Madhya Pradesh and Maharashtra also decrease over the years of liberalisation and is revealed as patchy.

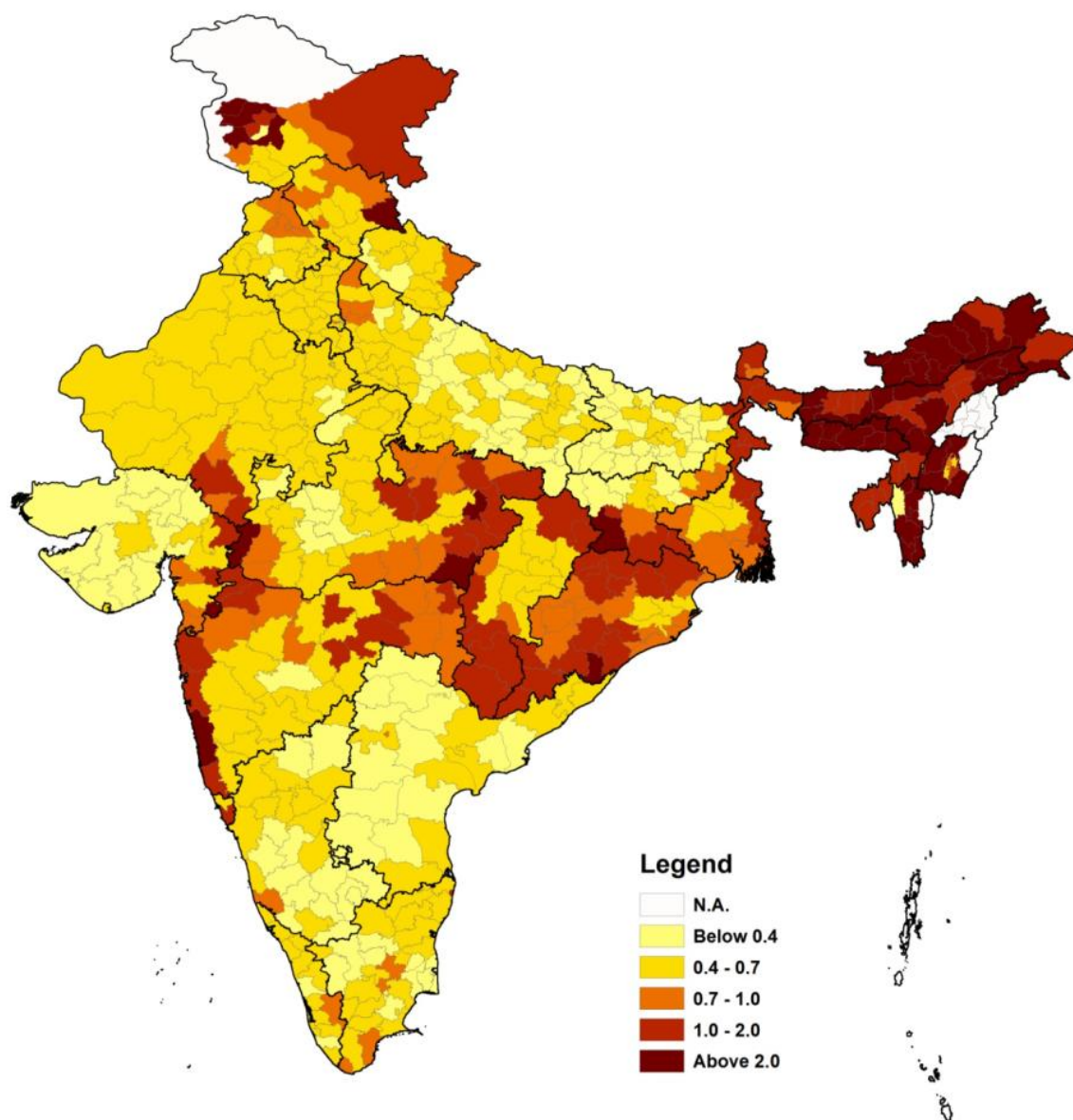
Maps 21-23: Regions of Dalits’ Economic Incorporation (Health, Education, Personal and Community Services)



Data Source: Economic Census 1990, 1998 & 2005; Population Census 1991 & 2001

The All-India analysis of the Economic Census of 2005, disaggregated by districts, shows that India has a series of regions of relative advantage and disadvantage for Dalits in various sectors of the business economy. There are few districts where Dalits are more than 20% of the population, and the PI exceeds 1.0. The districts in the state with the highest proportion of Dalits, Uttar Pradesh, have the lowest participation rates. The districts in Southern states also remain marked by low participation, throughout the three censuses. Over time, Dalit disadvantage has *intensified* in Southern India (see Map 24).

Map 24 – PI for All Private Enterprises (District Level) - 2005



Data Source: Economic Census 2005 and Population Census 2001

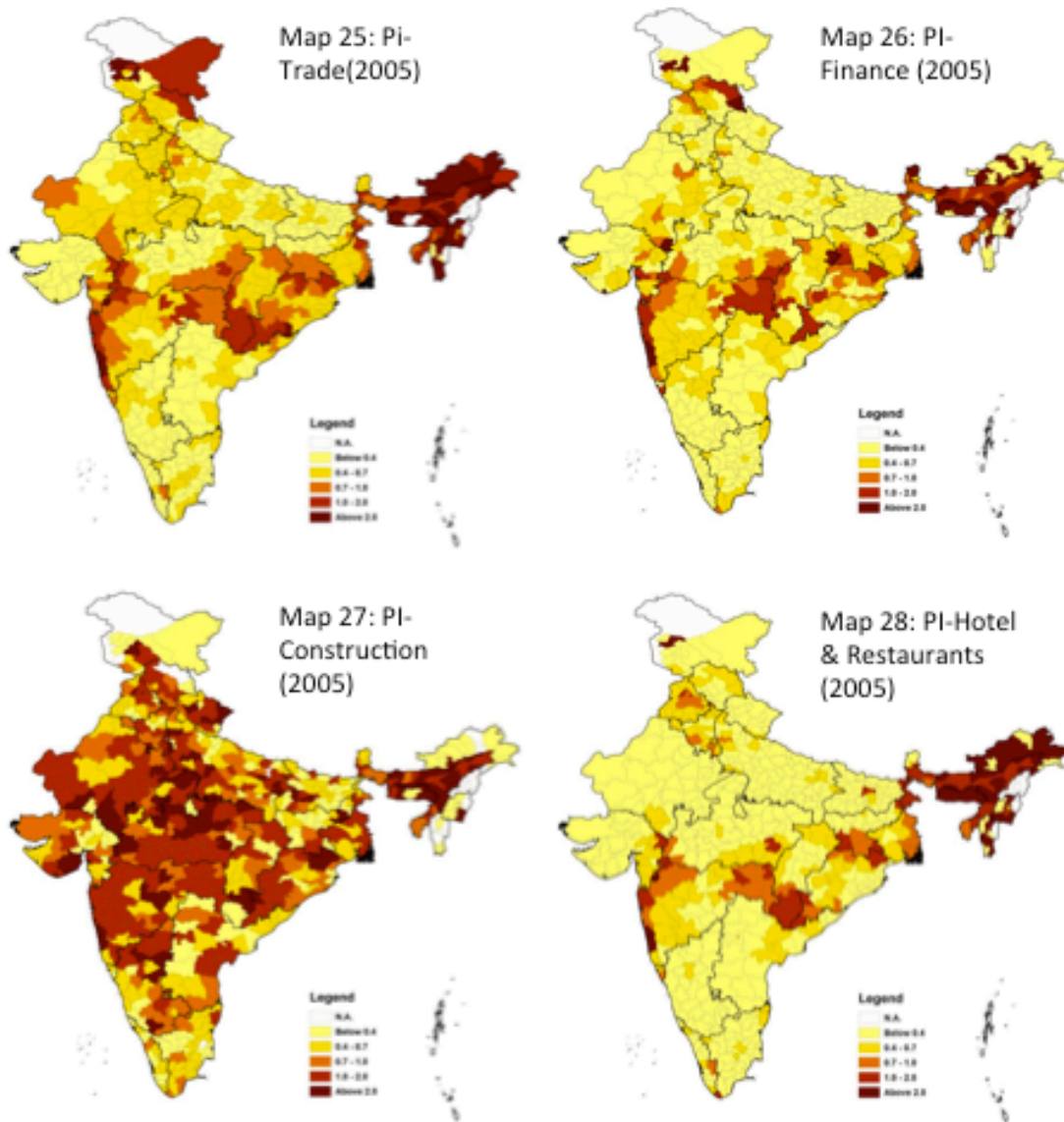
We find that these regional patterns are more nuanced when data are mapped to the resolution of districts. These patterns also show that the boundaries of India's states are not easily or generally detectable (see Map 25-28). Regions of low participation are found in rich, developed states as well as poor ones. Examples of such intra-state heterogeneity may be found for enterprises as a whole among Dalits in Maharashtra and Madhya Pradesh.

In the construction sector, the intrastate heterogeneity is an All-India phenomenon (See Map 27). Dalits are 'relatively advantaged' in the construction sector and consistently

disadvantaged in those sectors that are driving Indian growth: trade, transport, food, hospitality and service sectors. Except in the North East, Dalits' participation as owners of Hotels and Restaurants is dismally low (See Map 25-28).

Thus, the regionalisation of the economic participation of Dalits and their entry barriers are highly differentiated in sector-specific ways (see Table 2.5). Dalit ownership of hotel and restaurant enterprises is homogeneously distributed at the district level inside the state of Rajasthan, UP, Karnataka, Tamil Nadu and Gujarat (low). Trans-state 'contagious' regions of relatively low participation are revealed at the district level in the case of finance, hotels & restaurant, and trade – for Dalit owners in Northern and Southern states. This suggests that forces other than state policy are implicated in the opportunities and constraints traced by these spatial arrangements.

Map 25-28 – PI for Various Sectors (District Level) - 2005



Data Source: Economic Census 2005 and Population Census 2001

Table 2.5: Regions of Differential Incorporation of Dalits across Various Sectors

Agriculture	Non-agriculture in general; Manufacturing	Construction	Trade; Mining; Quarrying; Transport; Storage; Finance; Real Estate; Services
<i>East advantaged West disadvantaged</i>	<i>Central Belt (E-W) advantaged Rest disadvantaged</i>	<i>Relative advantage everywhere</i>	<i>Relative disadvantage everywhere except the NE states</i>

Data Source: Economic Census 2005 and Population Census 2001

2.4 Explaining the Unevenness of Differential Incorporation

In this section, I explore some explanations that may help us understand the differential incorporation of Dalits across regions and sectors.

First, this research showed that the discriminatory and exclusionary economic practices of the traditional caste system have not weakened with the process of liberalisation. This substantiates Prakash (2015) and Jodhka's (2015) research showing how market outcomes are embedded in the existing social structures. The persistence of economic exclusion and discrimination has been recorded in many studies including the Government of India's plan documents and government-commissioned reports (Prakash and Harriss-White 2009). Yet none of these analyses tells us how these processes are allowed to persist. I would argue that in order to understand this phenomenon, the policies designed to improve the economic incorporation of Dalits needs to be scrutinised. There is a need to look at the roles played by the various policy stakeholders. These include officials at different levels of the bureaucracy, NGO workers, and political representatives in the policy processes at a local level. Here, Schaffer's work on the inseparability of policy and implementation (Schaffer 1984), is pertinent. So this study develops Schaffer's framework for the analysis of policy processes in Chapter 6.

Second, this research showed that the economic incorporation of Dalits is very uneven across sectors as well as regions. The unevenness in sectoral and regional patterns sheds light on the uneven effects of discrimination and exclusion across three dimensions: first, across scales – variation between macro-regions, states and districts; second, variations across different sectors of the agricultural and the non-farm economy; third, differences in the trajectories of incorporation of regions and sectors over time. A more refined form of investigation of the spatial unevenness and the processes of incorporation and the ways in which this process is socially constructed is therefore developed in Chapter 4.

Third, the social dynamics between the Dalits and the upper castes has the potential to affect the process of economic incorporation at the local level (Deliege 2001, Froystad

2005, Somanathan 2006, Still 2013). The ubiquitous marketplace associations are often based on the solidarity between enterprise owners belonging to the same caste and carrying out similar activities. Their composition generally varies by sectors and regions due to local factors, never more visibly than in the case of Dalits.

Fourth, the under-representation of Dalits in business entrepreneurship can perhaps be explained in terms of their disadvantageous positioning in India's social structure. Even in 2009-10, nearly half of Adivasis and about 42 percent of Dalits in rural areas were poor (Planning Commission 2012). Dalits and Adivasis already start disadvantaged in the levels of physical and human capital to enter the entrepreneurial sphere. Although other non-Dalit poor face similar disadvantages, it becomes far more difficult for Dalits to progress as owners of firms because their caste identities tend to be foregrounded over and above their professional or business identities (Jodhka 2015). Dalits see such identifications not only as a violation of their dignity but also as a way of harming their businesses (Jodhka 2015). Major variations between regions imply that the opportunities and resources offered for business are far from uniformly distributed. While discrimination may be a larger phenomenon, resources and opportunities are often specific to locations and sectors. I explore this in detail in the next chapter.

Fifth, the unevenness in regional variations in Dalit participation as firm owners may also be linked to the regional variations in the effectiveness and outreach of affirmative policies. Pai (2010) has analysed the supplier diversity programme in Madhya Pradesh, which aims to promote Dalit entrepreneurship through ensuring assured markets for their products. She has found its impact on promoting Dalit businesses to be marginal but positive. But the uptake and implementation levels of Central Government programmes for finance, credit and training programmes may vary across states.

2.5 Conclusions

Maps have been analysed to derive the regional pattern and temporospatial trajectories of all the economic sectors classified by the Economic Census during the period 1990-2005. Maps of the participation indices for all private enterprises show that during 1990-98 apparent effects of 'negative discrimination' against Dalits spread throughout the south and intensify in a belt from Rajasthan and Gujarat, through Uttar Pradesh to Bihar and Chhattisgarh. During 1998-2005, while Dalits' relative participation increased in most of the southern states and Uttar Pradesh, and decreased in Odisha; the rest of India remained unchanged. Dalits are 'relatively advantaged' in the construction sector and consistently disadvantaged in trade, finance, transport, food, hospitality and service sectors – these are the sectors driving Indian economic growth. Over time, Dalit disadvantage has *intensified* in Southern India. However, it is notable that there is high Dalit participation in NE tribal states where there is a very low absolute incidence of Dalits. Thus, the regionalisation of the economic participation of Dalits is highly differentiated in sector-specific ways.

This chapter enriches our understanding about the spatiality of differential economic incorporation, and the maps provide both a scientific basis as well as a dynamic framework for analysing the impacts of structural shifts in policy such as liberalisation. As these maps show both the regions of economic discrimination against Dalits and the regional success stories, they can be used to inform the overall strategy of inclusive development in India.

Clearly, the post-1991 economic growth has not been inclusive. The proportional participation of Dalits as owners of enterprises has not changed. The data also indicates that Dalits in the northern states and the southern states persistently face strong negative discrimination in almost all the sectors of the economy. The spatial pattern across sectors is neither uniform nor is there uniquely distinct patterns of spatial concentration. This implies that both micro and macro factors and processes affecting economic incorporation are unfolding in sector-specific ways. Further, the regional patterns emerging from the spatial analysis at the district level do not always accord with state

boundaries. This suggests that there are relationships and processes unrelated to state level policies that affect the entry of Dalits into business. Overall, these maps enable us to comment on both the time trends and the spatiality of economic and social incorporation and exclusion and on their implications for the uneven regional effort that will be needed for the Government of India's socially inclusive development.

3 Spatial Analysis of Regionally and Sectorally Uneven Economic Incorporation

3.1 Introduction

In the previous chapter, using the Economic Census data for the years -1990, 1998 and 2005, I have analysed the incorporation of Dalits into the business economy in the 1990s at the state level and in 2005 at the district level (also see Harriss-White, Vidyarthi and Dixit 2014). Trajectories of economic incorporation were found to be uneven: large differences exist between different regions of the country as well as between sectors and over time. The All-India analysis of the Economic Census of 2005, was disaggregated by districts and confirms that India has a series of persistent regions of relative advantage and disadvantage for Dalits in various sectors of the business economy.²⁴ These maps show both the regions of economic discrimination against Dalits and the regional success stories. Some of the regions - including certain northern and southern states – face enduringly strong if not variable ‘negative discrimination’ in almost all the sectors of the economy. So both micro and macro factors and processes affecting economic incorporation are unfolding in region-specific as well as sector-specific ways. In 2006, Murphy attempted to explain Dalits’/SCs’ participation as owners of firms econometrically by simplifying the 10/14 economic sectors to three (primary, secondary and tertiary) state-wise, for the years 1990 and 1998. Her analysis showed that throughout India the relationship between Dalit firms and urbanisation was weak, though positive in the aggregate (Murphy 2006). She found no aggregate relationship between the proportion of Dalits in the wage labour force and entry into business – either agricultural or non-agricultural. Her work also warned that it cannot be assumed that Dalit land holdings (proxying for collateral) have any positive effect on the ownership of firms. She found no coherent and conclusive explanations for spatial, temporal and sectoral variations in the incorporation of Dalits (Murphy, 2006). This

²⁴ For the sectoral maps, please refer to ‘An Atlas of Dalit and Adivasi Participation in the India’s Business Economy 1990-2005’ Harriss-White, B., K. Vidyarthi and P. Joddar (2014). An Atlas of Dalit and Adivasi Participation in the India’s Business Economy 1990-2005. Dalits and Adivasis in India’s Business Economy: Three Essays and an Atlas. B. Harriss-White, E. Basile, A. Dixit et al. New Delhi, Three Essays Collective..

pioneering research directs us towards more refined econometric investigation or forms of analysis using other kinds of evidence and levels of aggregation. In this context, it becomes important to revisit the structural disadvantages affecting Dalit incorporation and analyse how they are manifested sectorally and regionally at a finer grain of resolution.

In this chapter I focus on explaining the variation in Dalits' economic incorporation (it includes both agricultural and non-agricultural enterprises) across regions and aim empirically to test several hypotheses about structural factors (such as education, poverty, unemployment, population density, access to credit and residential status) influencing the process of incorporation and its spatial distribution using techniques of spatial analysis (spatial autocorrelation, spatial lag and spatial error models) with the help of the Economic Census data for the year 2005. The chapter also draws attention to unmeasured factors such as caste discrimination and social exclusion that may be correlated with the observations across space.

The chapter outline is as follows: Section 2 outlines the structural factors that have been assumed to affect the terms and conditions of operation of Dalits firm-owners. Section 3 presents a brief summary of spatial analysis techniques and methods and data used in this study. Section 4 presents the findings from spatial statistical and econometric analysis. Section 5 concludes by discussing key findings.

3.2 Structural Factors Affecting Economic Incorporation

The central question for this chapter is how various factors affect the sectoral and spatial variation of Dalits' incorporation. To answer this, the study looks at both Dalit's structural disadvantages as well as the barriers to Dalit's entry into business to explain variations over time, space and sector. Various scholars have noted structural disadvantageous position of Dalits in society in terms of education, urbanisation, and employment. Multiple studies on ethnic businesses have highlighted how these factors impact the degree of enterprises ownership in the groups (Banton 1984, Ward and

Jenkins 1984, Aldrich and Waldinger 1990, Clark and Drinkwater 2000, Ram, Smallbone et al. 2001). Murhy's (2006) analysis of the relationship between social group of firm owners and the structural factors such as education, landholding, poverty ratio etc. argued for testing the hypothesis at different spatial scales.

Here, first I outline the factors which have been theorised to affect the terms and conditions of operation of Dalits when they enter the market as owners of capital. I analyse variables (aggregated at the district level): education, poverty, unemployment, access to credit and residential status. Not only may these variables be used to explain entry, but regional-level variations in their values may also be theorised to drive regional variations in Dalits' participation in the business economy.

A set of scholars has theorised the positive effects of education on entrepreneurship (Burch 1986, Massey and Lewis 2004, Parker 2004, Casson 2010). Bates (1990) for instance argued that the effects of education on self-employment and entrepreneurship is sensitive to the economic sector – in which case the overall impact is obscured by aggregation across dissimilar sectors. In the specific context of Dalits, Jeffery et.al. (2004) analysed the capacity of formal education to undermine long-established caste relations in an area of north India, with particular reference to the views and strategies of educated, young Dalit men. They find that increased formal education has given young Dalit men a sense of dignity and confidence but that these men are unable to convert this capital into economic mobility (Jeffrey, Jeffery et al. 2004). But to this, it can be counter-argued that skills that enable entry to business are not necessarily the same as those embodied in formal qualifications (Casson 2010). It can be argued that on balance education has a capacitating, capability-expanding role and is widely thought to lead to the dissolving of archaic social arrangements. Here, I test the hypothesis that education facilitates entry into the business economy.

The extensiveness of headcount poverty may be a barrier to entry into the business economy because entry requires a modicum of initial capital. However, Murphy's state-level analysis of Dalits' incorporation for three aggregated sectors (primary, secondary

and tertiary) showed that head-count poverty had negligible effects and was not statistically significant (Murphy 2006). Since a state may conceal poverty at lower spatial aggregations, poverty measures can be tested at local levels and might produce more refined and statistically significant results.

The most important requirement of social groups when they enter the market as owners of capital is the availability of credit, both formal and informal (Prakash 2015). Harriss-White and Colatei (2004) argue that in the formal sector rural credit market, the land is the most important single form of collateral. Land confers access rights to credit. In the informal sector, the role of land is subtle. Land is rarely used as collateral for informal loans. Land ownership is a screening device. Other collaterals are then used for loans. Land is then a second order collateral of last resort, activated only in cases of long default, when the first order collateral has been relinquished by the borrower (Harriss-White and Colatei 2004:282). Here, I hypothesise that access to credit may ease entry to business and the average landholdings of Dalits may be considered a proxy for collateral for credit.

Further, the urbanisation accompanying economic development has been argued to weaken the structure of caste relations. Searle-Chatterjee and Sharma assert that caste is quickly becoming unimportant in occupational choices in cities (Searle-Chatterjee and Sharma 1994 as cited in Murphy 2006). Villagers commute or migrate to the towns to work. They see that the transition to a new urban environment provides the option of breaking down barriers to social mobility which were more strongly enforced in the rural economy. It was Rao (1989) who through his work on 'Urbanization, Occupational Mobility, and Social Integration: A Study of Scheduled Castes' first showed the potential of urbanisation to bring anonymity to Dalits (by freeing the economic transaction from the identity based social structures) in turn enhancing their occupational mobility. Gupta (2004) in his edited book 'Caste in Question: Identity or Hierarchy' has offered a new understanding of caste in contemporary India. He argues that the traditional view of caste is constantly being challenged and weakened and Dalits are now claiming, on occasions, a position superior to other groups by taking caste identities

outside the village (Gupta 2004). Here I hypothesise that urbanism will dissolve rooted discrimination; new goods and socially disembedded exchange may favour the upward mobility of Dalits and their entry into the business. Besides this, I also look at the role of unemployment in the context of 'push' and 'pull' effects - as discussed in the first chapter. Many scholars have demonstrated that Dalits often rely on their community and the state's support programmes for capital as well as contacts (Prakash 2009, Jodhka 2010). The indicator to be taken as the measure of impact of affirmative policies on Dalit community is the state-wise number of beneficiaries (per thousand Dalit population) who have been assisted to set up enterprises by the National Scheduled Castes Finance & Development Corporation (NFCDC) since its inception in 1989 until 2007.

Even though none of these hypotheses about economic mobility is particular to the era of liberalisation, they have the potential to address the problem of explaining differential sectoral barriers to entry and spatial variation in participation as owners; and so I tested them here. Quantifiable factors affecting economic incorporation are tested using spatial autocorrelation tests and spatial regression analysis techniques. The next section introduces the data and methods.

3.3 Spatial Analysis: Data & Methods

The empirical work uses the indices of participation at different geographical levels for the year 2005 which were estimated using the data from the 5th Economic Census 2005.

3.3.1 Modelling Factors Affecting Economic Incorporation- Spatial Autocorrelation and Spatial Regression

To analyse the factors affecting the economic incorporation of Dalits, I include in the modelling process both the independent variables and the spatial dependence that may be observed. I examine a broad array of group characteristics for districts and states including poverty status, access to credit, urbanisation level, education and unemployment (developed in detail in the earlier section). I used analytical tools that are

still not often deployed in social sciences, i.e. measurements of spatial autocorrelation and spatial regression. From a statistical point of view, such methods aim at reducing the impact of any possible heteroscedasticity (i.e. random variables having different variances) that may be due to the spatial patterning that may be observed (Guilmoto and Rajan 2001).

Given that the analytical units (i.e. states or districts) in this study are contiguous, the data for each unit are likely to be spatially autocorrelated with that of other units (Cliff and Ord 1981). Spatial auto-correlation analysis using Moran's I indicates the extent of spatial dependence of a spatial unit on its neighbours (Haining 2003). This technique allows us to measure the effect of Dalits' participation in one region on surrounding regions. Effectively it is a concept and tool with which to identify strong regions with similar compositions of Dalit participation. I also prepare a LISA (Local Indicator for Spatial Association) cluster map which displays in a different way the same data as the Moran scatter plot (Anselin and Florax 1995). This tests for congruity with the spatial patterns of Dalit incorporation. Spatial autocorrelation violates the basic assumption of spatial independence for ordinary least squares regression (*OLS*) models, resulting in biased and inefficient estimates of the population parameters (Cliff and Ord 1981, Anselin 1992). Spatial regression takes into account the effect of spatial auto-correlation in order to improve the quality of the model and to correct erroneous specifications, in particular, the computation of regression coefficients (Guilmoto and Rajan 2001).

Hence, I have used spatial regression empirically to test several variables (i.e. education, access to credit, poverty, etc.) hypothesised above as influencing the spatial distribution of Dalit incorporation. A spatial lag model with a spatial weights matrix W whose elements W_{ij} express the degree (in a non-binary weights matrix) of potential spatial interaction between each possible pair of locations has been applied. Fouillet has used spatial lag models for his study of the spatial construction of microfinance in India and found it useful to explain spatial patterns at the district level (Fouillet 2009). The spatial

lag model basically consists in assuming that a value in a given spatial unit is influenced by the values observed in adjacent units. The model combines independent variables and an autoregressive lagged component (with a contiguity matrix to identify “adjacent spatial units”). In addition, spatial error models may be developed for comparison. The spatial error model presupposes that only the term of error (the residual) is spatially autoregressive: this residual term is supposed to capture unobserved factors, which on the one hand influence the dependent variable and on the other hand are spatially auto-correlated and therefore responsible for the auto-correlation of the residuals (Guilmoto and Rajan 2001).

The dependent variable for the model is the index of participation (PI)_{st} and independent variables_{st} are group-level characteristics such as:

- Average educational level
- Urbanisation status
- Access to credit
- Poverty status
- Unemployment status
- Dalit population density
- Impact of the state’s affirmative policies

Here, ‘r’ is a spatial unit, ‘s’ is a sector of the economy, and ‘t’ is the time point for analysis. The regression analysis has been done at the state as well as the district level for all sectors for the year 2005. It should be noted that while the state-level regression analyses have taken into account a total of seven variables, the district level models have only five variables - due to the absence of appropriate data for two variables. In this situation, some caution is needed in comparing the inferences at the state and district level regression analyses. The lack of complete comparability alters the results for the variables that can be compared.

In this study, I use as a measure for educational achievements the percentage of the Dalit population which is literate from primary education or beyond. This data is available for

the Census year 2001 for the state as well as district level. The Census of India also provides the data on urbanisation levels and unemployment rates. While the percentage of Dalits residing in urban areas in 2001 has been taken as a measure for urbanisation status, the percentage of Dalit population which is seeking/available for work in the 15-59 years age group has been considered as the measure for unemployment incidence. For the poverty status of Dalits, the percentage of the Dalit population below the poverty line in 2004-05 (as calculated by the Planning Commission on a sample basis at the state level) is the measure used here. This information is not available at the district level. Data for the average landholding size of Dalits at the state as well as district level in 2005-06 were taken from the Agricultural Census. Dalit population densities at the state and district level for the year 2001 have been considered as crude proxies for Dalits' social contacts and networks. The district-wise number of NSFDC 'beneficiaries' (per thousand Dalit populations) is not available.

3.3.2 Spatial Autocorrelation

To determine the extent to which the observed pattern deviates from spatial randomness for the variable of interest distributed across n spatial units and thus the extent of significant regionalisation, we need to quantify the total spatial auto-correlation present in the data by estimating a global measure of spatial auto-correlation – this is the Moran's I statistic. Like the Pearson correlation coefficient, the Moran's I is a cross-product coefficient that is widely used as a summary measure of spatial clustering. Moran's I statistic is often used as a test of spatial correlation by constructing a z score with the mean and variance components (Ward and Gleditsch 2008). The formulae for computing the Moran's I statistics is:

$$I = \frac{N}{\sum_i \sum_j w_{ij}} \frac{\sum_i \sum_j w_{ij} (X_i - \bar{X})(X_j - \bar{X})}{\sum_i (X_i - \bar{X})^2}$$

Where i and j present any two of n spatial units, \bar{x} is the mean of x (the observed value at each location) and w_{ij} defines the weight of i and j which is non-zero when i and j are neighbours, and zero otherwise. Thus, a Moran's I statistic is a single measure describing the general extent of spatial clustering of an attribute across the region, conditional on the specific neighbourhood structure imbedded in the chosen weights matrix (Anselin 2005). The global Moran's I can be scaled to the interval (-1,1) where a strong positive value indicates value similarity among neighbours (clustering, or positive spatial autocorrelation), a strong negative value indicates value dissimilarity (dispersion, or negative spatial autocorrelation), and a value near zero suggests no spatial relationship (ibid).

To compute the Moran's I statistics, the adjacency of spatial units are specified a priori in a spatial weight matrix (W), typically based on contiguity (known as the *rook* criterion when the units share a common boundary and the *queen* criterion when the units share any common boundary or point) (Anselin 1995, Griffiths 2011). The *queen* criterion determines neighbouring units as those that have any point in common, including both common boundaries and common corners. Therefore, the number of neighbours for any given unit according to the *queen* criterion will be equal to or greater than that using the *rook* criterion (Anselin 2005). In this case, contiguity in the spatial weights matrix is specified according to the first order 'rook' criterion (a binary contiguity matrix- with neighbour or without neighbour; neighbour as those geographical area units which share any common boundary; $W_{ij} = 1$ if i and j are contiguous, 0 if not.). Neighbourhood-based connectivity matrices reflect the spatial interaction processes being studied here. The administrative boundary (i.e. the district or state boundary) is a crude indicator of the spatial patterning of social processes affecting economic outcomes in India.

Further, the LISA (Local Indicator for Spatial Association) cluster map (i.e. Moran Scatterplot map) illuminates areas of local spatial autocorrelation by displaying the same data as the Moran scatter plot in a different way (Anselin 1995, Anselin and Florax 1995). These maps are analysed in terms of their congruity with the earlier analysis of

the spatial patterns of Dalits' incorporation. They graphically illustrate the specific regions in which like-values (in this case, district-level participation indices) cluster with like-values (positive spatial auto-correlation), and where different values cluster together (negative auto-correlation). Two categories describe positive spatial association in the data: spatial units that are above average in their participation index surrounded by neighbours that are also above average (labelled 'high-high'), and units that are below average surrounded by neighbouring units that are also below average (labelled 'low-low'). The negative spatial association is suggested when above average units have below average neighbours (labelled 'high-low') when below average units are surrounded by above average units (labelled 'low-high'). In this way, these techniques define regions in a rigorous way.

3.3.3 Spatial Regression

Spatial regression models deal precisely with the spatial dependence problem in linear regression analysis. In an OLS (ordinary least squares) regression analysis, we regress the outcome variable Y_i on a vector of explanatory variables X_i , as suggested below:

$$Y_i = X_i\beta + \varepsilon_i,$$

where β contains a vector of parameters to be estimated, and ε_i are random errors, identically and independently distributed by assumption (Anselin 2005). For the classical linear regression, the distributional assumption is normal. When there exists spatial (or other kinds of) dependence among the cases, ε_i are no longer independent of one other, and as a result, the standard errors of β may be underestimated, thereby affecting the correctness of hypothesis testing. If there is positive spatial autocorrelation, the sample mean will have less precision. As a result, the null hypothesis will frequently be rejected when it is true (Ward and Gleditsch 2008).

Spatial regression models first distinguish the kind of spatial dependence present in the data: spatial error (wherein spatial autocorrelation is a 'nuisance' affecting statistical inference that requires transformation, filtering, or correction) or spatial lag (in which there is substantive spatial dependence between the values of variables in contiguous

spatial units) (Griffiths 2011). In the case of spatial error, regression residuals are correlated and thus the standard errors of variables in regular regression models are inflated. Models that ignore this spatial error are thus inefficient. When a spatial lag model is required, parameter estimates in standard regression models are actually biased, leading to incorrect assumptions about the size and nature of effects. A failure to identify and model spatial effects appropriately, then, has important consequences for multivariate results.

In a spatial error model, the auto-correlation process is modelled in the error term, as follows:

$$Y = X\beta + \lambda \varepsilon + \xi$$

where X is a matrix of exogenous explanatory variables with an associated vector of regression coefficients β , λ is the auto-regressive coefficient, ε is a vector of error terms, and ξ is a random error term (Anselin 1988, Anselin 2005).

In our spatial lag model, the spatial effects on the participation index can be estimated through an auto-regressive process in the dependent variable, as suggested below

$$Y = \rho WY + X\beta + \varepsilon$$

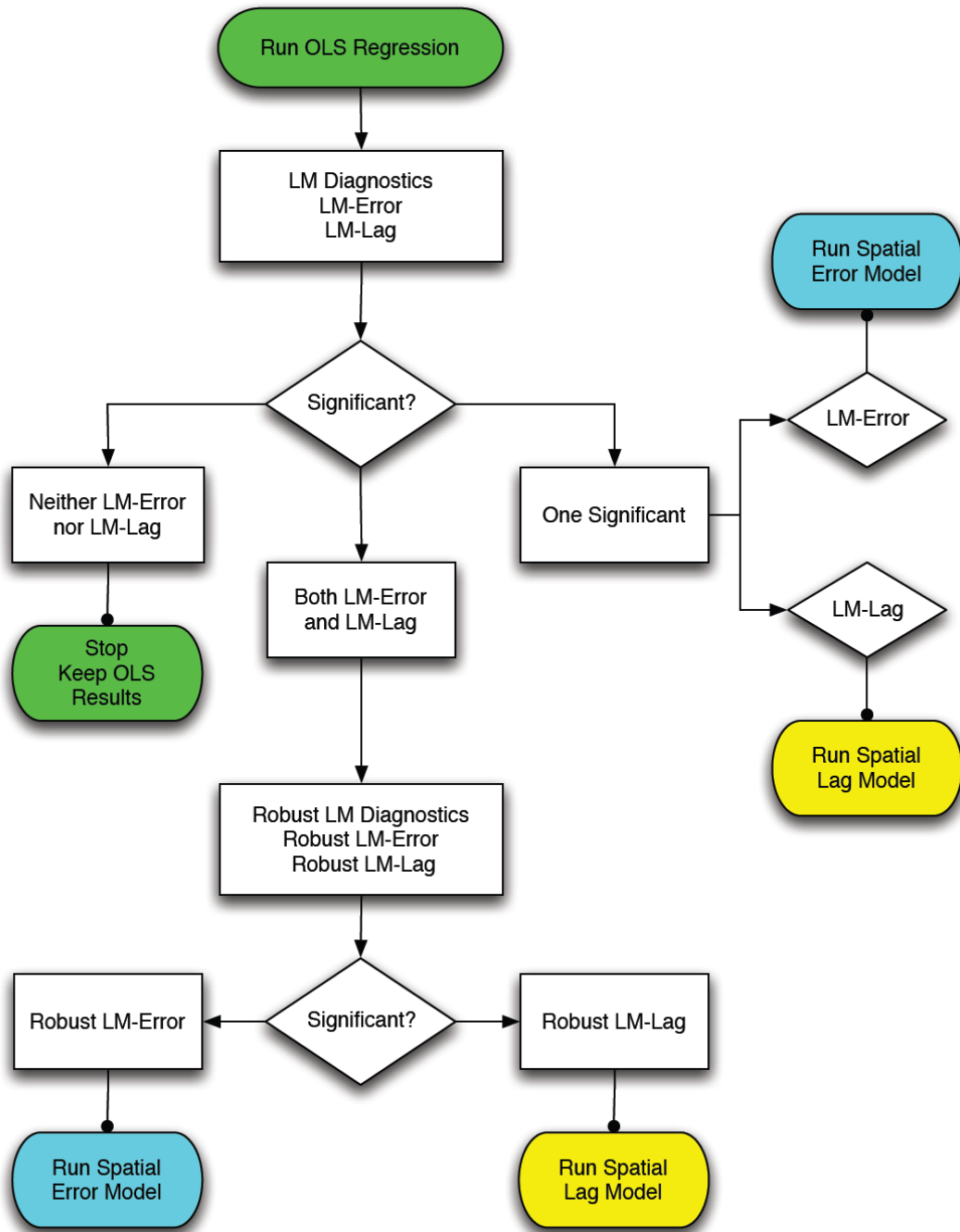
where ρ is the spatial autoregressive parameter, W is a weights matrix that expresses a form of spatial association among each pair of districts (in the analysis below it is based on rook criterion contiguity), X is a matrix of exogenous explanatory variables with an associated vector of regression coefficients β , and ε is a vector of normally distributed, random error terms. Because the equation has an endogenous variable on the right-hand side, WY , it must be estimated using a maximum likelihood approach.

The spatial lag model is commonly interpreted as a diffusion model, wherein the value of Y at one spatial unit is related to values of Y in contiguous neighbouring units through ρ . Here, it should be noted that the ρ coefficient not only captures the effects of spatial proximity to Y in other spatial units, but also spatial proximity to the observed and unobserved ‘covariates’ of Y . Thus, the spatial lag effect as presented in the above equation is consistent with any of the following mechanisms: (a) spatial externalities from the observed X variables, (b) spatial externalities from unobserved factors that are

not in the model (i.e., the error term), or (c) a feedback or diffusion effect in Y (which is conceived as an unobserved process that is captured by the error term) (Anselin 2003, Morenoff 2003).

One way to distinguish the type of spatial dependence (error or lag) that requires modelling is the Lagrange Multiplier (LM) test performed on the residuals of ordinary least squares regression (Anselin 1988). Anselin (2005:199) has developed a schematic diagnostic test to determine whether spatial dependence is better captured by a lag or error process as shown below in Figure 3.1

Figure 3.1: Spatial Regression Decision Process



Source: (Anselin 2005:199)

“If neither LM-Error nor LM-Lag test statistics rejects the null hypothesis, we stick with the OLS results. It is likely that in this case, the Moran’s I test statistic will not reject the null hypothesis either. If one of the LM test statistics rejects the null hypothesis, and the other does not, then the decision is straightforward as well: we estimate the alternative spatial regression model that matches the test statistic that rejects the null. So, if LM-Error rejects the null, but LM-lag does not, (we) estimate a spatial error model, and vice versa. When both LM test statistics reject the null hypothesis, we consider the robust forms of the test statistics. Typically, only one of them will be significant, or one will be orders of magnitude more significant than the other. In that case, the decision is simple: estimate the spatial regression model matching the ‘most’ significant statistic. In the rare

instance that both would be highly significant, go with the model with the largest value of the test statistic” (ibid:198-200). Normally the dependent variable is modelled for the spatial lag, providing a ‘global’ estimate of the presence of diffusion (related spatial processes) operative in the area under study (Morenoff 2003). Fouillet has used spatial lag models for his study ‘The spatial construction of microfinance in India’ and found it useful to explain spatial patterns at the district level (Fouillet 2009). In this study, OLS, spatial lag and error model be applied for a comparative understandings of different models.

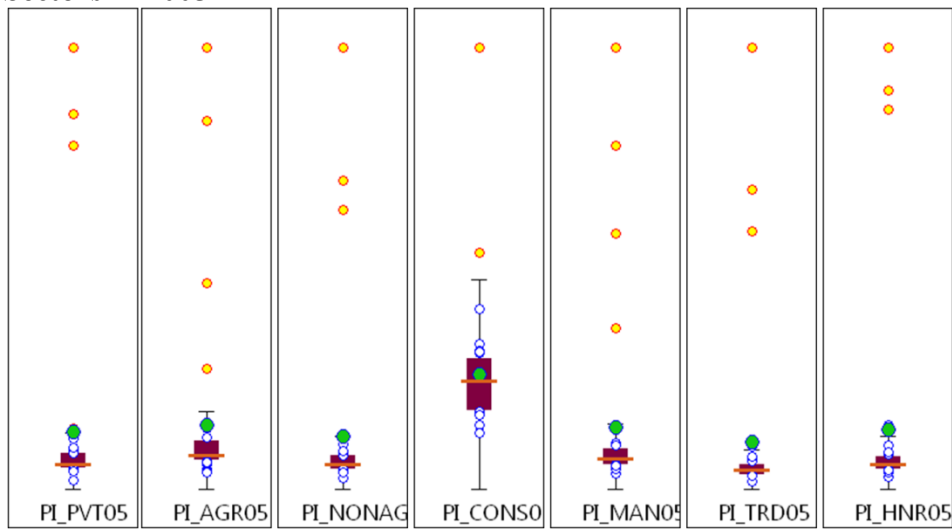
3.4 Spatial Statistics and Econometric Analysis and Findings

I analyse box plots ²⁵ which display five interesting pieces of information about a dataset: the lowest value, the lower quartile of the distribution, the median, the upper quartile and the highest value. The median value is represented by the line in the centre of the rectangular box. The second advantage of a box plot is to display the outliers which are defined as the values above or below a given multiple (often set to 1.5 or 3) of the difference between first and third quartiles. The thin line on the upper part of the box plots is called the hinge, here corresponding to the default criteria of 1.5 times the difference between first and third quartiles (Celebioglu and Dall, 2010).

The box plots ((Hinge=1.5) of indices of participation for various sectors at the state level highlight the extreme observations are few (as shown in Figure 3.2) but all are concentrated in the North-Eastern India (see box map for the PI for private enterprises in Figure 3.3).

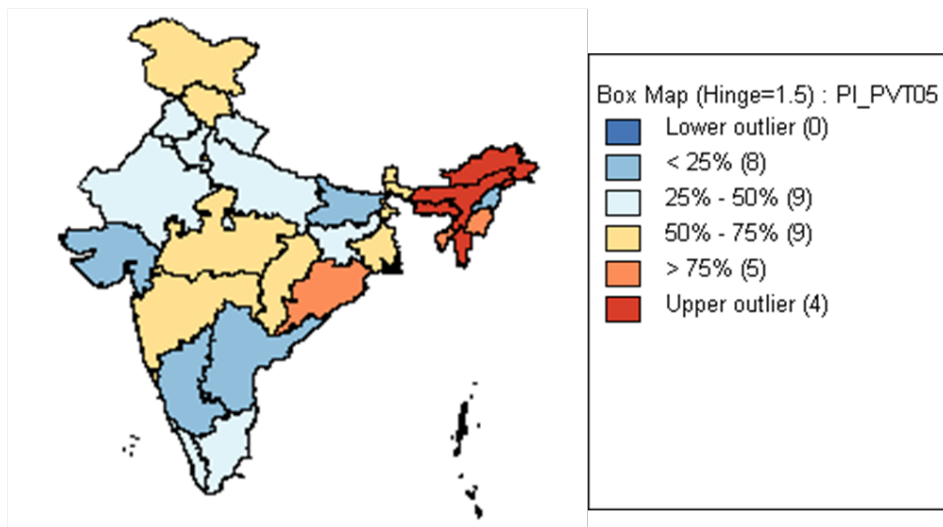
²⁵ The box plots display five interesting pieces of information about a dataset: the lowest value, the lower quartile of the distribution, the median, the upper quartile and the highest value. The median value is represented by the line in the centre of the rectangular box. The second advantage of a box plot is to display the outliers which are defined as the values above or below a given multiple (often set to 1.5 or 3) of the difference between first and third quartiles. The thin line on the upper part of the box plots is called the hinge, here corresponding to the default criteria of 1.5 times the difference between first and third quartiles Celebioglu, F. and S. Dall, (2010). "Spatial Disparities Across the Regions of Turkey: An Exploratory Spatial Data Analysis." *The Annals of Regional Science* **45**(2): 379-400..

Figure 3.2: The Box Plots (Hinge=1.5) of Indices of Incorporation for Various Key Sectors in 2005²⁶



Data Source: Economic Census 2005

Figure 3.3: Box Map (Hinge 1.5) for Indices of Incorporation for All Private Enterprise in 2005



Data Source: Economic Census 2005

²⁶ PI_PVT05: Indices for Private Enterprises in 2005; PI_AGR05: Indices for Agricultural Enterprises in 2005; PI_NONAG05: Indices for Non-Agricultural & Allied Enterprises in 2005; PI_CONSO5: Indices for Construction Enterprises in 2005; PI_MAN05: Indices for Manufacturing Enterprises in 2005; PI_TRD05: Indices for Trade Enterprises in 2005; and PI_HNR05: Indices for Hotels & Restaurants in 2005

The box plots and maps are useful tools to get some insight into the distribution of a variable. However, they do not formally test whether the spatial distribution of a variable is random. The distribution of the Dalit participation indices for all private enterprises is marked by distinct regional clusters - the central belt & NE showing the upper quartiles and thus highly regionally associated participation and the northern and southern regions showing the lower quartiles and thus low regional association. This finding needs to be tested by the formal tools of spatial data analysis –i.e. measurement of spatial auto-correlation.

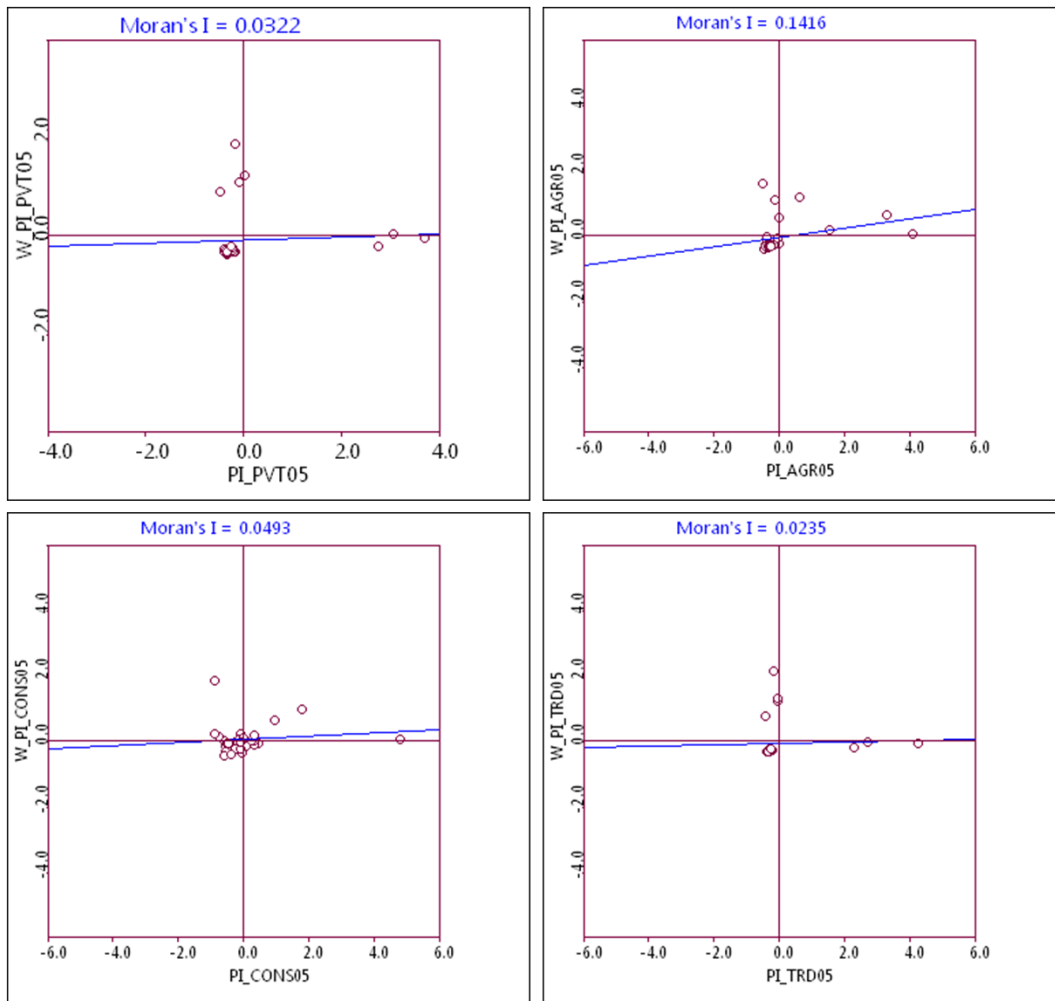
3.4.1 Spatial Autocorrelation Analysis

In this section, I look at the measurement of global and local spatial autocorrelations between regions (states as well as districts) by means of the Moran's I, the Moran's scatter plot, and the Local Indicators of Spatial Association (LISA) statistics. The Moran's scatter plots of state level participation indices for various sectors in 2005 are provided in Figure 3.4.

The scatter plots have been centred on the mean, with the axes drawn such that each quadrant corresponds to a different type of spatial auto-correlation: high-high and low-low for positive spatial autocorrelation; low-high and high-low for negative spatial autocorrelation. The x-axis (with the variable of interest) is standardised such that units correspond to standard deviations (any observations beyond 2 standard deviations are typically categorised as *outliers*).

The resulting Moran's I statistic has also been shown in Table 3.1. The inference for Moran's I is based on a random permutation procedure, which recalculates the statistics many times to generate a reference distribution and to compute a 'pseudo significance level'. The table shows the 'pseudo significance level' (for 999 permutations) for the Moran's I statistics. It should be noted that the values for the 'pseudo significance level' depend on particular random permutations and typically differ slightly between permutations. Typically, with 999 permutations, these results do not vary much, but for a smaller number of permutations, such as 99, there may be quite substantial differences.

Figure 3.4: Moran Scatter Plot for Indices of Incorporation at the State Level in 2005 ²⁷



Data Source: Economic Census 2005

In this study, the pseudo significance level for the Moran's I statistics has been calculated for 999 permutations. It should be noted here that the Moran's I is a global assessment of degree of spatial auto-correlation present in the data. It does not provide for any local variation in statistically significant clustering at particular regions across India. These statistics confirm that the participation indices exhibit positive spatial auto-correlation, i.e. the value of variables in one location depend positively on the value of the same variable in neighbouring locations. The global Moran's I statistics is the mean of the local Moran statistics (Anselin 2005). Hence, if the distribution of these local

²⁷ PI_PVT05 : Indices for Private Enterprises in 2005; PI_AGR05 : Indices for Agricultural Enterprises in 2005; PI_CONS05 : Indices for Construction Enterprises in 2005; and PI_TRD05 : Indices for Trade Enterprises in 2005

statistics is highly asymmetric, or dominated by a few large values, the overall indication may be overly sensitive to a few observations. The distribution of local statistics is more asymmetric at the state level than the district level.

Table 3.1: Moran’s I Statistics for Indices of Incorporation at the State and District Levels

Sector	Indices of incorporation at the State Level (N-35)		Indices of Incorporation at the Districts Level (N-594)	
	Moran's I Statistics	Pseudo- P value (Permutations-999)	Moran's I Statistics	Pseudo- P value (Permutations-999)
All Private Enterprises	0.0322	0.181	0.2127	0.001
Agriculture	0.1416	0.059	0.0853	0.017
Non-agriculture	0.0207	0.186	0.2041	0.001
Construction	0.0493	0.156	0.0238	0.048
Manufacturing	0.0120	0.251	0.2809	0.001
Trade	0.0235	0.208	0.1672	0.002
Hotels & Restaurants	0.0400	0.186	0.1443	0.001
Mining & quarrying	0.0213	0.241	0.0432	0.023
Electricity, Gas and Water	0.1534	0.002	0.0745	0.043
Transport, Storage & Communications	0.0267	0.187	0.1456	0.002
Health	0.0387	0.156	0.1765	0.002
Education	0.0242	0.146	0.1846	0.001
Finance & Business	0.1045	0.129	0.1758	0.001
Personal and Community Services	0.1170	0.138	0.0352	0.046

Data Source: Economic Census 2005

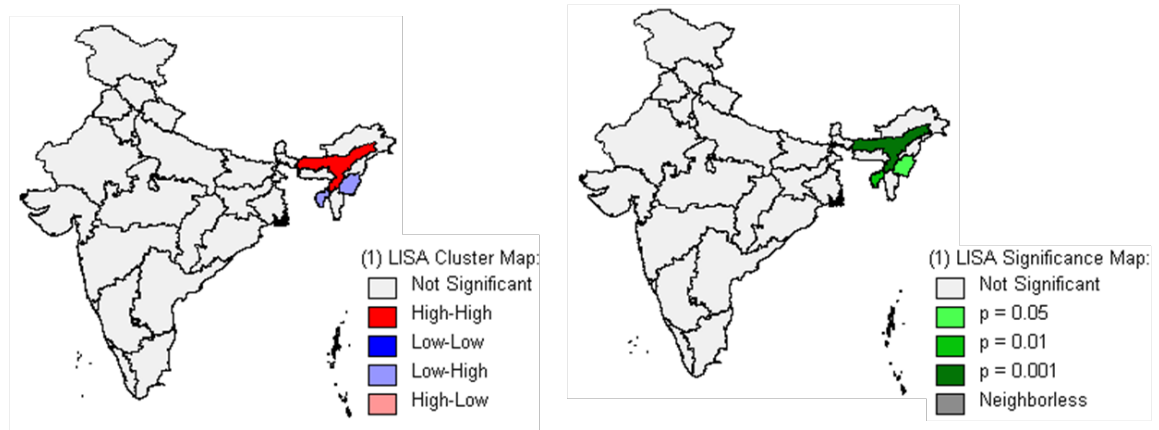
While all Moran’s I statistics for all sectors at the state level are positive (i.e. there is positive spatial correlation) and high (but not statistically significant), the statistics at the district level are very statistically significant, positive and comparatively higher in values except for the sectors of agriculture, electricity, personal and community services, and construction. Positive spatial auto-correlation signifies that like-values tend to cluster with like-values across space. A high number of locations is revealed where districts with high indices tend to cluster with other districts with high indices and those with low indices tend to cluster with other such districts. Granted that the Moran’s I statistics for the district level have been calculated for a larger set of variable (N=594), the results are expected to be more significant, reliable and less sensitive to the outliers.

The PI for the manufacturing sector at the district level has the highest Moran statistics which indicates that the sector has maximum spatial clustering compared with other sectors. Other sectors with higher levels of clustering are hotels, transport, health, education, and trade but participation is on relatively adverse terms.

Further, the sensitivity of Moran statistics at the state level has been analysed with a significance map. The pair of significance map and cluster map at the state level for PI of private enterprises in 2005 is generated using 999 permutations. The LISA cluster map as shown in Figure 3.5 lacks significant low-low and high-low locations, and has only the high-high and low-high cluster reduced to one and two states respectively – Assam, Tripura and Manipur - all in the North-Eastern part of India. We have similar conclusions from the choropleth maps of indices of participation that the North-Eastern region exhibits significant spatial clustering of high indices.

In summary, the study established that observations for one district/state are spatially auto-correlated with that of neighbouring districts/states (more significant at the district level). It also demonstrated that the spatial dependence varies sectorally (i.e. statistically very significant for manufacturing, hotels and restaurants, health and education) and regionally (i.e. statistically significant for the North-Eastern region).

Figure 3.5: LISA Cluster Map and Significance Map for Indices of Incorporation for all Private Enterprises (2005)



Data Source: Economic Census 2005

3.4.2 Spatial Regression Analysis

The Moran's I statistics reveal evidence from the indices of "incorporation clusters", such that states/districts next to each other have similar levels of indices — that is, positive spatial association. There are several reasons why indices of participation are so strongly spatially clustered. One is because its predictors are also spatially clustered (that is the presence of a spatially lagged dependent variable among the covariates) (see Kelejian and Prucha 2010 for more on the use of spatially lagged dependent variables, Grubestic and Rosso 2014). Another possibility is because the spatial clustering is driven by other spatial processes but is omitted from the specification. These competing explanations for the spatial clustering of indices of participation are tested in spatial lag and error models. For a comparative understanding, the results of the OLS and spatial regression analysis for all private enterprises are presented in Table 3.2.

Table 3.2: OLS and Spatial Regression Results for Indices of Incorporation - Private Enterprises at the State Level, 2005

Aspects	OLS		Spatial Lag Model		Spatial Error Model	
	Coefficient	t-Statistic	Coefficient	S.E.	Coefficient	S.E.
% SC Literacy	-0.06	-1.04	-0.06	0.05	-0.02	0.05
% SC Unemployment	-0.05	-0.26	-0.06	0.16	-0.18	0.14
% SC in Urban Areas	0.13	3.13**	0.13	0.04***	0.15	0.03***
% SC Below Poverty Line	-0.01	-0.29	-0.01	0.02	0.01	0.02
Average size of landholding	-1.36	-1.67	-1.38	0.71	-1.62	0.70*
Dalit Population Density	-0.01	-2.95**	-0.01	0.00***	-0.01	0.00***
Beneficiaries of Concessional Financing	0.03	1.93	0.03	0.01*	0.02	0.01
Intercept	2.02	1.46	1.95	1.22	0.86	1.14
Spatial Lag Coefficient			0.05	0.17		
Spatial Error Coefficient					0.57	0.15***
R-squared		0.5808		0.5817		0.6607
N		35		35		35
df		27		26		27
Log Likelihood		-80.2052		-80.1757		-78.123515

* p<0.05; ** p<0.01; *** p<0.001

Data Source: Economic Census 2005, Census of India 2001, Agriculture Census 2005-06, NSFDC Report and NSSO 61st Round Survey on Consumer Expenditure 2004-05

The traditional measures of fit for the OLS regression model for indices of participation for all private enterprises at the state level show a decent fit with R^2 at 0.5808, adjusted R^2 at 0.4721 and the sum of squared residuals at 200.462. However, in the state-level OLS regression model only urbanisation and population density are strongly statistically significant. However, the multi-collinearity condition number (MCN) is 12.25 which suggests the stability of regression results. Typically, an MCN over 30 is suggestive of problems (the explanatory variables are too correlated and provide insufficient separate information) (Anselin 2005). For the rook based weight matrix, the Moran's I statistics for the error is significant (with z value 2.03 and p<0.05), suggesting a problem with the spatial auto-correlation. Even though Moran's I statistic has the great power in detecting

misspecifications in a model, it is less useful in suggesting which alternative specification should be used. To this end, we use the Lagrange Multiplier (LM) test statistics. While LM-error statistics are marginally significant, LM-lag statistics are not significant. This suggests that a spatial error specification would be a better fit. For comparison, I applied both spatial lag as well spatial error models for the dependent variable (i.e. indices of participation for all private enterprises).

The Maximum Likelihood estimates of spatial lag dependence for the indices of participation for all private enterprises at the state level do not confirm that there are significant spatial effects on indices. The spatial lag coefficient is estimated at 0.047 but is not significant. There are some minor differences in the significance of the other regression coefficients between the spatial lag model and the classic specification: urbanisation is more significant in a spatial lag model than OLS. The magnitude of all the estimated coefficients is affected very marginally. The spatial lag model shows an improved R^2 , which is a pseudo value³ and is not comparable to the measure given for OLS results. The proper comparative measures of fit are the higher Log-Likelihood, lower Akaike Info Criterion (AIC) and Schwarz Criterion (SC) (Anselin, Syabri et al. 2006). However, there is marginally higher log-likelihood in comparison to the OLS model suggesting a marginally better fit of the model.

By contrast, the ML estimation results for spatial error model suggests that the spatial error coefficient is as 0.57 and highly significant ($p < 0.0001$). The coefficients for urbanisation, landholding size and population density are significant. The coefficient for urbanisation is slightly higher in value relative to the OLS and lag model results. The Log Likelihood in the error model (-78.1235) is better than in the spatial lag model (-80.1757). Similarly, the AIC is lower for the error model (172.247) than the lag model (178.351).

Comparing the measures of the overall fit, the model with the spatial error specification fits the data notably better. It strongly suggests that the model's errors are spatially

³ The model estimates from spatial regressions are maximum likelihood estimates arrived at through an iterative process and are not calculated to minimise variance. Hence, this is not an equivalent statistics to R-squared as in the OLS approach to goodness-of-fit.

correlated. In such a scenario, the reported standard errors in OLS are incorrect, and the estimated coefficients are not necessarily efficient. The diagnostic tests for other sectors show similar findings and suggest the greater appropriateness of the spatial error model specifications.

Table 3.3 shows the summary of regression results for the spatial error model for the dependent variables for important sectors at the state level. It is abundantly clear that the coefficients of urbanisation and population density are significant in the models of all sectors; the unemployment coefficient is significant in the case of the manufacturing sector; the landholding size coefficient is significant in all sectors except construction and manufacturing; and the coefficients for the uptake of state support programmes are significant for non-agricultural, construction, manufacturing and trade sector. The spatial error coefficient is very high and significant for all the major sectors and is the highest for manufacturing (See Table 3.3).

The spatial patterns that are reflected in the error terms suggest that the observations are related through unmeasured factors that are correlated across space among the observations. *Caste discrimination is one such possible factor.* It may be suggested that caste discrimination in neighbouring locations are correlated.

Table 3.3: Spatial Error Regression Results for All Sectors at the State Level, 2005

S.N.	Independent Variables/ Statistics	Coefficients						
		Dependent Variable (Indices of Participation)						
		All Enterprises	Agri.	Non-Agri.	Const.	Manuf.	Trade	Hotels & Rest..
1	% SC Literacy	-0.02	-0.01	-0.02	0.02	0.02	-0.02	-0.02
2	% SC Unemployment	-0.18	-0.12	-0.19	-0.08	-0.34*	-0.18	-0.17
3	% SC in Urban Areas	0.15***	0.14***	0.15***	0.05**	0.15***	0.15***	0.17***
4	% SC below poverty line	0.01	0.02	0.01	0.02	-0.01	0.00	0.01
5	Average size of landholding	-1.62*	-1.44*	-1.64*	-0.38	-1.40	-1.58*	-1.80*
6	Dalit Population Density	-0.01***	-0.01***	-0.01***	0.00**	-	-	-
7	Beneficiaries of Concessional Financing	0.02	-0.02	0.04**	-0.02**	0.04**	0.04**	0.01
8	Intercept	0.86	0.27	0.9	0.03	1.16	0.91	0.69
9	Spatial Error Coefficient	0.57***	0.67***	0.54***	0.58***	0.71***	0.52**	0.58***
10	R-squared	0.6607	0.5541	0.7082	0.3669	0.7163	0.714	0.6214
11	Log Likelihood	-78.123515	-75.65112	-79.189	-51.8976	-83.1135	-78.937	-79.4219

N-35, df-27; * p<0.05; ** p<0.01; ***p<0.001

Data Source: Economic Census 2005, Census of India 2001, Agriculture Census 2005-06, NSFDC Report and NSSO 61st Round Survey on Consumer Expenditure 2004-05

As shown earlier in Table 3.1, the spatial data analysis at the district level reveal high spatial auto-correlation, so regression analyses for observations at the district level have been carried out too. As explained earlier, the number of variables included in the district-level models is lower than that at the state level due to lack of appropriate data. The district level figures for Dalits below the poverty line and for beneficiaries of concessional finance were not available at the district level. Table 3.4 presents the summary of regression results for OLS, the spatial lag model and the spatial error model for the dependent variables at the district level for the year 2005.

Table 3.4: OLS and Spatial Regression Results for Indices of Incorporation-Private Enterprises at the District Level, 2005

Aspects	OLS		Spatial Lag Model		Spatial Error Model	
	Coefficient	t-Statistic	Coefficient	S.E.	Coefficient	S.E.
% SC Literacy	-0.09	-2.28	-0.07	0.06	-0.06	0.03
% SC Unemployment	0.12	0.66	0.11	0.45*	0.15	0.24*
% SC in Urban Areas	0.34	2.12**	0.31	0.24**	0.24	0.08***
Average size of landholding	1.06	2.82	1.68	1.1	1.98	1.41
Dalit Population Density	0.06	1.34	0.03	0.07*	0.02	0.04*
Intercept	1.83	2.43	1.66	1.33	1.21	1.08
Spatial Lag Coefficient			0.19	0.16*		
Spatial Error Coefficient					0.62	0.11***
R-squared		0.4298		0.4429		0.5181
N		594		594		594
df		588		587		588
Log Likelihood		-2523.3062		-2504.1648		-2486.9334

p<0.05; ** p<0.01; *** p<0.001

Data Source: Economic Census 2005, Census of India 2001 and Agriculture Census 2005-06

In this case, highly significant and robust LM-Error statistic sets for the estimation of the spatial error model confirm it as the appropriate model for the district level analysis too. (The Log-Likelihood increases from -2523.3062 (for OLS) to -2504.1468 (for Spatial Lag Model) to -2486.9334 (for Spatial Error Model)). The AIC as well as SC decrease for spatial lag and spatial error models relative to OLS regressions indicating an improved fit for the spatially lagged dependent variable and the spatial error specification respectively. These statistics suggest an improvement of fit first for the spatial lag specification over OLS and then for the spatial error specification over the spatial lag specification. As the spatial units in this study – districts or states - are contiguous, the spatial model estimated from the observed spatial pattern can be extrapolated.

The spatial lag coefficient (0.19) represents the change in a focal district's PI with a one-unit change in the PI of neighbouring districts. It means that the total effects of observed and unobserved district-level predictors of PI are almost one-fifth larger when we take

into account the effects of externalities from neighbouring districts. However, it should be noted that the spatial lag coefficient combines spatial effects from all of x variables with effects from the error term. The spatial error coefficient is estimated as 0.62, and is highly significant ($P < 0.001$). I interpret this to mean that there are spatial processes associated with the error term; potentially important sources of spatial externalities for the PI are currently unobserved in the data we have analysed.

There are some differences in the significance of the regression coefficients between OLS, spatial lag and spatial error models. Unlike the OLS case, where only the coefficient for one variable (the percentage of Dalits in urban areas) is significant, two other coefficients for variables (the percentage of SCs, Unemployment and Dalit Population Density) are also significant in the spatial lag as well as the spatial error model. If we compare the regression results for the spatial lag model with the spatial error model in terms of coefficient magnitude, sign and significance, we find it similar except that the coefficient for one of the variables (the percentage of Dalits in urban areas) is highly significant ($P < 0.001$) in the spatial error model. The effects of the urbanisation of Dalits on their incorporation as owners of firms in the business economy are weaker in the spatial error model than in the other two models, but more plausible. However, even though the spatial error model suggests slightly better fit and a more appropriate model than the other two, it also indicates remaining specification problems in the model. Here, the spatial dependence enters through the errors, in particular, omitted variables that are spatially clustered, rather than through the systematic component of the models.

These district level findings reaffirm the significant result that unobserved factors may relate to the characteristics of a wider spatial region rather than a particular area. As discussed earlier, our conjecture is that the unobserved factors may be *persistent and widespread discrimination and social exclusion of Dalits in the marketplace*, reinforced by state policies, by the quality of, and access to, market institutions and social networks, which could not be quantified and included in these modelling exercises. While the spatial models take into account the aggregate structural characteristics of

districts/states such as levels of urbanisation, unemployment, average land holding size and so on, they could not take account of refined and specific business resources that are dependent on social relations and access to state-provided infrastructure because evidence appropriate for modelling does not exist.

Participation in the private business economy results from a complex mix of social, economic, cultural and structural factors, only a few of which can be currently brought into statistical models.

3.5 Conclusions

The incorporation of Dalits has followed an uneven path, and there are significant differences between regions across the country. The regression results suggest that spatial dependence is crucial in explaining the sectoral and spatial variation. I find the new result that effects of spatial auto-correlation are statistically significant in the regression models.

The state-level spatial regression analysis for 2005 also reveals the new finding that urbanisation is the most significant predictor of participation indices across sectors. The credit support policies of National Schedule Caste Finance Development Corporation have also proved to be significant in explaining regional variation in the participation of firms in non-agricultural sectors of the economy. But the hypothesis that a higher education level affects participation has had to be rejected. And the hypothesis that the higher population density of Dalits improves their chances of enterprise ownership has also had to be rejected because the models show a marginal but statistically significant negative effect of population density on the participation indices.

The district level regression analysis for 2005 suggests that structural characteristics such as the percentage of Dalits in urban areas, the percentage of unemployment among Dalits and their population density *are* significantly and positively related to their participation in the business economy. Contrary to our hypothesis, literacy among Dalits is insignificantly related and that also, in a negative direction. But this is consistent with the findings from the original state-level analysis (Murphy 2006). However, while the

state-level analysis leads to the rejection of the hypothesis that a higher population density of Dalits drives higher economic participation; at the district-level, it is found to hold true. As Fouillet explains (2009), the scale at which phenomena are mapped affects tools, methods and evidence used for the explanation; it affects the limits of generalisation possible as well as the appearance of homogeneity. While the multi-scalar reasoning is essential to the explanation, the result presented in this chapter show that multi-level explanations may be at odds with one another. The current study established that factors deemed irrelevant at one scale might, in fact, prove highly relevant at other, local scales.

The multilevel spatial analysis of indices of participation finds that processes related to urbanisation are the most robust district- as well as state-level predictors of Dalit participation. It also draws attention to contextual effects on participation – in particular the effects of participation in neighbouring areas. It is very evident that there are many other unaccounted predictors - as the spatial error coefficients are both very high and highly significant. Macro-level data indicative of structural disadvantages offers only a partial explanation for uneven regional or sectoral patterns. The findings also suggest something important about what these unobserved factors might be: characteristics of a wider spatial region rather than a particular area. I propose that two very likely such factors are the discrimination and social exclusion of Dalits in the marketplace, reinforced by state policies, which in turn drive the quality of, and access to, market institutions and social networks, which have not been quantified in the model. Participation in the private business economy results from a complex mix of social, economic, cultural and structural factors, only a few of which can be currently brought into statistical models.

Explaining several types of uneven participation is difficult using the normal principle of parsimony. Structural disadvantages offer only a partial explanation for regional or sectoral unevenness. However, at the least, these findings indicate the need for more refined forms of investigation using other kinds of evidence and different levels of aggregation. And in order to understand the spatial unevenness in the economic

incorporation of Dalits, we have to understand the processes of incorporation and participation and the ways in which these processes are socially construed. Local factors – in isolation or combination - may inhibit Dalits from entering the business. So local case studies may help specify factors and processes for which there are no higher-scale data. The existing literature suggests that these may include the extent of an occupational status hierarchy, social differentiation among Dalits, the roles of non-Dalit and even Dalit elites in Dalits' entry into the business. The latter in particular will further understanding of the question whether social dynamics between the Dalits and the upper castes are at play or not and if so, then how. Some scholars have argued that the upper castes obstruct Dalits' economic progress due to resentment of what they perceive as Dalit advantage through reservations in various public sector jobs and educational institutions (Deliege 2001, Froystad 2005, Somanathan 2006, Still 2013). Froystad (2005) argues that the upper caste have adjusted to the reality of emerging Dalit power without really giving up on their differences (in terms of occupational position and the social meaning) with the Dalits.

This data-based exercise also directs us towards the need for new micro-level research on the modes of 'political' incorporation of Dalits and on the relation between these processes and their entry into the business. Spatial variations in economic incorporation should be compared with spatial variations in the political incorporation of Dalits. John Harriss's explanation of success in poverty alleviation in India is measured in terms of the differences between pro-poor political regimes (identified in terms of the combination of party politics on the one hand and modes of incorporation of 'lower castes and classes' on the other (Harriss 1999)). Yet his analysis of pro-poor political regimes does not produce regions which map easily onto those of Dalit economic incorporation suggesting the lack of immediate relevance of the currently salient category of 'pro-poor' to the specificities of the economic and political conditions of the large sub-set of Dalits (and of Adivasis too) within the set of the poor (Harriss-White and Vidyarthi 2009). Further new research is needed on the modes of 'political'

incorporation of Dalits and the relation between these political processes and their economic participation. Chapters 5 and 6 here make an attempt in this new direction.

Few Indian states have initiated directed measures to incentivise the entry and incorporation of Dalits into the business economy. Pai highlights the limited impact of the supplier diversity programme in Madhya Pradesh due to the absence of Dalit pressure groups (Pai 2010). So policies designed to improve the economic incorporation of Dalits also need to be mainstreamed into a new set of systematic evaluations of the variations in their incorporation across sectors, regions and time. The policies themselves also need to be evaluated. In later chapters (5 and 6) I look at the roles played by a range of policy stakeholders in the processes of a number of policies to incentivise Dalit participation.

4 Dalits' Entry into Business

4.1 Introduction

In chapters 2 and 3, I attempted to account for the lower levels of economic incorporation of Dalits as business owners and their variations across sectors, space and time. The findings from quantitative analyses show that the variations of ownership among Dalits across sectors are not random. In many cases, the patterns significantly vary across India at the district level and form regions of advantage and disadvantage. While in one sector Dalits may be involved in a range of businesses and occupations, in other sectors their involvement is negligible. In Chapter 1 it was argued that it is the interaction of resources and opportunities which can explain sectoral and spatial variation in business ownership and these interactions are constrained in the context of discriminatory and exclusionary practices emanating from social structures, economic institutions and policy regimes (Barrow and Greene 1979, Binks and Coyne 1983, Ward and Jenkins 1984). Until recently many Dalit communities had little involvement in business of any kind. Dalits are 'relatively advantaged' in the construction and 'personal & community services' sectors and consistently disadvantaged in sectors that are driving Indian growth: trade, transport, food, hospitality and services. Further, major variations at the district level imply that the opportunities and resources to enter into business are far from uniformly distributed and perhaps this is the main determinant of the pattern of Dalit business. While discrimination may be a larger phenomenon, resources and opportunities are often locally and sectorally specific.

In this chapter I examine Dalit business from the standpoint of the creation of new enterprises and their entry into the market. The study of entry of Dalits as owners of capital has been approached from various perspectives. Prakash (2015) has analysed Dalits' entry and operations in the market from the viewpoint of the interaction of economic agents being mediated by the social structures and the social contexts in which they live. Jodhka (2015) has studied self-employed Dalits from the perspectives of their

social and economic mobility and the barriers they encounter in the process of setting up their enterprises and in carrying on with their businesses.

This study, however, analyses business activities amongst Dalits using the framework of the interaction between resources and opportunities being mediated through the social structures, state and market institutions, and structural disadvantages. I am concerned with the way in which Dalits observe and react to the opportunities they perceive, and to their evident need for business resources (such as start-up capital, premises, skills, labour, and capacity for compliance with regulations) which either enable or constrain them in seizing those opportunities. I focus my attention on a set of micro-enterprises owned by Dalits in Raebareli district of Uttar Pradesh; located in the central part of UP. The district of Raebareli has been selected after the spatial analysis of sectorally uneven Dalit business participation at the district level. Uttar Pradesh has the largest share of Dalit population in the country and it also has the highest proportion of Dalits among large states in India. Raebareli is among the districts with the highest populations of Dalits in the state of Uttar Pradesh. In the following chapters I also investigate the factors and processes which enable or constrain Dalit business owners' operation and expansion in the market and the policies which have been promoted to assist them.

In the following section I briefly introduce the analytical framework and methodology.²⁹ Following this, I particularly focus on the profiles³⁰ of Dalit business owners in Raebareli. In section 3 I look in detail at the opportunities and resources accessed by Dalits. Section four analyses the influence of the social structures, the state and market institutions on entry and operation. In the last section, I focus on variations - sectoral as well intra-Dalit –in the process of economic incorporation and in its explanation.

4.2 Analytical Framework & Methodology

4.2.1 The Framework

²⁹ This is discussed in detail in Chapter one.

³⁰ Details such as age, gender, sub-caste, business history, place of operation, socio-economic background, etc.

The processes of Dalit economic incorporation and participation are embedded in social structures. The meaning of ‘social structures’ has differed widely in various analyses depending upon different theoretical approaches (i.e. from class structures to norms that shape the behaviour of actors within the social system)³¹. Here, I use the term ‘social structure’ to denote interrelated structures/institutions such as caste-based occupational structures, market organisations (i.e. traders’ associations), and Dalit elites differentiated through the outcomes of reservation policy etc.

To enter markets and trade in various goods and services, entrepreneurs rely on a mixture of non-market institutions (including the acquisition of knowledge, skill and contacts) and market institutions (for credit, informal credit, own savings and the proceeds from the sale of assets) (Prakash 2009). My research explores how Dalits’ experience with market institutions such as banks and suppliers is shaped not just by the social structures and institutions but also by discriminatory and exclusionary processes and practices.

Few scholars have argued that the idea of adverse incorporation is more appropriate than ‘social exclusion’ in poverty studies. Wood argues that the multi-dimensional concept of ‘adverse incorporation’ places a shared emphasis on structure and agency, and their inter-relations (Wood 2000). It captures how terms of inclusion in particular forms of interaction involving state and market keep people poor over time (ibid). Thus, incorporation processes can be influenced by state policies (social as well as economic), depending on the institutional setting, the legal, political and administrative set-ups in different states. For Bader, these economic, political and/or social institutions constitute “fields of incorporation” (Bader 1997) in which policy practices and mechanisms adopted by the state institutions reinforce the discrimination inherent in “social structures” and “market institutions”. Structural disadvantages such as education, poverty, unemployment, collateral and residential status further affect the opportunities

³¹ I refer to the school of social embeddedness which flags the failure of neo-classical theorists as well as new institutional economists to incorporate social structures into their analysis.

and resources available to Dalits to enter the market. These variables not only explain Dalit entry in business but it also accounts for regional-level variations in their values.

4.2.2 Method and Data

Using the framework of economic incorporation, I examine variations in the Dalits' access to opportunity structures and business resources across four sectors- construction, hotel and restaurants, finance, and personal and community services. The questions I address are: Who are these Dalit business owners³²? How do they avail themselves of opportunities and resources? How is the access to opportunities and resources affected by the elements of the social structure? To what extent do their experiences vary across sectors and space? To answer these questions, I draw upon in-depth interviews of 36 Dalit business owners (DBOs) (For details on methodology see Section 1.9).

The sample included a wide variety of enterprise types in sectors known from the quantitative analysis to be ones of advantage ('construction' and 'personal & community services') and disadvantage ('hotels and restaurants' and 'finance and business').³³ Interviews with Dalit business owners were conducted during September 2011–January 2012 with the help of an interview guide summarising the main themes which were thought to shed light on the research questions, based on the available knowledge of Dalit businesses. The interview covered the path taken by the DBOs, their objectives, finance, engagement with the market and the state, the influence of social structures and structural disadvantages (see Annexe 6).

4.3 Dalit Business Owners (DBOs) - A Profile

Understanding the profiles and the history of Dalit Business Owners (DBOs) requires evidence for the influences of the various structural forces on business resources notably

³² Dalit women constituted 11% of the total sample in this study, which is broadly representative of national scenario. Under-representation of women in business reflects the highly patriarchal nature of the society.

³³ As the unit data of the population for the geographic site was not known, a snowball sample of Dalit business owners was created, emanating from the first few interviews. I got the first few participants with the help of academics from a local degree college in Raebareli.

finance, know-how, contacts, premises, labour, and compliance with regulations. These interviews do not yield evidence from which a confident statistical generalisation can be made. They do, however, richly reveal the many factors and processes that affect the process of entry.

4.3.1 Dalit Businesses in Raebareli

The district of Raebareli was created by the British in 1858 and is named after its headquarters town. It is said that the prefix, Rae, represents the common title of the *Kayasths* who were masters of the town for a considerable period of time.³⁴ It forms a part of the Gangetic plain. It is situated at a distance of 82 kilometres from Lucknow - the capital city of Uttar Pradesh. The total population of Raebareli district is 2.87 million as per the Census of India 2001. It is the district with the higher proportion of Scheduled Castes (at 29.8%, compared to 21.2% in Uttar Pradesh). Out of the 66 listed Scheduled Castes in Uttar Pradesh under the Scheduled Castes and Scheduled Tribes Orders (Amendment) Act, 1976 the district of Raebareli has 58 Scheduled Castes. Pasi and Chamar are the major Scheduled Caste groups in the district with 55% and 26% share of the total Scheduled Caste population respectively. Kori, Dhobi and Khatik are smaller groups with 8%, 4% and 2% share respectively (Census of India, 2001).

Some indication of the pattern of business involvement among Dalits in Raebareli can be derived from the Economic Census which covers all establishments. As well as providing an account of the position of Dalits in business, the statistical data set out in Table 4.1 indicates how far Dalits have penetrated the business sector and provides an account of Dalits' concentration as well as marginalisation across sectors.

³⁴ <http://www.raebareli.nic.in/profile.htm>

Table 4.1: Dalits' Participation in Business Ownership in Raebareli

S.No	Sectors	Total	Dalits	Percentages (Dalits)	Participation Index
1	All Private Enterprises	40521	4889	12.1%	0.40
2	Agricultural & Allied	456	190	41.7%	1.40
3	Mining & Quarrying	54	1	1.9%	0.06
4	Manufacturing	6895	718	10.4%	0.35
5	Electricity, Gas & Water SS	46	5	10.9%	0.36
6	Construction	140	28	20.0%	0.67
7	Trade	26366	3196	12.1%	0.41
8	Hotel & Restaurants	1698	109	6.4%	0.22
9	Transport, Storage & Communication	1117	97	8.7%	0.29
10	Finance & Business	799	109	13.6%	0.46
11	Public Administration	113	9	8.0%	0.27
12	Education	651	52	8.0%	0.27
13	Health	611	44	7.2%	0.24
14	Other Community, Social & Personal Services	1575	331	21.0%	0.70

Data Source: (Government of India 2008)

Data from the Economic Census 2005 allow a comparison between Dalits and the whole population in Raebareli. The figure for Dalits in business is approximately 12% which is low compared to their share in population which is 29.8%.³⁵ Dalits are highly under-represented in all the sectors except agriculture and allied sector (including livestock) in which more than two-fifth enterprises are owned by them. However, while less than seven percent of hotels and restaurants are owned by Dalits, more than one-fifth of enterprises in the sector in personal and community services are owned by them.

A further significant detail emerging from the Economic Census data is the variation in the spread of businesses over different sectors of the economy. Table 4.2 showed a significantly higher level of Dalit business in agricultural and allied, construction, and community, social and personal services in comparison to non-Dalits. The proportion of Dalits businesses in sectors such as manufacturing, hotel and restaurants, and health is much lower than the general population.

³⁵ Census of India, 2001

Table 4.2: Sectoral Concentration of Enterprises among Dalits and Non-Dalits in Raebareli

S.No	Sector	Total	Non-Dalit	Dalit
1	Agricultural & Allied	1.1%	0.7%	3.9%
2	Mining & Quarrying	0.1%	0.1%	0.0%
3	Manufacturing	17.0%	17.3%	14.7%
4	Electricity, Gas & Water	0.1%	0.1%	0.1%
5	Construction	0.3%	0.3%	0.6%
6	Trade	65.1%	65.0%	65.4%
7	Hotel & Restaurants	4.2%	4.5%	2.2%
8	Transport, Storage & Communication	2.8%	2.9%	2.0%
9	Finance & Business	2.0%	1.9%	2.2%
10	Public Administration	0.3%	0.3%	0.2%
11	Education	1.6%	1.7%	1.1%
12	Health	1.5%	1.6%	0.9%
13	Other Community, Social & Personal Services	3.9%	3.5%	6.8%

Data Source: (Government of India 2008)

The dominant economic sectors in Raebareli are trade (mainly retail- readymade garments, groceries, wooden and plastic furniture, electrical and electronic items, leather products, etc.) and manufacturing (constituting mainly repair/servicing). *Thakurs*, *Khatris* and *Baniyas* (including *Marwaris*) are dominant business communities in the district. They have overwhelming control over market associations. Raebareli district has a good number of industrial areas, public sector industries, and factories.

Interviews with bank managers, officials in the District Industries Centre (DIC) and Uttar Pradesh Schedule Caste Finance and Development Corporation (UPSFDC) office in Raebareli who had experience of dealing with Dalit businesses, confirmed the kinds of business Dalits were entering. The types most frequently mentioned by officials included ‘agriculture and allied’³⁶, ‘personal and community services’.³⁷ The analysis of the DIC register for the years 2008-10 provided a list of 28 activities for Dalits of which

³⁶ It included activities such as buffalo rearing, poultry, dairy, pig rearing, Diesel pump set, goat rearing, nursery, and horticulture among others.

³⁷ It included activities such as stitching, light house, generator sets, cycle repair, shoe repair, etc.

the most frequently mentioned were belonging to personal and community services followed by small manufacturing units. The analysis of UPSCFDC³⁸ registers which lists all the Dalit entrepreneurs registered for last four years (2007-10) who have availed 'concessional' loans (with subsidies and/or at a reduced interest rate) provided a similar picture with manufacturing and repair services constituting more than forty percent of the total, followed by the personal and community services constituting more than thirty percent. Caution must be exercised in assuming the list to be representative of Dalits because some kind of business may see little point in being listed at the DIC or may find difficulty in accessing concessional loans. However, the patterns of Dalit businesses derived from the Census in these sectors are not significantly different from that gained from official records. With the exception of agricultural enterprises such as diesel pump units and animal husbandry, the key businesses mentioned in DIC and UPSCFDC records were similar, though the latter also included several additional types of business which demanded very small capital. Generally, there was a strong emphasis on the personal and community services but little evidence of other sectors.

4.3.2 The Case Studies

The sample was drawn from a diverse set of social and economic backgrounds. I attempted to understand not only contrasting personal situations (more/less experienced, sub-castes, economic background, age, experience, rural/urban, male/female) but also contrasting business contexts from sweet & savouries shops to road construction firms. This distribution of business interests within this sample can further be detailed as follows: construction (8); hotel and restaurants (9); finance and business (9); and personal and community services (10). The sample is representative of multiple sub-castes, *Chamars* constituted the majority (i.e. 13 in total), followed in turn by *Khatik* (8), *Kori* (5), *Pasi* (3), *Baiswar*, *Dhobi* and *Hela* two each and one from the *Bahelia* caste. The traditional occupations of *Chamars* are processing, manufacturing and trading in leather and leather goods. Historically, their social status was low in the Indian caste

³⁸ Uttar Pradesh Schedule Caste Finance and Development Corporation

system because of their association with tanning. Thus they are still considered to be untouchables in some parts of India. They are the largest Dalit sub-caste by population in Uttar Pradesh constituting more than 13% of the total population.³⁹ The *Khatik* engage in various economic activities, such as selling vegetables, fruits, flowers, as well as butchery.⁴⁰ The *Kori* are historically connected with weaving, but with the widespread introduction of mechanised textile manufacture; they are now mainly landless agricultural workers.⁴¹ The *Pasis* are a community of small peasant farmers.⁴² The *Baiswar* are mainly a community of peasant proprietors with animal husbandry as an important secondary occupation.⁴³ The *Dhobi* are still involved in their traditional occupation, which is washing clothes. Traditionally, the community would wash clothes for particular families, and would receive grain and services from them. But with the growth of the cash economy, most *Dhobis* are now paid money for their services.⁴⁴ The *Hela* are a community of agricultural labourers. Their traditional occupation was that of a village sweeper/scavenger or of providing music services during cultural rituals.⁴⁵ The *Bahelia* survive by catching birds and animals, honey extraction; all considered inferior jobs.⁴⁶

In terms of socio-demographic profile, most interviewees were in the 30-50 year age group, only three DBOs being below 25 years. Except for two Dalit business owners, the rest were married. It should be noted that apart from a number of uneducated and educated up to primary level, approximately half of the DBOs had a comparatively high level of education (i.e. were graduates and above). There were only four women DBOs

³⁹ http://censusindia.gov.in/Tables_Published/SCST/dh_sc_chandigarh.pdf

⁴⁰ People of India Uttar Pradesh Volume XLII Part Two edited by A Hasan & J C Das pages 813

⁴¹ People of India Haryana Volume XXIII edited by M.L Sharma & A.K Bhatia pages 305 to 307 Manohar

⁴² People of India Uttar Pradesh Volume XLII Part Three by K S Singh page 1133

⁴³ People of India Uttar Pradesh Volume XLII Part One edited by A Hasan & J C Das pages 122 to 127 Manohar Publications

⁴⁴ People of India Uttar Pradesh Volume XLII Part One edited by A Hasan & J C Das pages 446 to 451 Manohar Publications

⁴⁵ People of India Uttar Pradesh Volume XLII Part Two edited by A Hasan & J C Das page 603 to 605 Manohar Publications

⁴⁶ The *Bahelia* are listed under the category of Scheduled Tribes in some states.

in the sample. The recorded participation of Dalit women in business ownership is very low across India.⁴⁷

In terms of businesses, slightly more than half the businesses were home-based, and a few were occupying illegal sites. Roughly one-third of DBOs did not employ labour. In terms of business size, DBOs were all involved in micro and small businesses, having very few employees (the maximum being four). While very few relied solely on family labour, most of them used casual wage labourers on the basis of need. The vast majority of DBOs worked full time, with only a few working on a part-time basis. Overall, the DBOs in the study were involved in a wide range of businesses in the selected four sectors.

I start with a narrative which illustrates opportunities for Dalits to start a new enterprise. The narratives help me to identify the types of opportunities thrown up by the structures of economy and society. Following this, I focus on interpreting Dalit narratives to analyse the key resources, access to which can enable DBOs to enter the market. While interviewing DBOs, my approach was primarily directed at understanding Dalits' own social constructions first of the interactions between opportunities and resources and second of the experience of discriminatory and exclusionary practices in setting up new enterprises. Later, I apply the enterprise framework and reflect upon the perceptions of DBOs about social structure and practices affecting their entry. Further, DBOs' testimonies are analysed to prospect patterns in the sectoral variations.

4.4 Opportunities and Resources for Dalit Business

The essence of entrepreneurship is to perceive worthwhile opportunities and to act upon them (Binks and Coyne 1983:12). According to Schumpeter (1934), entrepreneurship entails innovation, and as an innovator, the entrepreneur is responsible for the new activity or the doing of things already being done in new ways. Small enterprise owners

⁴⁷ Though, women's presence is more visible in periodic marketplaces.

may or may not innovate⁴⁸ in products, processes or services but they identify market opportunities and use resources to transform these into economic values. In this section, I examine the contexts which lead Dalits to observe and act upon those opportunities and what resources they accessed or amassed to start new enterprises. When asking DBOs how they came into the business, I gathered information on the reasons, occupational histories, access to resources, and their pathways into self-employment. Often DBOs provided extra details and clarified the importance and interrelation of different factors affecting their entry.

4.4.1 Opportunities for Dalits for Owning a Business

From the investigations, it emerged that there are four key reasons for starting up the businesses. First, Dalits most often enter the business because other options are not available. They set up self-employment for 'survival'. Second, most Dalits are disproportionately affected by the stagnant employment opportunities in the state itself. Within the broader compensatory discrimination policy under the constitutional framework, the state has established job reservations or quotas in government service and public sector undertakings to uplift and empower Dalits with opportunities for both social and economic mobility (Jogdand 1999). But an ever-increasing stream of labour market entrants faces a decline in the absolute number of reserved jobs in the state as the latter declines under the impact of liberalisation and 'contractualisation'. Further, Dalits experience discrimination at work in the private sector and hence the idea of setting up on one's own becomes more attractive. Fourth, because of cultural path dependence,

⁴⁸ Harriss-White and Rodrigo argue that informal economy is a primary source of innovation (products, processes and ideas that are new) and categories these innovations in three groups for analytical purpose: invention - involving creativity, adaptive innovation- the new adaptation of an existing product or process, and adoptive innovation - the adoption of an existing innovation in a new social context Harriss-White, B. and G. Rodrigo (2016). Innovation in the Context of Climate Change: What is Happening in India's Informal Economy? Urban Poverty and Climate Change: Life in the Slums of Asia, Africa and Latin America. M. Roy, S. Cawood, M. Hordijk and D. Hulme. London and New York, Routledge.. Clearly, from this perspective, when Dalits move into new activities they are taking the risk and acting like entrepreneurs.

Dalits often take the entrepreneurial route and exploit economic opportunities such as laundry ('modernised' from *Dhobi* services) and sound services ('modernised' from barbering which has always also included music making for events of ritual significance to other caste groups) among others. Fifth, as some Dalits have access to business resources, they want to start enterprises for growth and accumulation.

Examining the interviews further provides insights about the opportunities available to them. I can identify three types. First, there are *constrained opportunities* for socio-economically poorer groups of Dalits. Second, there are *open opportunities* for certain activities for those with the necessary business resources. Third, the state has created *affirmative opportunities* in certain sectors of the economy.

4.4.1.1 *Constrained Opportunities*

Many Dalits have entered business for the absence of an alternative, hoping to earn a living and 'make do' rather than with any prospect of financial success. For example, a Disc Jockey owner, faced with the scarcity of regular jobs, started a business, while an unsuccessful mason found himself in the business of food. Survival and livelihood factors appear to play a much more important role in the perception and experience of DBOs than might have been expected from people with an entrepreneurial spirit who often are characterised by their ability to innovate and take risks. Except for a few, most of the DBOs before starting their enterprise had no hopes of their business' making a profit from which resources could be saved and re-invested, they anticipated very slow growth or were uncertain as to the pattern of development. One of the DBOs who was uneducated and owned a firm providing masonry services on contractual basis explained:

“...we earn only to feed our empty stomach. We cannot do anything else...if I get a regular job I will close the firm” (Interview, C4^{*}).

* The notation 'C4' signifies the 4th informant from the construction sector. Similarly, notations such as HR4, PCS4, and F4 signify 4th informant from the hotel and restaurant sector, personal and community services, and the finance sector respectively.

Similarly, another small snacks corner owner in a rural area explaining his economic constraints stated-

“most people make on an average a saving of more than Rs 100 a day. My purpose was just to feed myself” (Interview, HR5).

While some business owners ventured into the market as a means of furthering their survival, it is worth noting that a set of economic constraints also limit the kinds of enterprises Dalits can own. That the opportunities available to enterprising upper castes and OBCs are much more diverse than what have been historically accessible to Dalits is exemplified by the owner of a shoe-repairing shop belonging to the *Chamar* community:

“First, my economic situation worsened. And I had some experience in this traditional business (leather tanning), but I had to start this in a constrained context. Second, there was a scarcity of capital. We didn't have enough capital to start any other enterprise....Now I am over the age for most government job applications, but if there are vacancies in a fourth-grade employment, I do apply for them.” (Interview, PCS7).

For many DBOs who stressed some type of economic constraints, enterprises also appear as a form of disguised wage work in which they did not make independent decisions but depend instead on a merchant or intermediary for raw materials and finished products taking the latter's prices as given and pocketing their returns as a 'wage'. They also choose self-employment not because the value of self-employment was so high but because the value of wage work is so low. Additionally, in almost a quarter of cases, DBOs who had entered the market due to 'lack of job opportunities' also indicated their willingness to switch to regular paid jobs. In a couple of cases, DBOs voiced their preference for regular jobs due to the degrading work environment of self-employment - having to face psychological distress, pollution, and irregular work hours. Taken together, these findings suggest that a group of DBOs were pushed into business because of constraints on alternative opportunities. Their decisions to enter the market in a given sector were shaped either by economic constraints or by their inability to find a suitable regular job or to enter the enterprise sphere of their choice.

4.4.1.2 *Open Opportunities*

Many other DBOs, however, made their entry into the market voluntarily to expand their income and to accumulate capital. Many of them cited ‘desire for own work’, for a ‘family business’, ‘flexibility’, and access to ‘suitable resources’ as the key reasons for their owning a business. One of the construction business owners recalled:

“There is a brick kiln owned by a *Yadav*. His house is just next to mine. After seeing him, I decided if they can start a business, why can't I? After all, I am also in the market. I started this business after being inspired thus.” (Interview, C3).

Another DBO in the hotel and restaurant sector who had a house located in the market area started his business after careful analysis, which he expressed as follows:

“When I came here I asked many people about various businesses. Some gave me suggestions about starting a hotel business. I didn't need to do much for that. I started the sweets and savouries shop with my own savings in my own house” (Interview, HR6).

The accounts suggest that some Dalits are in a position to perceive ‘open’ opportunities and their entry decisions are not constrained - rather they are supported by predisposing factors. These DBOs enter the market with the aim of appropriating surplus product and accumulating capital of their own. Access to know-how and finance through their own social networks support their responses to open opportunities.

4.4.1.3 *Affirmative Opportunities*

The last category of opportunities that has emerged from the assessments of interviews consists of affirmative opportunities. This category primarily emanates from access to affirmative action by the state or any other agency to promote enterprising activity among the backward sections of Indian society. The Government of Uttar Pradesh has enacted a policy to reserve 23 percent of the public works done by the municipal councils, development authorities, and other government agencies for contractors belonging to the Scheduled Castes/Tribes. This has enabled Dalits to enter the construction sector. As one of the Dalit contractors who had registered himself at many government agencies to avail the benefits explained:

“When I compare today to earlier times, I feel that earlier there was not any Dalit in the government works contract business. However, since this government⁵⁰ has come and enacted reservation policy for projects up to Rs 2.5 million many Dalits have benefitted. For instance, while upper caste businessmen pay 10% as the security deposit, Dalits only pay two percent” (Interview, C6).

A similar sentiment is echoed by another construction business owner:

“As there were 24% reservations made for Dalits, I decided to apply...There is an opportunity. The government is giving some benefits, so we must benefit from that” (Interview, C7).

While such impacts are confirmed by a few more, other DBOs in the construction sector raises concerns about its effective implementation. Such policy initiatives, however, create opportunities, which do not exist otherwise for Dalits. There are various other affirmative policies promoting Dalit entrepreneurship such as the Prime Minister’s Employment Programme with a fixed quota for Scheduled Castes, preferential allocation of shops to Dalits in the municipal markets among others. However, from our interviewees’ accounts of their experiences, it seems that DBOs are not able to take up opportunities created by these affirmative policies either due to the “lack of resources” (i.e. the lack of ‘know-how’ and ability to ‘comply with regulations’) or due to the “lengthy” and “corrupt” practices involved in gaining access to the state. I have discussed this in the next section⁵¹.

While the findings of this section are specific to Dalit business owners, they offer important insights concerning the diversity of opportunities that have direct reference to the ‘push-pull’ debate. In this research, the ‘pull’ effects are manifested through the cases of ‘open opportunity’ and ‘affirmative opportunity’ and the ‘push’ effects through ‘constrained opportunity’. Looking at the socio-economic backgrounds of the DBOs, it can be said that the economically better-off Dalit often enters business due to ‘pull’ effects, while other poorer Dalits come into the business due to ‘push’ effects. I discuss the interrelation of opportunities and resources to the socio-economic backgrounds of Dalits in detail later.

⁵⁰ The government was led by the Bahujan Samajwadi Party- a party primarily representing Dalit sections.

⁵¹ also see Chapter 6 on policy processes and their implications.

4.4.2 Access to Business Resources

4.4.2.1 Finance

Even though the DBOs identified securing capital as the greatest impediment to their entry, it seems that they often needed only a small amount of capital for entry - based partly on personal savings or money borrowed from a cross-section of family, friends in the same community as well as other castes (in order of frequency). Though in almost two-thirds of the cases DBOs required external funding (i.e. beyond their family) to set up in business, only a couple of Dalit businessmen interviewed in Raebareli had made successful use of bank loans for this purpose. DBOs experienced bank institutions as 'unduly restrictive', 'corrupt', 'discriminatory', 'time wasting', and 'tough'. According to one DBO –"they ask too many questions and do too much checking up on our affairs" (Interview, PCS2). Further explorations made it clear that the DBO was not registered with the local municipal body. Some DBOs cited the reason of not having courage to take the loan from the bank due to perceived conditionality of guarantees/collateral. One construction business owner explained:

"All the start-up capital invested either came from my family or myself or others. I had nothing to do with the bank. When I needed money, I took it from people I knew. I had no courage to take the money from the loan. Ten thousand ..I took from a friend.....from my own community" (Interview, C1).

Further, it is interesting to note that only a minority of DBOs turned to informal institutions (i.e. moneylenders) for credit. Informal interest rates were very high ranging from 36 to 120 % per annum. One small business owner shared his experience of borrowing from the moneylender:

'In the village the person who has a large house, I took a loan from him. ...at 5% per month...Rs 15,000. ..Haven't paid yet...Still paying.. It has been 7-8 years. I pay, not regularly, though...I am surviving somehow...taking care of kids. What else!(Interview, HR3).

In addition to the fear of banks, some DBOs expressed an aversion for all kinds of loan and a preference for independence. Given their poorer socio-economic background, many worry about their inability to repay. One DBO said:

"I couldn't start my business properly. But on the other hand, I also felt if I took a loan and could not repay, I would have to sell my house. It was better not to take any loan" (Interview, HR2).

Similarly another DBO expressed his firm determination to not take loans by saying:

"I have invested my own money. I haven't taken money from anyone. There is no loan from any bank. I don't have a loan of even five paise from anyone. ...I don't want to take a loan. I stay away from the loan. I don't consider loan a good thing. Even if I borrow from you, it will be, at most, for 15 days" (Interview, HR9).

DBOs believe that they are at a further substantial disadvantage on account of the greater difficulties they experience in obtaining concessional financial help from the banks facilitated by the State. A couple of DBOs who had tried to avail themselves of these concessional loans had been unsuccessful and had souring experiences. They were asked to explain their sub-castes and family's entrepreneurial history and shamed them to withdraw applications. Whether formal or informal, the relations of Dalits to financial institutions is perceived and experienced to be disadvantageous. Dalits have been socialised into 'risk-aversion'.

Prakash's (2009) field research highlighted that almost two-thirds of medium level Dalit entrepreneurs failed in accessing credit from the nationalised banks. Jodhka's (2010) study of 321 small Dalit entrepreneurs has shown that less than nine percent of Dalit entrepreneurs had taken any loan/aid from the government agencies. Under the Prime Minister Employment Generation Programme (PMEGP) in 2013-14, only 13 percent of all applicants availed credit support (Government of India 2014:156). The evidence from different sources allows us to triangulate our findings.

4.4.2.2 Know-How –Experience, Skills and Trainings

Many of the enterprise owners had gained previous experience in the field of their present businesses. A couple of DBOs had switched business, but they valued their previous experience. A construction sector DBO said:

“I worked in the sector (insurance business) for two years. That experience was good. My mind developed from that experience. That helped me in developing my market. I got a network. And I established a brick kiln” (Interview, C3)

With respect to the acquisition of skills, the great majority had not received any formal training before entering the business. Only two DBOs had some kind of formal training in their sector. Formal training that is both appropriate and acceptable to micro-business owners lacks in Raebareli. EDI² offers courses with instruction mainly in four areas namely: computer operation, mobile repairing, tailoring, and beauty therapy. DBOs are encouraged by local officials to attend where the courses are relevant, and though a few Dalits have participated, many are deterred by the level at which these are directed and by the time involved. According to the trainer at EDI, DBOs are not interested in the acquisition of formal training and the few who do participate, generally come ‘to avail the stipend’. Importantly, DBOs who had businesses related to their caste-based ‘traditional’ occupation explained that they had inherited the skills. They also argued that in their kind of business whatever skill is needed could be learnt on the job.

4.4.2.3 *Labour*

Another important business resource is access to an adequate supply of labour with skills appropriate for employment on terms favourable to the employer. Most DBOs said that it was the cost component that mattered most, particularly in small businesses. In the employment of labour at the start of business, DBOs may be divided into three categories: those who had no employees at all; those who worked with family members (and occasionally used wage labourer); and those who employed a very small number of permanent staff, usually Dalits but who recruited the services of casual wage labour when required. The vast majority of DBOs fall under the first two categories. A construction worker talked about his labour arrangement:

"I do not keep any one permanently. When I need them, I call them and pay them. When I don't have work, I don't call them.....Labour primarily comes from the

² Entrepreneurship Development Institute

Dalit community. Few are from the other backward castes.there is one from "Backward"... mostly from the Dalit community" (Interview, C2)

For a majority of DBOs, it seemed that the chance to employ family members and relatives and other community members at a reduced rate came easily. A couple of DBOs admitted facing recruitment and labour problems at the start of their businesses, especially in the hotel and restaurants sector. A DBO in that sector expressed his concerns:

“There was no one in the known network who was attached to a hotel. Because of the caste factor, I had to appoint the cook from the *naiee* community to make tea and other stuff. So that everyone could have the tea. It’s not easy to find a cook to work for us.” (Interview, HR7)

The significance of taking the labour from the *naiee* community (a non-Dalit community) lies in the fact that the notion of purity and pollution still persists in the hotel and restaurants sector where food cooked by Dalits might not be accepted. In certain sectors, notably construction, if a business is very well established, the hostility of non-Dalits towards Dalit supervision is lowered, and the labour force may reflect a broader caste composition - depending on the skill-sets or the geographical area in which the business is located. In the construction industry, the interaction between business owners and the client is often very limited.

It was noted during field interviews that small scale Dalit business owners are employing their female kin in their business but paying them less than the market rate for their labour if they are paying them at all. Further, in the cases where there was family support, there was a gendered division of labour: ‘outside’ work and sales work by male members and ‘inside’ work and production by the women. It was also observed that in few cases women were withdrawn from managerial responsibilities as the business expanded. The withdrawal from the business operations as the scale rose is associated with the decrease in her autonomy and increase in the degree of subordination within the household. This raises the issues of Dalit women paying the price of Dalit

men's advance and feeds into the broader discussion about the rise of Dalit patriarchy with social mobility.

4.4.2.4 Premises

Decisions about business premises depend on the scale and the nature of the enterprise which itself is determined by finance, supply constraints, expected profitability and social meaning. The DBOs often operate from their home and/or suffer from insufficiently spacious premises. The terms on which DBOs locate their business clearly reflect discrimination in access to resources and also the withdrawal by non-Dalits from those areas. One of the DBOs said:

“I also filled a form to get the shop, but I didn't get it. Two or three of these shops were reserved for the Dalits, but all went to general category. Now....there is a stay order from the court on the use of those shops”(Interview, F4)

Further, DBOs are likely to be forced to pay a premium price for a 'marginal' business i.e. usually serving a poor clientele in an inferior location. Some experienced open discrimination in the purchase, leasing or renting of suitable business properties. Another DBOs shared his story:

“If we reveal our caste, we won't get a place or a shop. Especially, if the Dalit is a *chamar*. Others will not allow us to put any stall/shop near their area. There are a lot of problems in getting the shop. We can open shop at our home but not in the market. We have opened at our home, we don't pay rent, but the nobody also comes to our shop." (Interview, PCS3)

Most of the DBOs who had rented or tried to rent a workplace indicated that Dalits are regularly denied access altogether, confined to the least desirable and most poorly situated premises, or expected to pay a higher price. Dalits are also strongly segregated residentially in a special street or a small group of streets. DBOs often serve very localised demand - both spatially and socially - by targeting Dalits as their market. I discuss the concept of Dalit sub-market in the next chapter on the operation of Dalit enterprises.

4.4.2.5 Capacity to Comply with Regulations –Cases of Taxation and Registration

Approximately one-third of the Dalit businesses were registered, mostly in the construction sector and a few from finance. DBOs often struggled to obtain registration at the regular offices for three main reasons. First, they often do not have the requisite documents; second, the process is time-consuming and without any guarantee of success; third, they are sometimes discriminated against in direct as well as indirect ways by the state officials. One of the contractors recalled his experience of registration to obtain his license:

“The process is not easy at all. It is very difficult. Registering with the police department, getting a character certificate, and securing a solvency certificate from the revenue department are not easy. Unless you have properties in your own name, it is not possible to get the solvency certificate. No one recognises cash as the capital. They ask for the records.” (Interview, C2).

DBOs who did not register their enterprises cited as the reason the tiny scale of their economic activity.

4.4.3 Summary of Findings

The enterprises studied are usually associated with one or more of the following characteristics:

- i) business activities are conducted in the place of residence;
- ii) the unit employs mostly family labour;
- iii) the market for the unit’s products is limited to the locality which the business is situated; and
- iv) they are the principal means of livelihood for the people engaged in the activity

From interviews with DBOs, it appeared that those setting up in business benefitted where a combination of skills and access to finance was available. Further, discriminatory processes often limited Dalits to particular sectors and areas in the locality.

Respondents believed that discrimination frequently excludes Dalits from the more attractive jobs in the labour market, as well as from favoured areas of business. They are driven to accept what is least acceptable to others. What is acceptable to Dalits also depends in part on what alternatives are available. Some types of business depend on the practice of a professional or a manual skill. Dalit enterprises are most common in activities which require skills already possessed by the community (cleaning, drumming, shoe repairing). This helps to explain why concentration in such areas of business as sound services and laundry is favoured. But possessing a useful skill is not usually sufficient to run a successful business, especially where it is widely practised by Dalits themselves. Business sectors such as construction, animal husbandry and waste where conditions, as well as working environments, repel other castes may offer niches to Dalits.

The experience of discrimination and exclusion clearly varies according to the type of enterprise in which the business owner is engaged and the extent to which their access to opportunities and resources is influenced by social structure, market institutions and state policies and practices. In the next section I analyse these structural forces.

4.5 Analysing DBO's Market Entry

After the analysis of DBO's opportunities and resources in the previous section, here I apply the enterprise ownership framework to reflect upon DBO perceptions of various social structures affecting their entry. I focus on narratives which illustrate the institutional enablers as well as constraints. I also introduce the roles of the state and the market institutions which are dealt with in detail in the following chapters.

4.5.1 The Social Structures

Structural positions in society prove relevant to running a business. Opportunities and resources are derived from the social positions held. As Dalits are the socially most disadvantaged group, their disadvantages may be perpetuated until the experience of incorporation in business generates its own reinforced culture. As the essential business

resources are finance and premises, the social structure is of great importance for accessing them. Where capital can be transferred quickly and perhaps at less than market interest rates between members of a family or within a wider unit in the community, and where social mechanisms exist to achieve this, entrepreneurs are at a significant advantage (Ward and Jenkins 1984). This is especially relevant in cases where DBOs' uncertain prospects make Dalits wary about any kind of loans. Further, long established business communities such as *Banias* have had the opportunity to build up their capital and their reputation with financiers (some of whom themselves will be *Banias*). Because of their owner's social position, businesses in established communities may be able to present themselves more effectively than Dalits when looking for loans, premises, licenses or other business facilities.

One of the new DBOs from the hotel and restaurant sector explained his experience with the persistence of untouchability in accepting food:

“When I opened a small food chain, many people opposed it. Some people said in front of me that this is food chain owned by a *Chamar*, If they have tea here, they will be polluted.....I met one of my *Pandit* friend (from an upper caste), a distant neighbour in my village. I was at my shop. We had some discussion. I offered tea. He asked me about the shop. I told him that it's my shop. He got up and left. He didn't even have tea. ...Can you believe that his younger brother used to study with me?” (Interview, HR7)

The experience is far from unique. Another business owner in finance who has an established insurance firm said:

"Other (non-Dalit) people eat and drink at the house of rich Dalits. But they feel ashamed in sitting at the gates of poor Dalits. They do not wash cups touched by Dalits. Nor do their wives.....They ask Dalits to add some water in the cup and wash it. At some place, they (non-Dalits) keep separate plates and cups (for the uses of Dalits in their homes)" (Interview, F4)

The notion of purity and pollution is still practiced by upper castes, especially in rural areas. Further, for certain kinds of economic activity, occupational rigidity is shaped by caste. This stratification was explained by one of the DBO from *Hela* community:

“There are four or five traditional music band services in Raebareli.....all owned by Dalits. People from *Hela*, *Dhanuk* community... *Hela* and *Dhanuk* are the same. People from the other caste do not want to join. They just know that such enterprises are only done by these communities. And, others do not want to do this business" (Interview, PCS9)

Similarly, another Dalit who owned a beauty parlour shared her story:

“As my caste was not known...they raised concerns about my enterprise, claimed that it’s *nauagiri* (barbering in the traditional sense). But I said I would do my work. I am not going to worry about this. ...They were from upper caste. They did not want us to do this work” (Interview, PCS3)

Furthermore, the dominance of upper castes in the business sphere has forced Dalits to hide their castes. In many cases in urban settings, DBOs used the surnames of upper castes or backward castes to disguise their identity. One Dalit businessmen justified hiding his caste due to a fear of upper caste oppression. He narrated:

"When we sit amongst the upper caste members, they try to know your caste on every second step. There is no harm in telling the caste in our own community. But...at right places, we have to use surnames like *Verma, Chaudhary, Singh* (*upper caste surnames*)... In general, there is no benefit to us in revealing our real caste.” (Interview, C2)

Additionally, having a well-developed network of business contacts from whom supplies and information can be obtained or contracts secured is clearly advantageous for successful business activity. My Dalit narratives suggest that most DBOs rely on a very small network, mostly in their own community. A registered electric works contractor explained:

“If I want some business to succeed, then I will have to help from someone from our own community. ...the new executive⁵³ ... is also a Dalit. He helps the community. ..the Dalit Community” (Interview, C1)

I found that almost half of the DBOs used Dalit contacts alone in accessing economic resources. Many claimed that they would not have been in business without the help of their Dalit fraternity. But, perhaps, the recent wave of entry by Dalits and the small size of their business community combine to suggest that they are likely to be disadvantaged in relation to the entrants from other castes and may have fewer options to draw from within their own circle. A contrast was often drawn in the interviews between the castes who have occupied a high position in the local ‘business community’ (such as *Marvaris*, and *Baniya* for retail, *Yadavs* for hotels) and the lack of the corresponding tradition of enterprise among Dalits. In the absence of a sizeable older generation of

⁵³ Executive Officer in Raebareli Municipal Corporation

Dalit businessmen in Raebareli, the acquisition of business 'know-how' - knowledge of the production/distribution process and suppliers and markets may also be difficult. A business owner expressed the situation like this:

"Baniyas have been doing business for a long time...it is a way of life for them. ..There is flexibility in them...their attitude is right...and as for us...we never had our grandfather, great grandfather in business, our behavioural attitude is not right. Dalits don't know much. *Baniyas* have been a business community for generations so they know how to run the business" (Interview, C3)

This social cum occupational schism has actually intensified because the more established and organised sections of the business, and commercial sectors have been insufficiently open or fluid to allow much spill-over or spread of business ideas, practices or even general information. None of the DBOs interviewed suggested they have obtained any benefits from the local business associations. The market associations had more to offer to the operation and expansion of firms than at the point of entry. Nonetheless, even though many DBOs were members of their local business associations, with few exceptions their participation was very limited. One of the tent house owners who has been a member of the Raebareli Tent House Association said:

"There are Dalit members in all the associations. But there is no Dalit participation. There is no Dalit leader, no Dalit treasurer, no Dalit secretary ...Today there are more than fifty associations---'Agrawal' group to 'Morarka Group'⁴. As of now, we are not participating...but if we have our own Dalit association, we will work" (Interview, PCS2)

Most of the local business associations in Raebareli are dominated by upper castes (mainly *Thakurs*) and trading communities (i.e. the *Baniya* and its sub-castes). They practice exclusivity in sharing business information and extending informal short-term credit. My field research indicated that DBOs perceived these associations were blocking their access to supplies, sites and opportunities of apprenticeship.

The gendered aspects of access to key business resources is clearly articulated in the statement of a Dalit women business owner:

⁴ Informal market associations dominated by businessmen from *Murarka & Agrawal* communities, sub-castes of the *Baniya* (the traditional trading caste)

“Though I have been running this beauty parlour for many years, I have not accumulated enough to buy a shop. Last year I tried to expand my business and wanted to take a nearby shop on rent. In this locality, no body knows that I belong to chamar community. The owner just didn't want to give it to a woman. Also, there is no scope for training for women to scale up our businesses.” (Interview, PCS8)

It is important to note here that in this case while accessing of rental shops, not only caste hierarchy remain unchallenged, but also gender-based discrimination was further reinforced. How gender relations create biases and barriers for Dalit women is explained by the owner of the cosmetics shops:

“We have been told since childhood that business is the domain of men. We face lots of difficulty in accessing training and credit. Neither bank officials nor government officials take us seriously. I was ridiculed for applying for an entrepreneurship skill development programmes in the tehsil office. I was told that there was no other women applicant. They asked me if I have come just to access stipend. Later I found that they wanted bribe but were hesitant to ask for it from me.” (Interview, PCS4)

According to this interviewee, the relationship with the government department is also gendered and often mediated through corruption. In such contexts, Dalit women often struggle to influence the government machinery and end up getting exploited and oppressed. As explained by another Dalit women business owner who tried to avail the concessionary loan benefits to enter the market:

“I had applied for a concessional loan of Rs 21,000 under Mahila Samridhi Yojana to establish my laundry service shop. I visited the collectorate office several times. I was often told that my laundry would not succeed and not be able to repay. Once a junior *babu* put me in touch with a middleman. I had to pay Rs 1000 to the middlemen to avail the loan. It has been more than eight months since then. I have not got the loan yet. I ended up getting cheated by the middleman.” (Interview, PCS2)

In the last three narratives documented above, Dalit women perceive the discriminatory role of gender against their economic interests.

4.5.2 Market Institutions

The DBOs' testimonies convey how financial institutions such as banks are the key market institution affecting their entry. Other market institutions such as the suppliers of

raw materials and the providers of services such as storage and transport are more important after the establishment of new enterprises. Operational aspects of Dalit enterprises are dealt with in the next chapter.

Very few DBOs were able to obtain bank loans for the establishment of enterprises. Enterprises funded in this way were sometimes explained by a bank's attitude to conditions such as the guarantees offered by the DBO or even their caste and family background, or the family's entrepreneurial history. Where social rather than economic considerations intervene, DBOs are often disadvantaged due to their limited social and cultural skills. The minority of DBOs who obtained bank loans reported that they had "good" relationships with their banks. Access to bank financing in certain instances was linked to training in establishing and managing the business. Either this was an arbitrary condition or it was due to the criteria fixed by the State for state-sponsored schemes. Bankers often seem to support DBOs for very few reasons: because they know the family, because the applications are backed up by guarantees, or because the financial plan for the business has been written up according to the cumbersome rules. DBOs often struggle in filling up applications for funding and in preparing the project reports. The relation between the DBOs and banks is spoken of as one of mutual distrust.

Indeed, it was quite apparent that the banks exercised a great deal of absolute veto power over the assessment of the viability of a business proposition and the decision to grant a loan. Interviews with bank managers and officials confirmed that the commercial banks attempt to justify the differential access to credit to Dalit businesses on the grounds, first, that all loan applications are subject to similar methods of processing; second, that invariably the refusal of a request meant either the applicant could not submit a full application or an adequate guarantee of repayment or had been assessed as a 'bad risk'. As state institutions such as NABARD and SIDBI have tended to lean more heavily towards SMEs, partly because of the constraints which institutions themselves face in obtaining and using funds for disbursement as loans, Dalit business owners have had - as a consequence - to depend on personal loans where possible. The latter act as a constraint on other conditions of their entry into the marketplace.

Other market institutions such as suppliers' group and contractors' network are also dominated by upper castes in Raebareli. DBOs access supplies for business operation on adverse terms (i.e. higher prices, delayed delivery, advance payments, etc.). I argue that market institutions dominated by upper caste places barriers for Dalit businesses by practices of exclusivity and discriminatory processes.

4.5.3 The State

The state affects DBOs' access to opportunities and resources through its affirmative or promotive policies and its regulatory framework. These policies and framework are implemented through a series of organisations and institutions which are also embedded in the social structure. Respondents believed that most government officials have not yet accepted Dalits in the role of business owners. Government policies aimed at promoting Dalit entrepreneurship are not benefitting those to whom they were intended. Dalit businesses suffer further discrimination at the hands of the state institutions themselves when the latter do comply with the regulatory framework. I look into these issues in detail in the following chapters on policy contexts and processes.

4.6 Variations in DBOs' Entry

There are major variations in the proportion of different Dalit groups involved in business, in the profitability of their concerns, the sectors in which they have sought to operate and their entrepreneurial style. My field research showed that it is the strength and structure of the obligations and support provided by the Dalit community that has differential effects across economic sectors.

4.6.1 Sectoral Variations

While some businesses are closed to Dalits in Raebareli, others can be entered easily. Personal and community services are an example of the latter. Personal services such as laundry, sound services, shaving, shoe repairing have been longstanding occupations of

Dalits. Further, the skills necessary for pressing or repairing can be learnt by demonstration and repetition. In the hotel and restaurants sector family participation, culinary skills and extremely long working hours are often viewed as expected responsibilities rather than arbitrary impositions. While in the construction and finance sectors many DBOs were registered, most of the personal and community services activities were unregistered. Compliance with regulations (i.e. registration of firm at the municipal corporation) for construction activities is mandatory requirements for eligibility for affirmative policies as well as for submitting tenders for public works. DBOs often needed political patronage to complete the registration process. Enterprising activities in the finance sector are often formally registered because associated financial institutions such as insurance corporations, private financial service agencies and postal finance agencies enforce compliance privately. Fewer regulations are enforced by the state for most of the enterprising personal and community services at the micro level. However, the hotel and restaurants sector are forced through the imposition of penalties and effects on reputation to comply with multiple regulations such as the food safety act and the child labour prohibition act. But, most DBOs in the hotel and restaurants sector operate in compliance with regulations despite the lack of enforcement personnel, either under the constant fear of getting caught by the state agencies or through corrupt means.

DBOs often rely on the experience and know-how of fellow Dalit businessmen. This leads to a concentration in certain economic sectors. Furthermore, as the number of Dalits looking for self-employment increases, they are forced to look outside the crowded sector of personal and community services. The preparedness of Dalits to enter businesses in which they have no experience is partly due to their awareness of the lack of realistic alternatives. The entry into new economic sectors often takes the form of a chain: with early successful entrepreneurs providing sponsorship, patronage, credit and advice to relatives and friends. Whether real or imagined, the association of caste with the business entry is an important variable which can be expected to significantly affect the DBOs across various sectors - though in different ways.

There are two major explanations being offered for the differential involvement of Dalits in business across sectors. In the first place, First DBO's participation are linked to the opportunities and resources presented by the market, by society and the state. But second, DBOs often face discrimination and exclusionary practices in accessing resources, practices which vary across sectors. Although the latter explanation may seem sufficient in itself, it is closely interlinked to the influence of the market, the state and social structures.

The comparative advantage of Dalits in the construction sector can be explained by four factors: first, labour in the construction sector has often been recruited historically from Dalit castes. With experience and rapidly growing demand, a few of them have succeeded in becoming masonry contractors. Second, there is less interaction with the wider society in their caste-related economic activities which means lower chances of discriminatory and exclusionary forces emanating from the dominant castes. Third, the political empowerment of Dalits has had an impact on Dalit business as many have developed political networks to obtain licenses as well as contracts. Finally, of late, affirmative action by the state has created additional opportunities for Dalits.

Dalits' comparative disadvantages in the hotel and restaurants sector were explained by them with reference to the caste-based notion of purity and pollution which still acts as an exclusionary force, deterring Dalits from entering this sector. Dalits are comparatively better incorporated in the personal and community services sector for three reasons: first, Dalits have historical experience in the skills of certain caste-embedded business such as laundry, shoe repair, sound services, etc. Second, Dalits have often gained know-how through apprenticeships - with a few benefiting from formal training as well. Third, many governments sponsored credit and training programmes for self-employment through DIC, EDI and UPSCFDC are targeted towards activities such as laundry, tailoring, beauty therapy, etc.

Dalits have tried to enter the finance sector although they have lagged primarily because of their low levels of educational attainment and the dominance by the upper caste in the market.

My field research suggests that there are broadly three categories of Dalits entering business depending on their socio-economic background and entry trajectories - *marginal*, *survivor* and *accumulator*. The distinction between these three groups is, of course, not clear cut. However, for the majority and in the context of inductive theorising, it is a useful distinction. On the one hand, there are *marginal DBOs* those who have no other alternatives. I refer here to a small group of poor Dalits who have come into business without benefits from the state either from regular employment or business incentives. Often this group does not have either a history of business and/or desired skills and experience. But, this group may also include people with caste-specific know-how which is valued in the part of 'the market' that uses that skill-set.

The first category includes Dalits without experience and social advantages in the market – with low turnover and limited growth potential. Most of them have almost no land and come from wage workers' families. Many had changed jobs frequently prior to entry as an owner, moving from one employer to other and experiencing 'bad pay' and the lack of opportunities to improve themselves. DBOs from the hotel and restaurants sector often belong to this category. They often belong to the lower income groups and have little resources and a low level of educational attainment.

The second group represents *survivor* DBOs who are not struggling to meet their consumption needs but at the same time are unable to accumulate enough to invest and expand. They have some skills and experience along with resources to start a business. But, they are trapped, mainly by the wider social and economic exchange contexts which are beyond their control. For them too any economic activity is better than no activity and often their choices are made voluntarily. Their economic situation and their sectors of activity are such that, barring unforeseeable circumstances, they will reproduce their household - neither expanding nor disappearing. Although members of the first and second group have started firms, their economic and social contacts are often limited to other Dalits. The majority of the DBOs in the sectors of finance and personal and community services are of the survivor type.

On the other hand, there are the *accumulator* DBOs who have come to business for quite different reasons when compared to the first two groups. These people have benefitted directly (or indirectly through kinship) from the government's affirmative actions in the job sectors, have accumulated capital and are integrated into a wider social network. They are in relatively advantaged positions with respect to capital, labour and business experience. Their superior access to resources is translated into grabbing open opportunities in the market as well as affirmative opportunities created by the state. Another particular feature distinguishes this kind of DBOs from others: a greater tendency to take risks due to higher level access to business resources. Dalits from the *accumulator* group have a greater spread of contacts, are more highly educated and have a more geographically widespread sphere of operation. They set up business on a comparatively larger scale, they respond more flexibly to changing circumstances, and their businesses may grow rapidly. Many construction sector DBOs can be categorised under this trajectory.

Though the labels such as marginal, survivor, and accumulator could be used to categorise any marginalised group; these categories have specific significance in relations to Dalits, and caste relations in general, on three counts: first, the broad distribution of these categories can shed light on the quality of Dalits' participation in business ownership across economic sectors. It can also be used for analysing the variance in qualitative aspects of entrepreneurship across as well as within caste groups. Second, these labels allow us to analyse the nature and dynamics of the push and pull factors that confront Dalit entrepreneurs. Finally, these labels bring a fresh perspective on the intersection of caste and class in terms of economic deprivation and production strategies in the broader context of entrepreneurship.

4.6.2 Variation among Dalit Subgroups

The sample has been too small to shed substantive light on the concrete variations among the Dalit subgroups. However, from the testimonies of DBOs, there are

variations in sectoral participation across Dalit subgroups due to their history and occupational characteristics. *Khatik*'s involvement in trading and shop-keeping is path-dependent on a long history of selling vegetables, fruits and flowers, as well as working as slaughterers and butchers. Historically they have considerably more experience in running businesses in comparison to other Dalit groups. Today they operate retail shops, boutiques, construction firms, etc. *Chamars* on the other hand, even though they arrived in trade without much experience except in leather work, today are the politically and economically most empowered Dalit groups in Uttar Pradesh.⁵⁵ The *Kori* are adversely socially incorporated, lacking experience in the business. Many of them have become landless agricultural workers though weaving was their longstanding occupation.⁵⁶ Similarly, the *Pasi* are often small peasant farmers and do not have a history of business. While the others are more socially incorporated, *Hela*, *Baiswar* and *Bahelia* still remain to a large degree socially isolated and culturally different from rest. Given the lack of experience and family cooperation in business that characterise the *Khatiks*, it is understandable why *Hela*, *Dhobi*, *Baiswar* and *Bahelia* often remained stuck in their traditional occupations - facing tremendous bottlenecks in entering the market with new enterprises.

4.6.3 Variation across Gender

My study suggests that Dalit women-owned businesses are often much smaller in size and scale of operation when compared to Dalit men-owned businesses. Further, some economic sectors such as construction and manufacturing are more male-dominated than others i.e. education, health, and personal and community services. As there are very few women case studies, the findings related to Dalit women business owners are tentative rather than conclusive.

⁵⁵ In this state, the political party Bahujan Samaj Party has its political base among *Chamars* and this party have led the government in the state four times since the 1990s.

⁵⁶ People of India Haryana Volume XXIII edited by M.L Sharma & A.K Bhatia pages 305 to 307 Manohar

There is a systemic bias against Dalit women entrepreneurs among state and market institutions. Findings indicate that relative to male Dalit business owners, female have far more limited access to key business resources -credit and skill. In few cases of loan repayment capabilities of business owners, gender was a crucial factor. Moreover, there were no targeted schemes to train Dalit women as entrepreneurs in Raebareli district, which is my case study.

Life narratives of four Dalit women business owners under this study articulate concerns of gender. Dalit women business owners often have to break caste as well as gender barriers. In such contexts, a gender-responsive resource allocation and programme development are necessary to challenge the notion of male dominance in the business ownership and to bring gender equality.

This study has underlined the importance of the intrinsic relation between caste and the women's question. It has also presented few opportunities to develop an understanding of intersections on which the relational identities of caste and gender overlap. But there is a scope to critically interrogate the complex histories of Dalit businesses and integrate questions of caste with those of gender and to examine how gender mediates disparities across and within caste groups. Furthermore, it is also important to note that the government programmes often treat women as a homogeneous group, though it is marked with differences in access to rights, identities, and business ownership on caste or religious lines. The plurality of 'woman' as a category needs to be recognised to address the diversity within this category.

4.7 Conclusions

In this chapter, I have shown that Dalits experience multiple disadvantages in the business economy. Their poverty, unemployment and traditional occupations are all associated with low levels of incorporation as owners of firms. The official records at

DIC and UPSCFDC as well as testimonies of interviewees suggest that DBOs are concentrated in few service activities and seem to rely on caste-community resources. Despite their constrained circumstances, DBOs are able to enter markets where they can find a niche which suits their limited owned or borrowed resources.

Although business ownership has been classified and its heterogeneity disaggregated, a few constant themes have emerged. Very few DBOs in the sample have benefited from state programmes. Across the board, DBOs seldom resort to borrowing from banks: either because banks refuse, or out of social reluctance, or high costs of access. Most DBOs complain about the banks, which, as Prakash (2015) and Jodhka (2010) both found, lend capital only if they have guarantees. Prakash's field research showed that Dalit entrepreneurs rely on a mixture of institutional credit, informal credit, social networks, own savings and the proceeds from the sale of assets to enter markets where they often experience social 'accommodation', 'rigidity' and expulsion (Prakash 2009: 299). He demonstrated that the great majority of Dalit entrepreneurs (nearly 80%) applied for credit from nationalised banks, nearly 65% percent of them unsuccessfully. However, this was not the case for the small Dalit businesses in this study as very few of them even applied for institutional credit for market entry.

The difference in the pattern of institutional credit may result from that fact that Prakash has analysed cases of medium-sized Dalit entrepreneurs. My study shows that the small DBO attempts to access funds on favourable terms through his family or community connections. They tend strongly to avoid the problem of starting a business with a loan, let alone one with a high-interest rate. This is substantiated by the findings from the study of 321 small Dalit entrepreneurs in Northwest Indian towns by Jodhka (2010) which demonstrated that less than nine percent of Dalit entrepreneurs had taken loans or had any aid from government agencies for starting their business.

Nevertheless, caste based discriminatory and exclusionary practices are experienced in all field research to date as powerful factors responsible for the denial of institutional credit to Dalits. Even though most DBOs have faced some kinds of discriminatory and exclusionary practices in establishing their enterprises, most of them have benefited

from various family members or relatives. Jodhka (2010) has shown that nearly two-thirds of his sample of Dalit entrepreneurs cited their families, their parents or extended kinship as being the most important source of support.

As narrated in several of our quotes, DBOs have a very limited presence in market associations. These market associations are often based on solidarity between enterprise owners belonging to the same caste and carrying out similar activities. Dalits often struggle to configure their presence in these associations that protect and promote the economic interests of their members. Further, many DBOs actively conceal their caste identity using non-Dalit surnames to minimise the effect of caste disclosure on the business in urban settings. This was also found in the study by Jodhka (2010) where almost half of respondents tried to hide their identity and had the apprehension that a disclosure of caste could affect their business. Though Dalits struggle to get support from their limited social network in urban areas, they benefit from the anonymity of urban spaces on many counts: first, it allows them to source their inputs and sell products in the market without the fear of discrimination or stigma; second, they can enter any economic sectors without the prejudice of purity and pollution; third, anonymity increases their risk taking ability. Also, it is easier to distinguish Dalit identity in rural areas due to lack of anonymity, the area of residence and economic activities.

Dalit entrepreneurs have an advantage only where they can use their resources to start the business either mobilising skills or premises or acquiring finance on particularly favourable terms. In terms of skills, labour can be accessed where the time of family members is available to assist with the business and where, either through discrimination, economic factors or cultural norms, there is little alternative to working in a firm run by a community member. I analysed what kind of Dalits become business owners. Dalits having better access to the principal components for entry to markets such as business resources, business experience and social networks have exploited business opportunities provided by market and state institutions. Further, my research

supports the thesis that the inability to find a suitable employment may also propel Dalits into enterprise ownership. The experience of a Dalit in observing, or being part of, an entrepreneurial activity may increase the probability of his/her engaging in it on his/her account. For some Dalits, the easier access to business resources is the enabling factor for starting an entrepreneurial activity.

Though the number of interviews is small, the scenario that has emerged from my investigation is reflective of the structural constraints on the entry of Dalits into businesses in Raebareli. DBOs continuously face discriminatory and exclusionary practices as they avail themselves of opportunities and resources to enter the business. The implication of this analysis is that the poor incorporation of Dalit enterprises cannot be seen as a result of barriers to access to business resources alone. Rather the development of businesses has been conditioned by the interactions of resources and opportunities. These interactions are much affected by disadvantageous social structures embedded in state and market institutions. For almost half of the Dalits, self-employment is part of their survival strategy manipulating their limited resources and opportunities. Non-Dalit businesses get support at two levels - first, informal support from friends and relatives within as well as outside their caste communities, and second, support from the larger network of institutions, including market associations and fraternal organisations. Conversely, DBOs face handicaps in both kinds of support.

Remediation of the restricted opportunity structures and access to business resources is essential for the greater incorporation of Dalits. Restricted opportunities result from socialisation which is a massive problem requiring a social change not only for the Dalit population but also for the non-Dalits.

5 The Contexts for Affirmative Policies for Dalit Businesses

5.1 Introduction

Because the markets faced by Dalits are impregnated with caste discrimination, it is imperative to study the role of the state in enhancing the participation of Dalits in business ownership. The state often intervenes through affirmative action programmes to incorporate – economically and socially - the marginalised and disadvantaged groups through waged or salaried work (Sabbagh 2004). Although there are several affirmative action policies in place for Dalit businesses, the scholarly literature says little about their structures, purposes, modalities and evolution. Policy studies have mostly focussed on debates around affirmative actions in jobs and education.

This chapter focuses on the third key research question of this thesis: ‘how do different stakeholders shape policy practices for Dalit businesses?’ To answer this question, this chapter examines the mechanisms by which the state intervenes with the explicit objective of encouraging Dalit businesses. Chapter 6 looks at the roles played by different stakeholders in the policy processes at - district, state and Central Government levels; and how these social and economic policies perpetuate or prevent discriminatory and exclusionary processes operating in the business economy.

This chapter moves away from the already heavily-analysed affirmative action programmes in government jobs (Jain and Ratnam 1994, Thorat and Senapati 2006, Borooah, Dubey et al. 2007), higher education (Weisskopf 2004, Deshpande 2006, Desai and Kulkarni 2008, Bertrand, Hanna et al. 2010), and electoral constituencies (Pande 2003, Besley, Pande et al. 2004, Jeffrey, Jeffery et al. 2008, Chin and Prakash 2011, Jensenius 2015) and instead frames the analysis around affirmative policies for Dalit businesses. Some of the contemporary affirmative action plans differ from past efforts. It is because of this changed historical conjuncture and the advent of a new

generation of policies that this chapter first looks critically at the genealogy of discourse and policy for affirmative action with a particular focus on Dalit businesses.

I have divided this chapter into the following sections: Section 2 provides the analytical framework for researching policy contexts. Section 3 discusses affirmative actions in India and explains various mechanisms of affirmative action aimed at promoting Dalit business ownership. Section 4 presents the policy genealogy of 'affirmative action' in India and looks at how these mechanisms have evolved over time. Section 5 discusses field research exploring Dalit business owners' experiences of the state and the affirmative actions. Section 6 concludes.

5.2 Analytical Framework & Methods

In this section, I briefly discuss the framework developed to study the contexts and evolution of affirmative policies.

A policy has multiple dimensions: it can be considered as a text, a process, discourse, a political decision, a set of technical exercises in pricable costs and benefits a component of a programme, even a practical outcome (Blackmore and Lauder 2005:97). Clay and Schaffer have contended that 'the whole life of policy is a chaos of purposes and accidents and it is not at all a matter of rational implementation of the so-called decisions through selected strategies' (Clay and Schaffer 1984:192). Any study of policy contexts has to take these 'chaos of purposes and accidents' into account. Fernandez (2012) has used the analytical category of 'constitutive contexts' in her feminist theoretical framework to study anti-poverty policy in India. Using John's (1999:102) definition of constitutive contexts as the "condition of possibility of our initiatives", she has developed the concept of 'constitutive contexts' to indicate the multiple and overlapping contexts that demarcate the sources and shape of, and constraints on, the

anti-poverty policy, rather than considering context passively as merely the policy 'background' (John 1999, Fernandez 2012). I find her formulation appropriate for the analysis of the contexts of affirmative policies for Dalit businesses. This formulation of context helps me to trace the objectives and assumptions in the policy genealogy⁵⁷ of affirmative action historically.

'Constitutive contexts' refer to a wide range of domains: historical, political, economic, policy and legislative among others (Fernandez 2012). So this study has used qualitative research methods and a mix of primary and secondary data sources for the analysis of genealogies and contexts of affirmative policies. Secondary data has been sourced from published reports, circulars, plan documents, policy orders, government reports, manifesto, survey reports and other data sources from various sites such the Planning Commission, Ministry of Micro, Small and Medium Enterprises, Ministry of Social Justice & Empowerment among others. I have relied on primary data gathered through the semi-structured interviews of 36 Dalit business owners in Raebareli, interviews which also formed the basis for the previous chapter. They are supplemented by open-ended interviews with 28 policy stakeholders including policy executives⁵⁸, senior bureaucrats, managers in the district administration and financial institutions, etc (For more details on methodology see Section 1.9). Information collected from primary and secondary sources are mainly qualitative in nature. The use of a mix of official information and field interviews with the main policy stakeholders and Dalit business owners has helped in contextualising the affirmative policies for Dalit businesses.

⁵⁷ Shore, C. and S. Wright (1997). Anthropology of Policy: Critical Perspectives on Governance and Power. London, Routledge..

⁵⁸ Managing Directors of government-funded institutions.

5.3 Affirmative Actions in India

Central and state government support is crucial for developing entrepreneurship among Dalits and enhancing their participation in the supply chains across economic sectors. The state support is needed primarily on two accounts: first, there are noted disparities across social groups in business ownership (Thorat and Sadana 2009, Iyer, Khanna et al. 2013, Deshpande 2016). Earlier in this thesis, I established that Dalits continue to face restricted access to business resources due to discrimination embedded in the social structure and market institutions (see Chapter 4). Second, state support becomes even more important in the context of India's high economic growth over the last two decades, as the celebrated 'trickle down effect' has not percolated to the most disadvantaged. It is often argued that faster economic growth reduces poverty and improves the quality of life, but its benefits increase top-end inequality (Kannan 2016) and reach the most marginalised only if growth-promoting policies are combined with protective and incentivising policies that allow marginalised sections to participate fully in the economic opportunities that become available. This brings to the fore a policy focus on increasing Dalit business ownership.

I have shown in this thesis that Dalit businesses are disproportionately small in size. Small scale industry is a policy field on its own. Universal policies for promoting MSEs have not addressed the caste gaps in business ownership (Damodaran 2008, Thorat and Sadana 2009, Jodhka 2010, Pai 2010, Iyer, Khanna et al. 2013). It is beyond the scope of this study to analyse universal policies to promote micro and small enterprises (MSEs). But there is an abundant literature on policies for MSEs (Dhar and Lydall 1961, Kashyap 1988, Nair 1996, Mohan 2002, Das 2008). Research on the intersection of small industry and affirmative action is far less abundant.

Before we start analysing affirmative action programmes for Dalit business, it is necessary to establish what we mean by ‘affirmative action’ and how the concept is utilised in India. Affirmative action encompasses ‘any measure that allocates goods - such as jobs, contracts, admissions etc.- on the basis of membership in a designated group, for the purpose of increasing the proportion of members of that group in relevant labour force, entrepreneurial class, university etc., where they are currently underrepresented as a result of past or present discrimination’ (Sabbagh 2004:2). These can be generated from Constitutional mandates, laws, court orders or voluntary initiatives if they aim to counter entrenched social practices that reproduce group-structured inequality even in the absence of intentional discrimination (ibid). The consequences of affirmative actions can be examined from two different perspectives: policies’ quantifiable objectives entailing an increase in the proportion of the targeted group or of the social contribution to the goal of facilitating the integration of minority groups in society at large (Sabbagh 2004:34).

The concept of ‘Affirmative Action’ has been defined and analysed from several perspectives including ‘social justice’ (Babu and Prasad 2014, Pellissery, Pampackal et al. 2015), ‘equal opportunity’ (Thorat, Aryama et al. 2005), ‘positive discrimination’ (Weisskopf 2006), ‘statistical parity’ (Glazer 1975), and ‘diversity in the workplace’ (Ciocchetti 2010) among others. The key elements of several of these approaches in the Indian context have often been based on the ‘historical wrongs of the social structures’ and the ‘persistent disparity and continuing discrimination against certain groups’. Although affirmative action as conceived originally through the Constitutional framework was viewed as ‘*exceptional*’ and ‘*temporary*’⁵⁹ (Deshpande 2011:215); the logic of continuing affirmative action for Dalits and Adivasis is based on a set of five

⁵⁹Originally, these reservations were time-bound and to be expired after ten years, but they are extended on a continuing basis.

arguments: first, inter-group economic disparity continues to persist in the contemporary period (Thorat and Negi 2014); second, caste-based discrimination and exclusion still manifest themselves in multifaceted ways in urban as well as rural settings (Thorat and Mallick 2004, Shah, Mander et al. 2006, **Sooryamoorthy** 2008); third, stigmatised social identity creates economic disadvantages; fourth, to promote the equality of opportunity, a level playing field needs to be provided (Deshpande 2011); and fifth, social policy needs to be developed to compensate for historical deprivations and disadvantages (Deshpande 2005).

India's affirmative action is centred around the Constitutional framework of reservations. Affirmative action in the domains of jobs, education and electoral constituencies is mostly in the *quota* form for Dalits, roughly proportional to their share of the population at the national level.⁶⁰ A minimum of 15 percent of all government jobs, seats in government educational institutes and electoral constituencies at various levels are currently reserved for Dalits.⁶¹

The principle of reservations in India emanated during the colonial rule. Since then the scope and nature of affirmative actions have evolved. One of the key objectives for affirmative action has been to provide a level playing field for the marginalised and disadvantaged minority groups. Despite several mechanisms of affirmative action, the caste based intra-group disparities continue to persist. Chandra Bhan Prasad has highlighted the limited impact of reservations in jobs for uplifting the Dalit community from its economic conditions. He argues that reservation in public sector jobs and the private sector, if at all they are ever granted, could not have a direct impact on more than one-fifth of the Dalit population (Government of Madhya Pradesh 2002:67).

⁶⁰ The proportion of quota varies in states, but not necessarily in proportion to the share of their populations Deshpande, A. (2011). The Grammar of Caste: Economic Discrimination in Contemporary India. New Delhi, Oxford University Press..

⁶¹ More in some states like Tamil Nadu (18%).

One of the key flaws of affirmative action programmes in India is the absence of monitoring and penalties for non-implementation (Deshpande 2011). However, other writers have argued that in the absence of affirmative action the gaps between the privileged and the oppressed groups will be even larger than at present (Jogdand 1999, Nach 2002, Darity and Deshpande 2005, Thorat, Aryama et al. 2005, Beaman, Duflo et al. 2010). Be that as it may, it is evident that affirmative policies alone are not enough to mainstream Dalits and Adivasis into society on a parity basis (Thorat and Senapati 2006).

Affirmative policies have also been criticised: Deliege argues that the problem with reservation is that, once such a social policy has been adopted, it tends to become an 'entitlement'; and it is virtually impossible to end it without giving rise to insurmountable political frustration (Deliege 2001:194). Then the merit argument does not stand up to scrutiny when Dalits have been denied opportunities to demonstrate their merit because of systemic disadvantages (Verma 2009). Another criticism of the reservation policy is that it contributes to stigmatising Dalits by placing them in a category separate from the rest of society, thereby reinforcing the very caste system it is designed to undermine.

5.4 Mechanisms of Affirmative Action for Dalit Businesses

Thorat (2011) argues that a systematic redistribution of ownership of private capital in favour of discriminated groups can be brought through affirmative action policies. He highlights the successful example of Malaysian government's initiative to increase the ownership of private enterprises by the discriminated group of Malays during the 1970-90s. The affirmative policies to promote businesses among minority communities in the USA and South Africa have also been often cited by various reports in favour of similar

efforts for Dalit businesses.⁶² Further, several scholars have argued for the need for complementary policies in the wake of failures of liberalisation to reduce intra-group disparities in business ownership (Pai 2010, Teltumbde 2011).

The scope of affirmative action planning for Dalit enterprises has expanded since liberalisation. The Central Government has initiated specific measures to encourage Dalit ownership of private firms, including the supply of capital to Dalit business owners, training in entrepreneurship skills, and incentives for market development, and preferential allocation of business sites (Thorat and Sadana 2009). Besides setting up dedicated institutional mechanisms such as the National Scheduled Caste Finance Development Corporation (NSFDC) and Venture Capital Funds for Dalit entrepreneurs, the Central Government has initiated programmes for providing skills and training. Since 2012 the Central Government has also extended its quota policy, not to its own direct procurement but instead to procurement from Public Sector Units (PSUs). There, 4% of overall procurement from Dalit and Adivasi business owners is mandatory (Thorat and Newman 2012).

Affirmative action policies and programmes for Dalit businesses in India are three-pronged, involving: (i) separate *quotas*⁶³ (or *reservations*) for Dalit businesses; (ii)

⁶² See the Task Force Report on Bhopal Declaration: Charting a New Course for Dalits for the 21st Century Government of Madhya Pradesh. (2003). "The Task Force Report on Bhopal Declaration: Charting a New Course for Dalits for the 21st Century." Retrieved 30th Oct, 2012, from <https://tinyurl.com/jeuk77q>, the Report of the Task Group on Development of Scheduled Castes and Scheduled Tribes on Selected Agenda Items of The National Common Minimum Programme Planning Commission. (2005). "Report of the Task Group on Development of Scheduled Castes and Scheduled Tribes on Selected Agenda Items of The National Common Minimum Programme." Retrieved 8th June, 2012, from http://planningcommission.gov.in/aboutus/taskforce/inter/inter_sts.pdf, the Report of Prime Minister's Task Force on Micro, Small and Medium Enterprises Government of India (2010). Report of Prime Minister's Task Force on Micro, Small and Medium Enterprises, Government of India., and the Report of The Working Group on Micro, Small & Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017) Ministry of MSME (2012). Report of The Working Group on Micro, Small & Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017). New Delhi, Ministry of Micro, Small & Medium Enterprises..

⁶³ The use of quotas for 'depressed classes' – socially and economically backwards – originated during the colonial rule in India Deshpande, A. (2011). The Grammar of Caste: Economic Discrimination in Contemporary India. New Delhi, Oxford University Press..

targeted programmes meant for exclusively for Dalit business; and (iii) *preferential* provisions in the allocation of resources or relaxations in necessary conditions for eligibility in some of the universal programmes. The latter two are often ignored in policy studies. Affirmative policies for Dalit businesses are not formally Constitutionally sanctioned. In contrast to the Constitutionally grounded affirmative policies in jobs and electoral constituencies (Jayal 2006), these two characteristics have severe limitations for implementation and enforcement. These are researched in this chapter.

The affirmative policy tools that have been deployed to help Dalit businesses mainly include subsidies, interest rate subventions, grants for skill development, preferential pricing, exemption from excise, sales tax, registration fees, quotas in contracts, etc. with the help of legislative orders and institutional mechanisms. The significance of the state's use of such a wide range of instruments including specialised institutions, expert committees and working groups, censuses, surveys, plan outlays and targeted intervention in the domain of affirmative action cannot be ignored. These mechanisms are critical to the definition and development of the policy for Dalit businesses. Affirmative policies for Dalit business can be broadly categorised into the following four fields: (1) Market support – quotas in government contracting, support in registration and in compliance with regulations (2) Credit and capital support, (3) Skill development and training (4) Sites for business operations. Table 5.1 lists the Central Government's key existing affirmative policies for Dalit businesses ⁶⁴

Several states have also enacted affirmative policies with regard to providing opportunities to Dalit businesses. Some have followed the quota policy at the national policy while formulating their own procurement policies. The Jharkhand Procurement Policy 2014 has earmarked provisions of four percent out of 20 percent target of annual

⁶⁴ It is noteworthy that Dalits and Adivasis are often conveniently lumped together for affirmative policy decisions.

procurement from micro and small enterprises for Dalit and Adivasi entrepreneurs. The New Industrial Policy of 2014-19 of Government of Karnataka has aimed to encourage Dalits and Adivasi entrepreneurs and to provide reservations on plots, training and low-interest loans. The Government of Andhra Pradesh made specific provisions for Dalit and Adivasi entrepreneurs in the Industrial Investment Promotion Policy 2005-10 and has kept several of those provisions in the policy for 2010-15. The specific provisions include reimbursement of stamp duty, exemption of land conversion charges, seed capital assistance, allocation of industrial plots, and subsidy on capital equipment. The Government of Uttar Pradesh has made provision of allotment of 30% of construction contracts below Rs 25 Lakhs to Dalits and other marginalised groups. There is a huge variability in terms of focus and extent of the affirmative supports available for Dalit entrepreneurs across states (See Annexe 8 for a comprehensive overview of state-level affirmative policies).

Table 5.1: Central Government’s Policies for Dalit Businesses

S N	Types	Affirmative Support				Universal Support Programmes
		State Interventions			Non-State Interventions	
		Quota-based	Preferential	Targeted		
1	Marketing Support	Procurement Quota Policy 2012 Supplier Diversity Programme	Rajiv Gandhi Udyami Mitra Yojana	National Hub for Scheduled Caste & Scheduled Tribe	Preferential Procurement by Private firms DICCI Expo	NSIC SIDBI NABARD IDBI IDFC
2	Credit Support	-----	PMEGP ⁶⁵	Stand-Up India NSCFDC NSKFDC	DICCI Venture Capital Fund	Mudra Scheme ⁶⁶ PSB’s Loan Scheme
3	Skills & Training	-----	DIC-EDP EDI	NSCFDC NSKFDC ⁶⁷	CII Training Programmes for SCs	‘Skill India’ Initiative

5.5 A Genealogy of Affirmative Actions for Dalit Businesses in India

While in the past, affirmative actions in the domain of entrepreneurship sought to remedy obstacles for micro and small enterprises in general; the contemporary focus is more individual-centric and puts the spotlight directly on the under-representation of Dalit, Adivasis and women in business ownership. In this section, I examine the historical evolution of affirmative policies for Dalit businesses and also synthesise relevant political constitutive contexts which may affect their development. This

⁶⁵ Since 2009 the Ministry of MSME has been implementing a credit-linked subsidy programme at the national level, Prime Ministers’s Employment Generation Programme (PMEGP), for generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth. The Government has made special provisions for Dalits with margin money subsidy (35% in rural areas and 25% in urban areas) Government of India (2015). Good Governance Initiatives for MSME. Ministry of MSME. Delhi, Government of India..

⁶⁶ In 2015, the NDA Government initiated Pradhan Mantri Mudra Yojana (PMMY) scheme to ‘fund the unfunded’ by bringing micro and small entrepreneurs to the formal financial system and extending affordable credit to them whose credit needs are up to Rs 10 lakhs.

⁶⁷ The National Safai Karamcharis Finance and Development Corporation (NSKFDC) provides concessional financial assistance to its target group- ‘Safai Karamcharis and their dependents’ for their all round socio-economic upliftment. The target group is defined as persons wholly or partially employed in the disposal of human waste or for any sanitation work. Unlike NSFDC schemes, there is no fixed income limit for availing financial assistance.

discussion provides the historical background necessary for the political analysis of policy processes in the next chapter.

5.5.1 The Evolution of Affirmative Policies in the Business Domain

Here, I analyse changes in structures of affirmative policies since independence. I have divided the study period into three distinct policy moments. Each sub-period signifies a more or less coherent pattern of affirmative policies for Dalit business. This analysis is informed by various policy orders, plan documents and Ministry reports.

5.5.1.1 Post Independence Period (1947-1970): The Era of Reservations for MSEs

Affirmative action programmes in the early years of independence were driven primarily by the Constitutional framework and the five-year plans. The principle of reservation was enshrined in the Indian Constitution, adopted in 1950, via Article 16(4) for reservation in government jobs (Deshpande 2011). Further, the Article 46 mentions: “the State shall promote with special care the educational and economic interests of the weaker sections of the people, and, in particular, of the Scheduled Castes and the Scheduled Tribes, and shall protect them from social injustice and all forms of exploitation” (ibid:215). The focus of early interventions was on the growth of micro and small enterprises rather than explicitly for Dalit businesses.

Affirmative policies for small scale industries have been centred around (i) reservations in manufacturing products, (ii) purchase and price preference; and (iii) special provisions with regard to credit facilities, subsidies for the use of certain inputs, advice on technology, production and marketing, and exemption from excise and sales taxes (Katrak 1999). The reservation policy for exclusive manufacturing for small-scale enterprises was introduced during the third five-year plan period, 1961-66, meant for restricting competition from larger enterprises (ibid) and a list of products for exclusive

manufacturing was introduced with the reservation of 47 items.⁶⁸ The reservation policy had two key formal objectives: to ensure the increased production of consumer goods in the small scale sector and to expand employment opportunities through setting up of small scale industries (Dhar and Lydall 1961, Kashyap 1988, Nair 1996, Katrak 1999). Though these interventions used quotas to benefit small industry as a whole, the idea of the quota in procurement policy has shaped the affirmative policies for promoting Dalit businesses subsequently.

The effectiveness of the reservation policy for MSEs is contested. Even after almost four decades since the introduction of reservation for small scale industries, only 5.61% of all registered MSE units according to the Third All India Census of Registered MSE Units (2001-02), were producing reserved items and these units had but a 4.98% share in overall production of the micro and small enterprise sector. The critics of reservation policy for small-scale enterprise argue that the reservation has not helped reduce the problem of closure of small units (Nair 1996, Katrak 1999). Katrak cites two reasons for the same: first, the criteria for deciding which products should be put on the reserve list have not taken account of the comparative costs-benefits of the small-scale enterprises; and second, as these enterprise benefit from reservation, by reduced competition from the larger enterprises, and also by exemption from certain taxes and labour laws, they have an incentive to remain 'small' (Katrak 1999:703).

In most of the policy resolutions in the first two decades after independence, MSEs were recognised as an effective tool to expand employment opportunities and to ensure the equitable distribution of income (Ministry of MSME 2009). In 1954, the Small Industries Development Organisation (SIDO), an apex body for sustained and organised

⁶⁸ The list of products has been amended over the years and with strong forces of liberalised environment, many items were de-reserved in last two decades. By July 2010 there were only 20 items in the reserve list. The policy of reservation of items reserved for exclusive manufacturing in MSE sector has been discontinued since April 2015 through the Notification No 998(E) dated 10th April 2015 by the Ministry of MSME.

growth of MSMEs, was set up and within next two years, the National Small Industries Corporation (NSIC), the Khadi and Village Industries Commission and the Coir Board were also established (ibid). These institutional mechanisms were provided initially for micro and small enterprises but without specific regard to disadvantaged communities. From the perspective of affirmative action for Dalit businesses and strict interpretation, the reservation policies for MSEs, price preference policy and institutional mechanisms did not remedy the problems of inter-caste disparities. However, it should be noted that there were no reliable statistics or quantifiable data available on business ownership by social status groups in that period.

5.5.1.2 Pre-Liberalisation (1970-1991): The Era of Bank Nationalisation & Social Welfare Programmes

The verdict on India's economic performance during the first three decades after independence was encapsulated in the 'Hindu' rate of growth⁶⁹, a term connoting disappointing outcomes (Rodrik and Subramanian 2005:193). Over the time-span of 1950-80, India's growth rate was 3.5 percent, and per capita, it was 1.7 percent (ibid.). The period 1970-91 is known for its two key focuses: i) pro-poor welfare policies including the 20 point programme and ii) bank nationalisation. Both of these initiatives were favourable to marginalised and disadvantaged communities because while on the one hand, these communities were getting new grants and rights; on the other, the doors of banks were opened for the first time to micro and small businesses.

Later in the early 1980s, the Central Government made a shift and started pushing for 'productivity surge' through favouring the interests and profitability of existing industrial

⁶⁹ Rajkrishna, an Indian economist, coined the term 'Hindu rate of growth' in 1978 to characterise the slow growth and to explain it against the backdrop of socialist economic policies Siva, M. (2013). "What's a 'Hindu' Rate of Growth." Business Line Retrieved 15th October, 2015, from <http://www.thehindubusinessline.com/portfolio/technically/whats-a-hindu-rate-of-growth/article4795173.ece..>

and commercial establishments (i.e. easing restrictions on capacity expansion, removing price controls, reducing corporate taxes, etc.) (Rodrik and Subramanian 2005). This shift was not favourable to new entrants or small business. The ruling government was more interested in garnering political support from existing business groups than in opening up the economy and removing impediments to competition (ibid:195). None of these key events while having a favourable effect on the business environment had any immediate influence on affirmative policies for Dalit businesses. In 1981, the Government of India established the National Bank for Agriculture and Rural Development (NABARD) to support credit facilities towards income generating activities in agricultural and the rural sector. This also had little impact on Dalit business.

As a result of affirmative action programmes in government jobs and higher education, a small Dalit middle class started to emerge (Galanter 1984). This group then slowly began exerting pressure on the government to include them into private sector growth. In 1977, for the first time, a country-wide census of all non-agricultural economic activities was carried out to provide basic information on the number of establishments, type of ownership, social group of the owner, etc. (Ministry of Planning 1985). However, the 1977 Economic Census did not cover own-account and agricultural enterprises: these were incorporated in the 2nd Economic Census only in 1980. Then it was discovered that Dalit-owned businesses accounted for 6.43% of all private establishment in 1980, much lower than the proportional share of the population (15%) (Ministry of Planning 1985:9). The Economic Census established the evidence base for intergroup disparities as well as for the under-representation of Dalits in business ownership. It also shed light on the fact that the five-year plans had done little to alter the patterns of business ownership.

The impact of social welfare approaches to poverty reduction affected affirmative action plans for Dalit businesses. In 1989, the Government of India set up the National Scheduled Castes and Scheduled Tribes Finance and Development Corporation with the sole purpose of financing, facilitating and mobilising funds for income generating activities for Dalits and Adivasis living below the 'Double of the Poverty Line' (DPL)⁷⁰. This was the first institution set up by the Central Government explicitly to serve the economic interests of Dalits and Adivasis.

Another noticeable change in the constitutive context happened in the 1980s. With the rise of the Bahujan Samajwadi Party, Dalits became a dominant political force in Northern India. The BSP's Dalit agenda was based on an aggressive anti high-caste ideology relying on pro-Dalit government service delivery programmes (Lerche 2008). The reserved electoral constituencies for Dalits also led to a visible change in the caste composition of the elected representatives (Deshpande 2011). Political inclusion ensured that Dalit issues remain in the foreground. Various studies have demonstrated that political reservation for SC/STs leads to a higher incidence of policies preferred by and/or targeted towards them (Pande 2003, Besley, Pande et al. 2004).

It is in this era that the Malaysian government started the restructuring of corporate ownership whereby 30 percent of shares of private sector would be owned by *Bumiputras* (the ethnic Malay community) (Sahoo 2009).⁷¹ In the USA, 30% of federal construction contracts gave preference to minorities that include African-Americans and

⁷⁰ Annual family income of the beneficiaries should not exceed 'Double the Poverty Line' (DPL) income limit (Rs. 98,000/- per annum for rural areas and Rs.1,20,000/- per annum for urban areas, as per NSFDC guidelines for the year 2016).

⁷¹ The Malaysian Government launched affirmative action policy in the 1970s for increasing business ownership by ethnic Malay community and later enacted the Industrial Coordination Act in 1995 which mandated all enterprise with equity over a certain limit to sell 30 percent of their shares to Bumiputra. The data on ownership of modern sector firms in Malaysia show that the ethnic makeup of the Malaysian-owned companies changed dramatically between 1974 and 1993 and Bumiputras' share in owning private enterprise grew from only two percent in 1974 to total of 23.9 percent in 1993 Woo, W. T., J. Sachs and K. Schwab (2000). The Asian financial crisis: Lessons for a resilient Asia, MIT Press..

Latinos (Ghildiyal 2011). In South Africa, the Black Economic Empowerment Transaction enabled the transfer of equity in companies to South African partners (Verma 2009). This international element in the constitutive context inspired Dalit intellectuals and elites to explore the possibilities of pushing for an extension of similar quota provisions in the Indian private business economy.

5.5.1.3 The Post-Liberalisation Period (1991-2016): From The Era of the Bhopal Declaration to the Quotas in Procurement Policy

This is the most significant period for affirmative policies in the business domain. The liberalisation reforms of the 1990s were triggered by the crisis of 1991⁷². The reforms slowly led to the opening up of the Indian market for foreign competition. Several studies have shown the negative consequences of liberalisation on the Dalit community. Many scholars have argued that the adverse impacts of globalisation have been most biased towards the people at the bottom of social hierarchy who view the state as the guarantor of their security (Teltumbde 2001, Babu 2004, Markkendayan and Ponniah 2005, Teltumbde 2011). It has been established that the government jobs have shrunk since the introduction of liberalisation and thus limited the potential advantages of quota policy in jobs for Dalits to a large extent. Harriss-White and Vidyarthi (2009) for instance find that there was a decrease in the proportional share of Dalit business ownership in the early years of liberalisation. It is in this changed constitutive context that it becomes necessary to look critically at the government's interventions to assist Dalits in their economic incorporation.

The new 1991 policy for Small, Tiny and Village Enterprises laid the framework for government support for MSEs in general (Ministry of MSME 2009). Later, the

⁷² The crisis refers to the balance of payment deficit.

Government of India established several institutional frameworks through which to promote policy for ever smaller MSEs – with for instance the Ministry of Micro, Small and Medium Enterprises being created in 1999 to meet the needs of MSMEs. However, the changes described above in the political landscape for Dalits had significant impact on the nature and scope of affirmative policies for Dalit businesses. During the 1990s, the Dalit support base shifted further from Congress party to BSP in the largest state - Uttar Pradesh (Duncan 1999). By the late 1990s, Dalit agitations over issues such as discrimination, atrocities, and reservations were no longer agitated by Dalits alone but had started affecting national politics (Babu 2003). Publications such as ‘Dalit Diary’⁷³ and ‘Dalit Millennium’⁷⁴ started shaping the public discourse on the issue of economic discrimination against Dalits. At the beginning of the new century, the combined effect of liberalisation, political assertion and the demand of the emerging Dalit middle class was visible in the nature and scope of affirmative action policy. The focus of affirmative action debate for Dalits saw shifts from the state-sector quota to job quotas in the private sector (Madheswaran 2008, Thorat 2009, Thorat 2011).

Since the acceleration of liberalisation policy in the 1990s, the Dalit activist groups focused on a series of transnational advocacy strategies, bringing international attention to India’s caste-based discrimination. This eventually led to the establishment of several international and national political fora (Lerche 2008).⁷⁵ Most of the transnational

⁷³ Chandra Bhan Prasad used to write about Dalit issues and to profile Dalit achievers in a weekly column ‘Dalit Diary’ in *The Pioneer*, an English daily. It was first ever weekly column offered to a Dalit in any mainstream English daily.

⁷⁴ *The Pioneer* published a 12-page broadsheet supplement written by Dalit writers on 30th January 2000 and received critical acclaims.

⁷⁵ In 1996, the UN Committee on Elimination of Racial Discrimination (CERD) declared that the situation of the Scheduled Castes and Scheduled Tribes falls within the scope of the International Convention on the Elimination of All Forms of Racial Discrimination. In 1998, Human Rights Watch organised a number of regional Indian Dalit organisations and formed National Campaign on Dalit Human Rights (NCDHR). Following it, a ‘Dalit World Convention’ was held in Kuala Lumpur in 1998 which ushered establishments of many formal solidarity organisations in Europe and North America leading to International Dalit Solidarity Network in 2000. The issue of caste-based discrimination in economic

advocacy networks developed strategies and policies within mainstream neoliberal discourse to generate international social and political pressure on the Indian government (ibid). While international pressure was building, the local constitutive context also evolved.

The Bhopal Declaration 2002 focused on a multi-pronged policy approach and established a 'new' Dalit agenda concerned with the Dalit share in the country's capitalist assets and the creation of a strong Dalit entrepreneurial class (Pai 2010). The Declaration's 21-point action agenda included i) 'democratisation of capital' so as to ensure a proportionate share for Dalits and Adivasis and ii) making budgetary allocations for Dalits and Adivasis 'to enable them to enter the market economy with adequate investment resources, and develop their capacities and skills for such market enterprises' (Government of Madhya Pradesh 2002). The central argument behind 'democratising capital' was social decontrol of the entire country's market economy which is currently "virtually controlled by a few privileged castes" (ibid:25). This was a significant departure from the earlier directions of social policies for Dalits and also a big step in the direction of expanding the scope of affirmative action in the business economy. The Government of Madhya Pradesh's new 'Dalit Agenda' was sited centrally in the state's development strategy and has succeeded in bringing Dalits back into the national affirmative discourse (Babu 2003).

With the reduction in public sector jobs under liberalisation, the demand for reservation of jobs in the private sector has been raised by Dalit groups. National level industry associations such as CII and ASSOCHAM are opposing it. Instead, these bodies

sphere was discussed at the United Nations Conference – 'Against Racism, Racial Discrimination, Xenophobia and Related Intolerance' held in September 2001 in Durban, South Africa.

propose private sector affirmative actions centred on developing ('up-grading') the skills and employability of Dalits and Adivasis.

This period also saw the rise of Dalit millionaires⁷⁶ on the national forum and the consolidation of large Dalit business lobbies under the Dalit Indian Chamber of Commerce & Industry (DICCI), which has been strenuously promoting the idea of 'Dalit capitalism' since its inception in 2005 and complexifying the constitutive context.

In the post liberalisation era, two major policies came into existence: first, the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) which included a provision for 'preference policies in respect of procurement of goods and services, produced and provided by micro and small enterprises' for promoting and developing small enterprise in general; and second, mandatory quotas from MSMEs and Dalit/Adivasi businesses in the Public Procurement Policy Order 2012. The Government of India's Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 mandated all central ministries, departments and central PSUs⁷⁷ to ensure that at least 20 percent of total annual purchases of products produced and services rendered by MSEs was procured by the state. From the 20 percent target from MSEs, a sub-target of

⁷⁶ Most of these Dalit millionaires are first-generation entrepreneurs and have extraordinary tales of rags to riches against all odds, which have been documented in two books: *'Dalit Millionaires: 15 Inspiring Stories'* by Milind Khandekar and *'Defying the Odds: The Rise of Dalit Entrepreneurs'* by Devesh Kapur, D S Babu & Chandrabhan Prasad Khandekar, M. (2013). *Dalit Millionaires: 15 Inspiring Stories*. New Delhi, Penguin Books India Pvt Ltd, Kapur, D., D. S. Babu and C. B. Prasad (2014). *Defying the Odds: The Rise of Dalit Entrepreneurs*. Gurgaon, Randon House India.. The rise of Dalit millionaires does not appear to be representative of the broader swathes of Dalit population Iyer, L., T. Khanna and A. Varshney (2013). "Caste and Entrepreneurship in India." *Economic and Political Weekly XLVIII*(6): 52-60.. Kapur has also cautioned that these Dalit millionaires are not 'representative' in any formal statistical sense either of the Dalit community or even of the Dalit Entrepreneurs Kapur, D. (2014). "These Entrepreneurs are Challenging India's Cruellest Social System—and Winning." *Quartz India* Retrieved 5th December, 2014, from <http://qz.com/306751/these-entrepreneurs-are-challenging-indias-cruellest-social-system-and-winning/>.. Guru calls the emergence of Dalit millionaire a 'low-intensity spectacle' as their sphere of ideological influence remains confined to a small constituency of Dalits; they remained chained to their identity and dependent on the patronage of party politics Guru, G. (2012). "Rise of the 'Dalit Millionaire': A Low Intensity Spectacle." *Economic & Political Weekly XLVII*(50): 41-49..

⁷⁷ A total of 51 Central Government Ministries, 46 Central Government Departments and 179 functional Central Public Sector Units (CPSUs)

20 percent was earmarked for procurement from MSEs owned by SC/ST entrepreneurs (Ministry of MSME 2012). This quota policy is considered ‘transformative’ (Thorat 2011) because it has transcended the concept of reservation in education and jobs and has put the paradigm of affirmative action in a larger political and economic perspective. A national daily- *The Times of India* –in an editorial dated 13th September 2011 that lent force to the advancement of Dalit business up the national policy agenda termed this new avenue of affirmative action as ‘Quota 2.0’ and described it as moving from ‘dole to economic empowerment’ (Times News Network 2011). The Times further argued that the purchase quota was necessary for the integration of Dalit and Adivasi businesses into the supply chain because it boosted entrepreneurship and integrated them into ‘vibrant sectors of the new economy’. The Congress Manifesto for parliamentary elections in 2014 highlighted that the UPA Government had ensured ‘the reservation of 4% of procurement from small and medium Scheduled Caste and Scheduled Tribe enterprises’ and will push for ‘strict implementation of this norm’ (Indian National Congress 2014:23).

So, several events in the post liberalisation era led to new pro-Dalit discourse on diversifying the ‘ownership of capital’ and the ‘access to jobs’. Overall, the post-liberalisation affirmative action programmes for Dalits have four broad aspects: first, the provision of market support through quota in procurements by the government resulting from the idea of ‘Dalit Capitalism’, ‘Supplier Diversity’ and emergence of DICCI, etc. Second, renewed focus on special provisions and programmes for Dalits by the government by providing capital, credit, training, skills and other capacity-building support emanating from the special needs of castes suffering discrimination and exclusion to help them compete in the liberalised marketplace. Third, the policy proposal for reservations in private sector jobs emerges from the inadequacy of

government jobs to accommodate Dalits in the neo-liberal regime. Fourth, the private sector itself was made to admit the need for affirmative action to include Dalits in the mainstream economy by upgrading their capacities and skills.

5.5.2 The Constitutive Context and Pro-Dalit Policy Paradigm Shifts

The current constitutive context has witnessed three key shifts in discourse and pro-Dalit policy proposals i) the move from an ‘affirmative action paradigm’ to a ‘diversity paradigm’; ii) from jobs to enterprise’, iii) from ‘socio-political empowerment’ to ‘economic empowerment’.

5.5.2.1 From ‘Affirmative Action Paradigm’ to ‘Diversity Paradigm’

The Madhya Pradesh government’s Task Force Report on the Bhopal Declaration recognised the fact the “diversity initiative is totally new to India and utmost care must be taken to ensure that this new initiative is not confused with ‘Reservations’” (Government of Madhya Pradesh 2003:58). The concept of ‘diversity’ is paramount in the Bhopal Declaration. It is in direct contrast with the ‘traditional’ approach to Dalit emancipation through social and political empowerment. Under ‘Reservations’, the onus is on the State to ensure its implementation; under ‘Diversity’, the onus falls on society to ensure non-discrimination. The Bhopal Declaration called for adopting the US Model of Diversity⁷⁸ in India; and consequently, the Delhi Dalit Diversity Group⁷⁹ was to take the idea forward with corporate business associations and civil society groups (Babu 2003). The Bhopal declaration enabled a dialogue with the private sector to increase the representation of Dalits through workforce diversity (ibid). Several Government reports

⁷⁸ It refers to approaches adopted by large corporates for integrating black and ethnic businesses in the mainstream economy and promoting workforce diversity in the USA.

⁷⁹ Shishupal Singh of the Congress Party formed the Delhi Dalit Diversity Group in 2003. The Group organised several marches in Delhi to bring large corporate associations such as CII and FICCI on board for promoting the diversity agenda in the business economy.

cited the cases of international practices of earmarking a specific percentage of government procurement to increase the ownership of private enterprises among disadvantaged and ethnic communities (i.e. the examples of affirmative action in USA, Malaysia, South Africa).⁸⁰

Over the last two decades, various policy stakeholders have often opposed any extension of caste-based quota policies (Thorat 2009, Jayal 2015). But, unlike the provisions for extending the 27 percent quota for 'other backward classes' (OBCs) in central educational institutions⁸¹ or in government jobs after the Mandal Commission Report⁸², the extension of quotas in government procurement for Dalits and Adivasis never became a publicly contested issue. Compared to other kinds of quota policy, there have been few protests from the upper caste groups against the provision of quotas for Dalits in procurement. The effectiveness of preferential policies is also not contested in these policy debates - due to many reasons: first, the presence of Dalits in the business sectors is minimal, and the threat to upper caste trading business community is not real; second, the corporate community finds this useful for them as it diverts attention from the contentious question of reservations in private sector jobs; and third, reservations for micro and small enterprises has not yielded significant results since Independence.

Shifts in the emphasis on diversity have emerged for two reasons: first, it is easier to convince the private sector to improve representation by stressing diversity programmes rather than by insisting on quotas. Second, in the context of protests against the Mandal Commission's furthering quotas for OBCs, to avoid the quota debate was to be

⁸⁰ Government of Madhya Pradesh. (2003). "The Task Force Report on Bhopal Declaration: Charting a New Course for Dalits for the 21st Century." Retrieved 30th Oct, 2012, from <https://tinyurl.com/jeuk77q>, Planning Commission. (2005). "Report of the Task Group on Development of Scheduled Castes and Scheduled Tribes on Selected Agenda Items of The National Common Minimum Programme." Retrieved 8th June, 2012, from http://planningcommission.gov.in/aboutus/taskforce/inter/inter_sts.pdf, Government of India (2010). Report of Prime Minister's Task Force on Micro, Small and Medium Enterprises, Government of India, Ministry of MSME (2012). Report of The Working Group on Micro, Small & Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017). New Delhi, Ministry of Micro, Small & Medium Enterprises.

⁸¹ The provision was made by the Parliament by enacting the Central Educational Institutions (Reservation in Admission) Act, 2006.

⁸² Reservation for OBCs in central government jobs started in September 1993 once the Government accepted the Mandal Commission Report.

politically prudent. Even with the new diversity discourse⁸³, the Central Government opted for procurement ‘quotas’ under the name of supplier diversity programmes. Thorat has realised that the political obstacles to private sector diversity by judging the political and economic significance of the state’s procurement quota policy as on a par with the provision of ‘reservations’ in public employment, education and electoral politics (Thorat 2011). My analysis of existing affirmative policies for Dalit businesses by the Central and State Governments suggests that neither has the ‘supplier diversity programme’ been universally adopted by other states nor has the diversity paradigm been accepted into mainstream pro-Dalit policy discourse.⁸⁴

5.5.2.2 From ‘Jobs/education’ to ‘Enterprise’

With the retreat of the state from the provision of reserved jobs in the civil service, the refined focus of affirmative action is on jobs and education in the public sector (including mighty state corporations, quangos and agencies) as well as gaining a proportional share in the state’s enterprise activities. The shift exemplifies the change in focus from the empowerment of social groups to individuals’ capabilities and enterprise ownership. The growing class of Dalit business owners is seen as an important next step in the community’s transformation (Lakshmi 2011) and generated an assertive Dalit elite. These shifts in policy focus from public service jobs to those in public enterprises and ownership of private enterprise presuppose that in a liberalised world, market forces can bypass the deficiencies and disadvantages caused by social institutions. However, the Dalit grassroots have not mobilised to support this shift in focus from ‘jobs and

⁸³ For review of diversity discourses Ciocchetti, C. (2010). "The Frontier of Affirmative Action: Employment Preferences and Diversity in the Private Workplace." University of Pennsylvania Journal of Business Law 12(2): 283-349, Herring, C. and L. Henderson (2012). "From Affirmative Action to Diversity: Toward a Critical Diversity Perspective." Critical Sociology 38(5): 629-643..

⁸⁴ See Annexe 8 for state-level affirmative policies for Dalit businesses.

education’ to ‘enterprise ownership’. The main policy target for Dalit grassroots is an extension of affirmative action policies in the private sector jobs (Lerche 2008, Lerche 2010).

5.5.2.3 From ‘Socio-Political Empowerment’ to ‘Economic Empowerment’

There has been a third notable shift in the constitutive context for affirmative policies for Dalits. This is empowerment emanating from the political discourse of mobility. The prominent Dalit political party – the BSP- has always viewed social and political empowerment as the way forward for Dalit emancipation (Narayan 2011, Jaoul 2012). It derives its strength from the persistence of anti-Dalit power relations. But, led by Dalit elites and their politics of patronage, the BSP has started moving its focus slowly away from the models of social and political empowerment towards policies for economic empowerment (Sikder 2014). Sarkar and Sarkar (2016) argue that Dalits’ quest for equal treatment would be limited so long as it lacks a ‘redistributive politics that addresses exploitative economic relations’ (Sarkar and Sarkar 2016:14).

However, as yet, only a few successful Dalit business owners have supported this shift towards economic empowerment. This is because the process of social empowerment has still not been transformative for them. Whether this shift from social empowerment to a desire for economic empowerment has been driven by the compulsions of neo-liberal regime needs examination.

5.6 Dalit Business Owners’ view of the Affirmative Policies

Dalit business owners’ arguments in support of affirmative policies promoting caste based reservations and special provisions can be organised into three groups: (i) the need for reductions in inter-group disparity; (ii) the needs for the level playing field to compete in the market; (iii) coping tactics against discriminatory practices in the market

eco-system. Dalits struggle when dealing with the state apparatus to access affirmative policies and programmes apparently intended to help them (see Chapter 6). They are a special social case of the general problems of Indian small business. According to the National Sample Survey 67th Round 2010–11, only two percent of all 57.7 million unincorporated non-agricultural enterprises owned by whatever caste reported receiving any credit, skill development or marketing assistance from the government, and about one percent received assistance from the government in the form of financial loans (NSSO 2012).

The consensus on affirmative policy among small Dalit business owners in Raebareli is that such policy measures benefit only a relatively privileged set of people within the target group. The privileged set is composed of Dalit families who have benefitted significantly from the existing reservation mechanism in jobs and education. Field interviews with DICCI members revealed that Dalit beneficiaries of affirmative policies often have a family history of acquisition of material assets, and/or government jobs got through the reservations quota, and/or close relations with an influential political person.

5.7 Conclusions

The chapter has attempted to establish the constitutive contexts of the affirmative policies for Dalit businesses. It analyses and demonstrates how they have developed in three periods: post-independence, pre-liberalisation and post-liberalisation. In the last two decades, there has been a significant structural shift in the affirmative policies to promote businesses. The latter, reflecting the neoliberal framework creating new economic opportunities for Dalits, have sought to co-opt Dalit businesses. Dalit identity is being asserted more aggressively than earlier; and it is also unobtrusively shaping the structures of affirmative policies for Dalit businesses. The rise of Dalit millionaires and

its implications on the policy landscape, much celebrated in public opinion, needs to be contested since all scholarly field evidence shows that the millionaire is a non-representative phenomenon of Dalit businesses in general.

In this chapter, I have also explained how the constitutive contexts of reservations and price preference policies for small-scale industries, in general, contributed significantly to the expansion of quota provision in procurement from Dalit businesses in particular. The debate about quotas has even ventured into the domain of private businesses. Justifications for affirmative policies in the business domain have emerged strongly in the constitutive context of the 21st century. Further, over recent years the shift in policy focus from the empowerment of an entire social group to individual's capabilities has been significant. Having examined the evolution of the bundle of policies purporting to incentivise Dalit business we can now turn in Chapter 6 to the bureaucracies of formulation and implementation.

6 Policy Processes and their Implications

6.1 Introduction

Policy for Dalit business is practically implemented as policy processes and in necessary interactions with a range of state and non-state interests, organisations and institutions. These range from business associations to the social/informal practices where various interests interact with each other in the sectoral as well as cross-sectoral domains of the business economy. In Chapter 4 on market entry, my field research showed how informal practices embedded in social market institutions pervade opportunities and access to business resources (such as credit, sites, labour, contracts, etc.) for Dalits. In Chapter 5 on the evolving constitutive contexts for affirmative policies, I presented the policy mechanisms by which the state intervenes to incentivise the economic incorporation of Dalits into the business economy. In this chapter, I analyse the roles played by different policy stakeholders in the processes of formulation and implementation at various levels - district, state and central; and how social and economic policies perpetuate or prevent discriminatory and exclusionary processes in the business economy.

There are many methods and approaches through which policy processes have sought to be explained - their emphasis shifts from political economy to discourse analysis to actors and networks. To understand why a particular policy takes a specific shape, we may need to focus on a wide range of attributes in a coherent way, while also acknowledging that any policy process is inherently political and contested. The field of policy studies is overwhelmingly biased towards the formulation and on evidence and rationales for decision-making, in which implementation is a residual – and rarely analytically incorporated, except occasionally as a set of obstacles to the smooth running of policy. Ex-post evaluations and suggestions for a new round of policy are even rarer (Schaffer 1984). The scholar of public administration, Bernard Schaffer argued however in 1984 that ‘public policy is, after all, what it does’ (Schaffer 1984:189) and that three simultaneous kinds of bureaucratic politics need analysing: agenda, procedure and,

public access. This conception has the distinct advantage of delineating in a realistic way the 'room for manoeuvre' and the interests arraigned against a given policy. I have used Schaffer's framework of policy analysis to study the affirmative policies for Dalit business, focussing on three broad themes: market support through reservation/quotas on the basis of caste; provision of special initiatives for credit and capital support; and programmes for skill development and training.

Section 2 develops the analytical framework and method. It introduces an adapted Schafferian framework for the components of policy analysis. Section 3 focuses on affirmative policies for market support with a special emphasis on quotas in procurement policy for Dalit businesses. It analyses the politics of agenda-setting for these quotas and provides the chronology of contested discussions and actions in anticipation of the procurement quota policy. It also discusses the informal rules of procedure and access and the process of allocation and mobilisation of resources. Section 4 looks at the credit and capital support policies. The politics of policy processes for skill development and training has been discussed in Section 5. Section 6 considers on power dynamics and complexities of the politics of these policies. It also delves into discriminatory and exclusionary practices in various policy processes within the realm of the state. Section 7 reflects critically on Schaffer's framework and Section 8 concludes.

6.2 Analytical Framework & Method

In this section I briefly discuss Schaffer's framework for analysing policy processes, investigating its relevance and applicability to the study of policy processes for Dalits' incorporation into the business economy. I also present the methods I have developed for this purpose.

6.2.1 Schaffer's Framework of Policy Analysis

Schaffer's descriptive framework for analysing 'policy practice' builds on the assumptions that the policy process is political and lacks linearity as well as any sense of rational programmatic action (Schaffer 1984). This framework problematises the

treatment of policy as 'verbal, voluntaristic and decisional' and the pervasive ignorance in the field of policy studies of the domains of policy practices. Lamb explains Schaffer's view of public policy as 'a political process, a process of struggle not only about the content of policy - good policy vs. bad, as it were - but also about the agenda or the terrain of policy discussions: who controlled it, how and why' (Lamb 1985:515). A policy must be understood in terms of complex layers of politics. The depoliticisation of policies often arises out of the use of 'rational', 'scientific' and 'technical' language (for framing, labelling, narratives etc.) to legitimise decisions and interventions (Khan 2009). Influential agencies like the World Bank are prevented by their mandate from admitting existing politics into policy discussion (Ferguson 1990), so it is no wonder that the depoliticisation to which Schaffer objects as unrealistic is so widespread in policy studies. By contrast, Schaffer (1984:185-186) stressed the 'politics of bureaucracy' - *bureaucratics* in policy practice and its analysis.

Schaffer (1984) has used this framework, which he justified as a rigorous diagnostic for 'room for policy manoeuvre', to describe agricultural policy processes in developing countries as a series of complex, multi-dimensional and unpredictable events. He revealed how political contestation, institutional pressures, attitudes and incentives among officials, and power relations in wider society all influence the policy process. He challenges the dichotomous separation between policy-making process and implementation and further explains that this dichotomous separation obscures three zones of policy practice: zones of authorization, establishment and allocation. He develops the concept of the 'escape hatch' to identify how policy makers use the dichotomy between policy-making and implementation as an avenue to avoid responsibilities for inaction and failure. Using the Schafferian frame enriches the analysis of policy process of affirmative actions for Dalits - the more so because the blame for persistent failure or low uptake of schemes is often externalised, invoking 'political will', 'vested interests', obstructive 'long-term political commitment' and sabotage by non-'target groups'. Schaffer also problematises the elite capture of policy-making process as the 'mystiques of elites' (ibid).

Few scholars have adapted this framework to study policies targeted towards specific groups in India. Fernandez embellishes Schaffer's framework with many elements derived from Foucauldian theory⁸⁵ (Fernandez 2012). She then applies the new framework to make sense of a self-employment programme in India and to elucidate extensive policy failure (Fernandez 2012). To avoid the reductionist traps of a linear conception of the policy process, her framework uses four definitive elements namely: constitutive contexts (useful for our previous chapter), policy representations, policy practices and policy consequences. She shows that ignoring the inconvenient realities of policy processes is the key reason behind the replication of policy failures. Harriss has applied Schaffer's framework of the policy process in her study of nutrition policy in Tamil Nadu, a southern Indian state (Harriss 1991). She adapted Schaffer's insight to three simultaneous activities: first, the establishment and structuring of the agenda, second, the activity of law-making and proceduralisation, and third, the mobilisation, distribution and allocation of resources (ibid). Schaffer had omitted the politics of resource mobilisation from his conception of the policy process. Harriss uses this framework to explain the circumstances surrounding the momentum of an extremely costly but multiply politicised noon meals intervention in the policy field of nutrition. Reworking Schaffer's framework further, Harriss-White (2002) suggests a political analysis of policy involving the analysis of four overlapping political fields that operate simultaneously in practice but may be separated for the purpose of analysis; and those are *agenda* (the power relations involved in the creation, negotiation and ordering of sets of themes about which statements of intention are made), translation of policy discourse into *procedure*, raising and allocation of public *resources*, and *access* to bureaucratically distributed goods (Harriss-White 2002:3). She uses this framework to analyse the complex layers of politics involved in setting the agricultural policy agenda in Tamil Nadu in the 1990s. She argues that it is a very useful general framework for elucidating

⁸⁵ Foucauldian analysis of policy frames it as a specifically modern form of 'governmentality' Foucault, M. (1979). "On Governmentality." *Ideology and Consciousness* 6: 5-21.. The analytics of 'governmentality' emphasises on the ways of seeing, the knowledge procedures, the techniques and practices of interventions, and the formation of subject identities Fernandez, B. (2012). *Transformative Policy for Poor Women: A New Feminist Framework*. Surrey, Ashgate..

‘the constellation of power relations generated by development policy’ (ibid) and the political obstacles to a tabula rasa conceptualisation of policy and policy advocacy.

There are many reasons why I find Schaffer’s framework a very convincing for understanding policy process for Dalits’ incorporation into the business economy. First, as the research focuses on affirmative action based on ‘political’ and social identity, the policy process under study is inherently political and dynamically evolving. A political analysis of policies is needed when the contestations around the key policies are political in nature. Second, this framework allows me to avoid the trap laid when policy making and policy implementation are dichotomised, and implementation is considered residually or not at all; and it provides an opportunity to analyse the persistent nature of policy failures in the domain of affirmative actions in the business economy. Third, the framework allows me to take into account the intrinsic complexity of a multitude of related policies (whether supportive or obstructive), of sectoral issues and various alternatives. Fourth, it enables me to examine the formation of an agenda, rules and procedure governing the access, and the allocation of resources for implementation. Finally, this is a tested framework for analysing policy process in the context of developing countries (Schaffer 1984, Harriss 1991, Harriss-White 2002, Fernandez 2012) and therefore using this framework will help me to relate my findings to an existing body of knowledge. The next sub-section details the key elements of Schaffer’s framework relevant to the current research.

6.2.2 Applying Schaffer’s Framework

Schaffer’s idea of policy practice is a matter of three coincident zones: while the zone of ‘authorisation’ determines the structure of the policy agenda, the zone of ‘establishment’ identifies regulations (legal or informal), rules and procedures applied by institutions; and the zone of ‘allocation’ refers to the management and distribution of eligibility and access rights of resources (Schaffer 1984). However, I prefer Harriss-White’s simplified adaption of Schaffer’s formulation of policy processes involving four overlapping political fields that operate simultaneously in practice as a framework for political

analysis of policy process for Dalit's incorporation. The framework is notoriously greedy of information, some of which (as in procedure and resource mobilisation) is not easily available. For this reason, I have to use rich but unsystematic evidence in the following subsections to explore aspects of the four overlapping political fields as applied to the three policy processes.

6.2.2.1 Agenda-Setting

Schaffer (1984) considers 'agenda' as the set of themes about which statements or 'utterances' are made. Issues are labelled, contested and ranked through the politics of agenda-setting (Harriss-White 2002). In practice, many interests with different and unequal powers are pitted against one another in agenda-setting. The interests of bureaucrats, structures of patronage and social networks (ethnic, religious, regional, gendered) and the media come into contention with the proposals of technocrats (ibid).

Schaffer (1984) considers 'sectoralism' as a characteristic of agenda-setting. Beneficiaries are labelled, targeted, objectified, excluded - and silenced - in many cases (Harriss-White 2002). Schaffer (1984) argues that in the process of contestation of issues, we are often left with an 'unobjectionable' agenda - a lowest common denominator. He further argues that the debate within a particular sectoral agenda of public policy is shaped by bureaucratization (i.e. doctrines about policy decisions, administrative skills and a certain type of knowledge, practices and rules about exclusions and conversions) (ibid). These 'unobjectionable' agendas determine the categories of open or available data, problems and strategies, the classification and determinations of actions (ibid).

Agendas are also shaped by organised local, national and international lobbies representing material interests (trade unions, councils, family businesses, etc.) and by civil society organisations, NGOs and social movements which work on agenda, sometimes without any material interests but deploying information and reasoned persuasion (Harriss-White 2002:4). Scholarly papers, policy notes, manifestoes, project appraisals, plans, etc. are components of agenda-setting (ibid). Schaffer (1978) points

out that the process of authorisation (i.e. agenda-setting) legitimises the institutional practices relating to the process of establishment and resource allocation. The analytical component allows examination of the conditions surrounding the structuring of agenda-setting, within the contexts of competing power relations. This framework generates analytical space to study the importance of evidence, advocacy, patronage, social networks, media and party politics among others in shaping agenda-setting. It also allows us to consider how agenda-setting may be interconnected to other policy processes such as proceduralisation, rules of access, and resource allocation.

6.2.2.2 Proceduralisation

The zone of ‘establishment’ of policy practice, which refers to procedures, is about ‘getting through the rules’ (Schaffer 1984). The translation of agenda into ‘patterned behaviour’ through legislation, departmental orders and informal procedural norms, which are supposed to be enforced, is proceduralisation (Harriss-White 2002:4). Harriss-White further argues that ‘procedure is the least visible arena of policy’ and more than one form of procedure often co-exist. Often discrepancies are introduced between the intentions expressed in agendas and what procedures really imply, thereby embodying internal contradictions and inconsistencies (ibid). Frequent amendments over time and varied interpretations by new people in power positions add layers of inconsistency. The administration of procedure often promotes an informal system of regulations and sanction, as the social composition of administrative structures is often protected (ibid). Schaffer (1984) relates proceduralisation with the bureaucratic institutions for evading responsibility for policy decisions and outcomes and warns of the social costs of such evasion of responsibility. He argues that "without responsibility, there need be no revelations of the full costs, the complete outcomes and the quashed and disregarded alternatives" (ibid:187). Fernandez (2012:23) elucidates Schaffer's conception of evading responsibility and argues that “range of formal and informal rules, procedures and linguistic codes such as ‘proper channels’, ‘under consideration’ etc. are ways by which responsibility for policy decisions is evaded”.

6.2.2.3 Resource Mobilisation

Schaffer (1984:164) considers public policy as using what are seen as important resources in a continuing pattern of distributions and allocations. He further argues that policies are premised on 'institutional scarcity' necessitating the management and distribution of eligibility and access rights in the allocation of resources. The policy process for resource mobilisation through taxation, loans and grants, recruitment and allocation of officials for the implementation of policy is also shaped by power relations (Harriss-White 2002). Harriss-White further highlights that political forces shape the allocation of resources between current and capital expenditure, between departments and projects, between sectors and subsidies, centre and states; and political forces keep these allocations in place.

The quantum of financial resources, timing, regularity of funding flows are key indicators of the extent to which the state is committed to the welfare of disadvantaged groups. It is imperative to analyse the power relations shaping the mobilisation of resources meant for the effective implementation of various affirmative policies. How financial resources are made available to various programmes for Dalit businesses reflects the structure of power struggles between different political forces and levels and niches in the bureaucratic apparatus. Power relations surrounding Dalit identity are important to the analysis of the process of allocation. Using empirical evidence for resource allocations for market support, credit and skill development policies for Dalit business owners, I examine how various forces affect seasonality and timing of resource allocations.

6.2.2.4 Access

Another element in the political processes of policy practice is the rules of access. Harriss-White (2002) argues that the rules of access to bureaucratically distributed goods and services are enforced and challenged by power relations. Her methodological questions identify the key aspects of these power relations:

“those (power relations) of the ‘*counter*’ (how many points of distribution or registration are there? When are they active? Where are they located and with what implications? What are the volumes of administered goods and services flowing over them?); *eligibility* (who qualifies? who is excluded? who decides?); *queues and their discipline* (among those who qualify who gets the goods and services? In what order?); *voice* (who (eligible or non-eligible) can intermediate or manipulate the rules of access to their own advantage?); and *exit* (who drops out? who does not benefit? who finds ways other than those ruled in order to obtain the benefit to which they are entitled?).” (Harriss-White 2002:5).

Labels such as ‘target group’, ‘intended beneficiaries’, as manifested in agenda, make a basis for determining access and exclusion.

In summary, I use Schaffer’s framework for the analysis of affirmative policies for Dalit Businesses. Using this framework in this study sheds light on the process of agenda-setting, procedures, rules of access and resources allocation. This particular framework pays attention to how power relations influence policy processes.

6.2.3 Data and Methods

I discuss here the kinds of data and the techniques of data collection and analysis used in this study. The study relies on qualitative research methods for in-depth analysis of the politics of policy processes. Qualitative research requires the collection and triangulation of data - primary and secondary from multiple sources. I collected secondary data sources such as policy orders, circulars, annual reports, statistics on various affirmative policies, minutes of meetings etc. from the district offices such as DICs, the Department of Social Welfare Office, and the District Collectorate; the state offices such as Uttar Pradesh Scheduled Caste Finance Development Corporation (UPSFDC), the Ministry of Social Welfare; and central government offices such as the Planning Commission, National Scheduled Caste Finance Development Corporation (NSFDC), Ministry of Micro, Small and Medium Enterprises, Ministry of Finance, Ministry of Social Justice and Empowerment among others (See Annexe 1). Although several central level data and official documents were easily accessible, it was difficult to access state and district

level data sources^{*}. I also collected reports from various NGOs and market organisations working to promote Dalit entrepreneurship.

For primary data, I conducted 28 semi-structured interviews with government officials, representatives from market associations, banks and civil societies at district, state and central levels (see Annexe 7). The study also derives insights from the business histories of 36 Dalit business owners in Raebareli District of Uttar Pradesh, discussed in chapter 4. I recorded business histories with the help of semi-structured open-ended questionnaires to analyse the processes and factors of market entry for Dalit businesses (for details see Section 1.9).

In the following sections, I analyse various aspects of policy processes for affirmative action policies in three domains: market support, capital and credit support, and skill development. In practice, these policy domains are often linked. I unpack how the agenda is structured, who decides the agenda and how are the beneficiaries are conceived; how proceduralisation happens; how rules of access are made and applied; and how resources are mobilised and distributed.

6.3 Affirmative Policies for Market Support

Here, I discuss the politics of agenda-setting, procedures, access and resource mobilisation for affirmative policies for market support with a special focus on the provision of quota in the Procurement Policy Order 2012 for the businesses owned by Dalits.

6.3.1 Setting the Agenda for Market Support: from ‘Supplier Diversity Programmes in MP’ to Quotas in Procurement Policy

The inspiration for a preferential procurement quota at the central level came from the ‘Supplier Diversity Programme’ promoted by the Government of Madhya Pradesh in the financial year 2002-2003 where it formed part of the state policy after Bhopal Declaration (Ghildiyal and Ghildiyal 2011). Later, this idea was supported by multiple

^{*} It was primarily due to poor record keeping and restricted access.

bureaucratic committees (i.e. PM Task Force, NCEUS, Planning Commission's plan panels and working group, etc.) working on the issues of development of Dalits/Adivasis, MSMEs or unorganised sectors (see Annexe 10 for timeline of key events for Public Procurement Policy Order 2012). However, the Dalit Indian Chamber of Commerce and Industry (DICCI) gave the final impetus to the agenda of quotas for Dalit businesses in government procurement.

I have organised the arguments made during my field interviews in favour of procurement quotas for Dalits under four broad categories: First, *inclusiveness* – with the failure of liberalisation to match the job demands of Dalits, reservation in entrepreneurship is the only way to include them in the new economy. Thus quotas will create business opportunities for Dalit youths and aspiring entrepreneurs and will help them emerge from conditions of social stigma and discrimination. In turn, this will help them in creating jobs, securing livelihoods, and bringing fellow community members out of poverty. The opportunities created by the liberalising economy for micro and small enterprises coupled with procurement quota will help Dalits 'join the mainstream'⁸⁷.

Second, Dalit businessmen invoked the concept of *assurance*- as Dalit enterprises will get an assured market for their products and services. They will face less competition to enter the otherwise highly competitive and discriminatory market. Each DICCI member interviewed believed that the preferential policy (assured markets by the State without the fear of competition at the early stages) would boost the scope of entrepreneurship among Dalits.

Third, Dalits invoked *expansion* - some goods/services which otherwise would not have been manufactured/provided by Dalit enterprises will be produced and hence will expand the spectrum of 'economic incorporation'.

Finally, *network development*- Dalit entrepreneurs argued they would be able to expand their network, be in a position to lobby and demand more from the Government. This would also assist them in exchanging knowledge, organising trade fairs, and facilitating interactions with various other stakeholders.

⁸⁷ Field interview with a DICCI member

The debates around quota politics, in general, involve players from all spheres ranging from the government, media, academia, NGOs, political organisations, beneficiaries and excluded groups.

Affirmative policies are often political decisions, but the case of quotas in procurement policy is actually driven by bureaucratic and Dalit elites.⁸ A rigorous evidence base has never been an important part of the affirmative policy-making processes (Jayal 2015). As per the report by the Prime Minister's Task Force on MSME around five percent of public procurement were coming from micro and small enterprises in 2009-10 (Government of India 2010).

The relationship between evidence and affirmative policies in India has often been patchy and mostly it results from policies being influenced by pressure groups. The evidence base for price and purchase preference policy for MSEs is very weak: even after six decades of interventions, it accounts for not more than five percent of the total government procurement. My field interviews indicated that the 20 percent quota for Dalits & Adivasis, within of the 20 percent quota fixed for MSME in the procurement policy order, was mechanically created by the bureaucratic class without any scientific or evidential rationale for it.

The Policy draft in its early stages had planned to cover procurement by Public-Private Partnership (PPP) projects. During the field interviews it emerged that a joint exercise by MSME and Ministry of Corporate Affairs was carried out to evolve norms of procurement for the private sector units for PPP projects. However, the policy did not progress beyond committee deliberations. Though the earlier drafts of policy orders did not contemplate any price premium for MSEs, the final order included a price premium of up to 15% over large-scale units. My field interviews confirmed that price premia for Dalit and Adivasi entrepreneurs were an outcome of the politics of patronage by the bureaucratic elites for the Dalit elites represented by DICCI.

⁸ The thematic analysis of my field interviews with the main policy stakeholders indicated this.

Barring some ministries and a few scholars, the quota policy did not find much opposition. The mainstream corporate bodies- the Confederation of Indian Industry (CII), the Federation of Indian Chamber of Commerce and Industry (FICCI), the Associated Chambers of Commerce of India (ASSOCHAM) (which have been opposing the idea of the quota system in the private sector workforce) offered an affirmative action plan for large corporates as a voluntary commitment to help the Government to ensure equal opportunities to Dalits and Adivasis in workplaces as well as in the entrepreneurial space. They did not oppose the provision of quotas in procurement from government agencies. By and large, the media and civil society organisations also did not emphasise the need for public debate on the quota policy for Dalit enterpriser.

During field interviews, it emerged clearly that DICCI, select Dalit scholars and bureaucratic elites had already captured the limited space for debate and discussions (Teltumbde 2011, Guru 2012, Aiyar 2015). While the voices of the corporate core represented by DICCI, comprising just few thousand Dalits were heard by the bureaucratic elites; millions of micro and small Dalit enterprise owners found no opportunity for consultation. The concern of more than 90% of the total 2.7 million recorded Dalit enterprises (mostly own-account enterprises, under-capitalised and operating on a very thin margin) was practically missing in the debates on affirmative policies. Major economic sectors such as trade and services, which constitute more than 60% of enterprises, are also not eligible for quotas in procurement policy.

The agenda set by DICCI and bureaucratic elites served the purpose of the ruling Congress party as well. The party's political spaces did not promote contestation and debate by different motivations and interests and found the policy of the quota in procurement a convenient form of political posturing for Dalit voters. There were many reasons behind the ruling party's political support for procurement policy: first, Dalits and Adivasis hold the electoral keys to political battles involving Congress at the Centre and states; second, procurement quotas for Dalits was one of the key poll promises of UPA-II for marginalised sections; third, the policy was an attempt to blunt the criticism for failing to extend job reservations to Dalits and Adivasis in private enterprises as

promised in UPA-1 (Ghildiyal and Ghildiyal 2011). The timing of the announcement of the preferential procurement policy in 2012 was crucial for the Congress Party as assembly elections were due in states such as Uttar Pradesh, Punjab and Uttarakhand all with electorates containing a significant proportion of Dalits (Ghildiyal 2011). The NDA Government took the quota initiative forward by proposing a National Scheduled Caste and Scheduled Tribe Hub to provide professional support to fulfil the obligations under the Policy order 2012 (Press Information Bureau 2016:11). The political class did not make efforts to work on the underlying issues or to relate the policy to likely opposition or indifference from the structures of power relations.

In summary, the policy-stakeholders engaged in setting the agenda of affirmative policies for market support are dominated by a small elite Dalit group (i.e. members of Dalit Indian Chamber of Commerce and Industry (DICCI) which represent only a very narrow social stratum) and by a section of top-level bureaucracy. The agenda of affirmation policies for market support (quota policy in govt. procurement) suits the interests of Dalit elites, as they are most likely to benefit from the procurement policy. The top-level bureaucracy pushed the procurement agenda due to the perceived ease to enact the legislation and the structures of patronage involving Dalit elites. Such agenda-setting puts small Dalit businesses at a disadvantage in many ways. First, it equates the rise of a small number of Dalit millionaires with the economic progress of Dalits in general, which is not justifiable. Second, it favours resource misallocation ensuring the continued dominance of Dalit elites in the market and decision-making process thereby protecting their economic interests. Third, it may result in dilution of the welfare focus of the central government and diversion of the programmes benefits away from small Dalit businesses.

6.3.1.1 *Proceduralising the Agenda: The Public Procurement Policy Order*

Here I analyse the process of *proceduralisation*: how the agenda is translated into patterned behaviour and enforced through legislation, circulars, departmental orders and guidelines and informal norms. Complex issues such as blurred boundaries of definitions, amendments made over time, penalties for non-compliance, and varying/clashing interpretations of rules emerge, often signifying the slippage between the intentions expressed in the agendas and what procedures really imply.

Though the Public Procurement Policy order was passed in April 2012, the definition of ownership in case of a partnership enterprise was left open. Only in June 2013, the definitions of MSEs owned by Dalits/Adivasis were clarified. This was done only after several requests from CPSUs for interpretation and definition of MSEs owned by Dalits and Adivasis, and there were pending cases where benefits were not accorded due to definitional disputes. The Procurement Policy Order did not define the scope of ‘services’ in the manner it defined ‘goods’ and it also ignored non-manufacturing products and services altogether. The key challenges faced by CPSUs and departments are the identification of MSE vendors, difficulties in determining the status of Dalit/Adivasi ownership, and the lack of clarity about multiple provisions of the policy order. These inconsistencies have prevented the implementation of the policy order and restrict opportunities for Dalit businesses.

In the Procurement Policy Order 2012 it is suggested that a mechanism for compliance be established “the Central Ministries, Departments and Public Sector Undertakings which fail to meet the annual goal shall substantiate with reasons to the Review Committee”. But, at the same time, the Order also made provisions for situations of non-compliance, a clear case of an evasive ‘escape hatch’:

“In event of failure of such Micro and Small Enterprises to participate in tender process or meet tender requirements and L1 price, 4 percent sub-target for procurement earmarked for Micro and Small Enterprises owned by Scheduled Caste or Scheduled Tribe entrepreneurs shall be met from other Micro and Small Enterprises” (Ministry of MSME 2012).

The quota policy offers another 'escape hatch' as it allows for consideration of requests of the Central Ministries/Departments or PSUs for exemption from the 20 percent target on a case by case basis. The Office Memorandum issued by the Ministry of MSME in January 2014 says that in case any CPSU is not in a position to achieve the target of 20% procurement from MSEs, it can approach the Committee constituted for monitoring and review and seek an exemption. Another example of the 'escape hatch' is the inclusion of sub-contracts to MSEs by large enterprises and consortia of MSEs formed by NSIC in the annual goal of procurement.

Field interviews suggest that such internal contradictions and 'escape hatches' are often propagated deliberately inside bureaucracies. The underlying bureaucratic assumptions are that there are not enough Dalits and Adivasis able to provide adequate quality goods and services. In the Jharkhand Industrial Policy 2014, for example, it was highlighted that in case of the department's failure to get tender offers from Dalit and Adivasi entrepreneurs sufficient to fulfil the mandated 4 percent procurement from them, the reason in detail must be mentioned in the 'proceeding of the procurement committee meeting held for the purpose' (The Jharkhand Gazette 2014).

Discrepancies between procedural norms and actual practice come into existence due to the absence of any monitoring mechanism. Though every central ministry, department and PSU is expected to report goals as well as achievements with respect to procurement in their respective Annual Reports, this is not carried out. The Ministry of MSME started the first review of the public procurement policy at the national as well as state level in December 2013, i.e. more than a year and a half after the notification of the order. By the end of 2013, only six out of more than 30 central ministries had devised a procurement plan. In 2013, the Ministry of MSME had asked all state governments to come with public procurement policies, so as to enlarge the markets for MSEs. However, by the end of 2015, Rajasthan and Jharkhand were the only states to have generated an implementable state policy. Overall, by the end of fieldwork in the year 2015, the quota policy was operationalized only very partially.

Thus, 'escape hatches', discrepancies in definitions and internal contradictions are deployed by state officials to evade responsibility for the outcomes of policy orders. The 'escape hatches' in departmental orders and memoranda, combined with the informal procedural norms, which may be discriminatory, justify the conclusion that the procedure is a surprisingly weak mechanism for the enforcement of the policy order and a source of considerable slippage.

6.3.1.2 *Mobilising Resources: The Case of Scheduled Caste Sub Plan*

The establishment of policy depends in part on timely resource allocation (Schaffer 1984) By 2015, the quota in public procurement policy for Dalit/Adivasi entrepreneurs⁸⁹ had been working as an optional policy for three years. When it was made compulsory in April 2015, no new financial resources were allocated to implement the procurement quota policy. In terms of human resources, each CPSU and government department was expected to appoint a nodal officer in New Delhi to facilitate the implementation of the policy, but at the start of 2014, only 71 out of 179 CPSUs and 15 out of 97 ministries/departments had appointed their nodal officers (Ministry of MSME 2014). Human resources were not mobilised.

A legal mandate stipulates that every ministry and department has to earmark funds from the five-year plan outlays for Dalits (i.e. the Scheduled Caste Sub Plan (SCP) in proportion to their population. Although the SCP does not prescribe any kind of specific support for Dalit businesses, three major problems arise in resource mobilisation at the national level: *mistargeting*, *under-allocation* and *under-spending*. The SCP only includes schemes ensuring direct benefits to Dalit individuals or families, but only a small portion of SCP is for allocation to schemes targeting Dalits. From 2011-12 to

⁸⁹ It was estimated that in the year 2011-12, the Central Government budgeted to spend around Rs 12.5 lakh crore and the procurement by MSMEs was expected to be around Rs 1.2 lakh crore and Rs 25,000 crore may be available to units set up and run by Dalits and Adivasis Ghildiyal, S. and S. Ghildiyal. (2011). "Govt may Mandate Procurement from Dalit-run Firms." *The Times of India* Retrieved 2nd September, 2011, from http://articles.timesofindia.indiatimes.com/2011-09-01/india/29953217_1_dalit-entrepreneurs-msmes-purchase-quota..

2015-16, on an average about 8.5% of the total plan outlay has been allocated for Dalits as opposed to the designated 16.2% (NCDHR 2016). In 2015-16, only 23 department/ministries out of a total of 108 departments/ ministries of the Government of India have made allocations for Dalits under the SCP (NCDHR 2016). For example, the Department of Electronics & Information Technology had allocated a meagre two percent under the SCP in the year 2015-16 (ibid). From 2007 to 2015, Dalits have been deprived of a total of approximately \$30 billion of funds from the plan outlay (Verma 2015). In the financial year 2014-15, Rs 20,513 crore remained unspent under SCP by central ministries (Babu 2016).

Resource allocation and expenditure for Dalits in general and Dalit business, in particular, are pervaded by bureaucratic inertia and ineffective fiscal management. It is very difficult to track the effectiveness of funds as the budget coding for SCP funds has not been implemented (Ramachandran and Goel 2011). Additionally the allocation for Ministry of MSME has been more than doubled in the 12th Five Year Plan (2012-17) in comparison to the 11th Five Year Plan (i.e. 2007-12) following the PM Task Force's recommendations for boosting the MSME sector⁹⁰, but the Ministry has not made specific allocative provision for promoting Dalit businesses.

These cases of SCP and procurement quota policies show that patterns of resource distribution and allocation are important aspects of policy practice and are often determined by the bureaucratic politics through the use of themes such as apparently unavoidable deficits, under-spending and mistargeting. These cases certainly fail to fit with Schaffer's weighting of development policy as 'a committed structure of important resources' (Schaffer 1984:164).

6.3.1.3 Access: CPSUs and Dalit Businesses

The dimension of 'access' in policy processes concerns the power relations through which the rules of access are enforced. Dalit access to the procurement quota has to be

⁹⁰ In a written reply by the Minister of state, MSME to a question in Lok Sabha in December 2014

gauged from reports which do not consider the problems of access but instead summarise achievements. That these have been dismal is eloquent testimony about access. In the initial years, procurement from Dalit and Adivasi enterprises was way below target. The survey undertaken by the Government of India to assess the performance of CPSUs in procurement from Dalit and Adivasi enterprises presented a very dismal record (Iyer 2015).⁹¹ While in the year 2012-13, only 0.41 percent of the total CPSU procurement was made from Dalit and Adivasi enterprises against the target of four percent, the figure rose marginally to 0.51 percent of the total in the year 2013-14 (ibid). The survey also found that 48 of 179 functional CPSUs did not procure at all from Dalit and Adivasi enterprises (ibid). Only three CPSUs had achieved the target of more than four percent procurement from Dalit and Adivasi businesses. In the year 2012-13, only a total of 167 Dalit and Adivasi entrepreneurs took part in the Vendor Development Programme organised by the NSIC to raise awareness about the policy order (Ministry of MSME 2014). Several CPSUs denied benefits to Dalit entrepreneurs in the first year due to definitional confusion about ‘MSEs owned by Dalits and Adivasis’⁹² and non-mandatory nature of the policy order.

The procurement quota order specifies mandatory registration⁹³ as an eligibility criterion to access the benefits. To qualify for entitlement as Dalit- and Adivasi-owned MSEs, a caste certificate issued by the District Authority is required. DIC, NSFDC, KVIC, district welfare departments are more focused on regulatory work than on facilitating resources and services to prospective and existing entrepreneurs. Field interviews with Dalit business owners revealed several problems in access. First, it is difficult to obtain information related to the policy order and tenders for contracts in goods and services from government authorities. Second, Dalit business owners complain of ‘lack of

⁹¹ Out of 207 CPSUs, only 179 are functional out of which 101 CPSUs shared the data, 48 CPSUs had nil procurement, 13 CPSUs didn’t supply the data and responses were awaited from 17 CPSUs for the survey.

⁹² The confusion related to the definition of partnership firms, the MSME registration certificate, the single point registration system, ancillary units, and the shell company.

⁹³ The list of agencies for registration include: District Industries Centres or Khadi and Village Industries Commission or Khadi and Village Industries Board or Coir Board or National Small Industries Corporation or Directorate of Handicrafts and Handloom or any other body specified by Ministry of Micro, Small and Medium Enterprises.

expertise' in preparing the tenders and the project documents. Third, the cost of preparing the tenders is exorbitant. Fourth, they often lack required qualification levels and certification requirements. Fifth, they struggle to get registration certificates from the DIC and NSIC offices. Unless Dalit businesses are collectively organised, or Dalit officials get to sit in the DIC and NSIC offices to supervise the access process, they will continue to face challenges in accessing registration certificates. Finally, a few Dalit businesses that have been awarded contracts complained about late payments by the contracting agencies.

The narratives of business owners indicate that local officials often rely on their discretionary powers to intermediate or manipulate the rules of access in order to deny or delay the benefits to them. This also suggests a pattern of bureaucratic power working against the economic interests of Dalit businesses at the local level. These power dynamics explain the importance of social networks to deal with the exclusion practised by bureaucrats. The effects of institutional and bureaucratic complexity have reinforced mistrust amongst Dalit business owners. Complex registration processes, delays in approvals, and bureaucratic indifference in affirmative policies show the contradictions between the agenda and access in policy practices.

In the light of the heavily contested experiences of quota policy, we now progress to apply the Schafferian framework to the politics of policy processes for credit and capital for Dalit business.

6.4 The Politics of Policies for Credit & Capital Support

As discussed in the Chapter 6, there are two broad categories of affirmative policies for providing credit and capital support to Dalit Businesses: *preferential* - such as the Prime Minister's Employment Generation Programme (PMEGP); and *targeted* - such as the Dalit Venture Capital Fund, initiatives by the National Schedule Caste Finance and Development Corporation (NSFDC), the National Safai Karamcharis Finance and Development Corporation (NSKFDC), and the new 'Stand Up India' programmes. Here, using these cases, I analyse how the agenda for credit and capital support is

constructed and how it is practised through the development of procedures, rules of access and the politics of resource allocations.

6.4.1 Agenda-Setting for Credit: from Bhopal Declaration to ‘Stand Up India’

The agenda-setting for credit and capital support for Dalit businesses primarily revolves around three key themes: *setting up the special fund*, *the increase in credit*, and *representation in financial institutions*.

Several government committees and study groups have looked into the problems of credit issues relating to all MSMEs since liberalisation (Government of India 2010). Though the National Commission for Enterprises in the Unorganised Sector (NCEUS)⁸⁴ recommended setting up a ‘Special Fund for Micro Enterprises’ exclusively for micro enterprises, the specific needs of Dalits were also being recognised by the Task Force Report on Bhopal Declaration which argued:

"The Government should set aside funds for ensuring capital and credit opportunities to the Dalits. Adequate investment resources are necessary to enter the market economy. The entire country's market economy, now virtually controlled by a few privileged castes, needs to be democratised." (Government of Madhya Pradesh 2003:25).

The report further argued for enacting a special law so that “the schemes of the financial institutions (FIs)/ nationalised banks/ cooperative banks redesigned to ensure that a minimum credit in proportion to SC/ST population flows to enterprises belonging to these categories” (ibid:56). A 2011 working group of the Planning Commission on the ‘Welfare of the Schedule Castes’ had also recommended the establishment of a ‘National Bank for Inclusive Development’ to encourage Dalits and other weaker sections with entrepreneurial skills to realise their business potential (Nichenametla 2011). However, my field interviews indicated that these policy agendas were never pushed forward due to the lack of support from the bureaucratic elites as well as the absence of push from political parties.

⁸⁴ Set up by the Government of India in 2004

Dalit business elites in DICCI were interested in pushing for a venture capital fund to address the major problem of lack of credit for large Dalit businesses. The Planning Commission took this idea forward, and the UPA Government allowed DICCI to set up an SME Fund in 2013 with the aim of raising Rs. 500 crore over ten years and of financing Dalit entrepreneurs to set up businesses (Business Standard 2013). However, this fund could not generate a viable corpus of finance. With its failure, DICCI then pushed for a state-sponsored venture capital fund for Dalits. The UPA Government agreed to DICCI's demands and announced the fund in the Interim Budget for the financial year 2014-15 just before the parliamentary elections. Afterwards, the NDA Government operationalised the Fund in 2015 with an initial capital of Rs. 200 crore (Press Information Bureau 2015). The scheme is expected to provide financial assistance at a concessional interest rate to a select few large Dalit entrepreneurs in the range of Rs. 0.50 crore up to Rs.15.00 crore for a period of up to six years.

Another part of the policy agenda has been the increase in the credit line. The demands of a vast majority of micro and small Dalit businesses for increased access to credit have remained unfulfilled. In the last decade from 2006, there have been no changes in the objectives and structures of PMEGP and programmes under NSFDC and NSKFDC. In 2016, the NDA Government launched a 'Stand Up India' initiative with the objective of helping Dalit, Adivasi and women entrepreneurs. Under this scheme each branch of all banks, including private banks, is expected to fund at least two entrepreneurs from the Dalit/Adivasi category and one from the category of women. Although this agenda was advanced by the ruling political party (BJP), the scheme was watered down by the bureaucratic class by putting together Dalits, Adivasis and 'women' of all castes under its ambit. Moreover, the scheme does not compensate for the lack of Dalits and Adivasis officials in bank branches and widespread reports of anti-Dalit discriminatory behaviour in banks.

The agenda of *representation* in the decision-making bodies of lending agencies has also not made progress. The Task Force Report on the Bhopal Declaration recognised the

lack of representation as the primary reason behind the almost 'non-existent' credit facilities for Dalits and recommended the creation of mechanisms for Dalit representation on the boards of directors of banks and public financial institutions, Small Industries Development Bank of India (SIDBI), state finance corporations (SFCs) and RBI's board of governors and that of (Government of Madhya Pradesh 2003:57). However, even after a decade of this task force recommendation, the state apparatus has not responded or taken any initiatives to bring about change in the composition of boards of directors. My field interviews indicate that the district administration in Raebareli is deeply socially embedded and operates through its upper caste identity by promoting upper caste domination.

Enhancing access to credit to MSEs and especially to Dalits is very bureaucratic in nature. Most of the existing schemes are designed by the Government officials in response to a discourse of 'institutional scarcity'. While in the agenda-setting of the procurement quota policy international experience was studied, the credit support policies have been completely deprived of lessons from international experience.

6.4.2 Proceduralising Benefits: Complex and Bureaucratic

The formal procedures for accessing capital and credit support under various government programmes are riddled with complexity. The structures of subsidies, collateral requirements, project reports, training certification, and organisation coordination embody this complexity and create layers of obstructions for Dalit business owners. For example, the number of formalities required for an application under PMEGP is vast; it includes the project report, proof of land ownership, proof of residence, certificate of training/qualification/experience, caste certificate, quotations for a list of machines, a recommendation from local bodies, etc. The application is a multi-step process as it is first placed before the District Level Task Force Committee (DLTFC) for shortlisting and then forwarded for approval for sponsoring to the financial institutions. Similarly, the procedures for availing benefits under NSFDC & NSKFDC are very complex. In fact, the Minutes of the review meeting of NSFDC in March 2015

had noted the need for simplification of the procedure for disbursement of loans to beneficiaries, the process of selection of beneficiaries and the transparency in the disbursement of the loan (National Commission for Scheduled Caste 2015).

Though District Industries Centres (DICs) are mandated to facilitate arrangements for financial assistance from banks and other financial institutions and to provide comprehensive information on policies and schemes, project formulation, technical know-how, marketing support and skill development; they are more focused on regulatory works than facilitating services to entrepreneurs. During fieldwork I found that DIC Raebareli did not provide comprehensive information on policies/schemes of central/state government and rarely facilitated links for market support with the financing institutions or with local large industry. Dalit businesses in Raebareli felt that the DIC does not have the capacity to facilitate such linkages.

The conflicting sets of preferences and interests of multiple institutions exacerbate this procedural complexity. For example, while KVIC is the only nodal agency for the implementation of PMEGP at the national level, but a host of institutions such as KVIB, DICs, lead banks and KVIC implement the programme in the states.

6.4.3 Resource Mobilisation: PMEGP and NSFDC Programmes

The cases of resource allocation for PMEGP, initiatives under NSFDC, and Venture Capital Funds confirm the roles of mistargeting and under-allocation. Under the PMEGP programme, in the year 2013-14 a total of Rs. 1075 crore (on an average of Rs. 2.13 Lakhs per beneficiary) was provided (Government of India 2014:156). Since its inception in 1989, NSFDC has disbursed Rs. 3,020 crore covering 9.41 lakh beneficiaries by the end of March 2015 (i.e. an average of Rs 32,000 per beneficiary) (see Annexe 9). The NSFDC is disbursing a limited amount of the fund to a large number of beneficiaries (i.e. Dalits living below poverty line) as the targets are fixed by the Ministry in a MoU each year (National Commission for Scheduled Caste 2015). During field interviews, the Managing Director of NSFDC explained that beneficiaries were not coming forward due to the inadequate loan amount. He also admitted the

uneven uptake of credit support programme across states and the NSFDC's limited capacity to utilise the funds.⁹⁵

While the credit budget for NSFDC was Rs. 270 crore for the year 2014-15, the Dalit Venture Capital Fund had a dedicated fund of Rs. 500 crore. This reflects the power relations between Dalit elites and the political class. However, under the Dalit Venture Capital Fund, the effective disbursement for the year 2014-15 was dismal (up to December 2015 it was confined to Rs. 32 crores to 10 beneficiaries) (Phadnis 2015). Recently, the NDA Government has allotted Rs. 500 crore in the 2016-17 Budget for the 'Stand Up India' scheme which aims to promote entrepreneurship among Dalits/Adivasis and women and to benefit at least 2.5 lakh entrepreneurs (Ministry of MSME 2016). This again highlights the mismatch between the scale of the programme's intended coverage (some 60% of the population) and the resources allocated.

6.4.4 Navigating Access through Approvals and Institutions

Recurrent delays and the exclusionary practices of the bureaucratic machinery, which often has a different social status composition from that of the applicant were the most cited reasons for poor accessibility of credit support programmes at the district level.

Under the PMEGP programme during 2013-14, only 13 percent of total applications under all social categories succeeded in accessing disbursements (Government of India 2014:156). The overall intake under PMEGP is very low (approximately 50,000 beneficiaries in 2013-14). Institutions such as NSFDC, NSKFDC, IDFC, DICs do not maintain any consolidated records to show pending cases and reasons for the non-processing of applications. The waiting period for some of the case studies ranged from three months to two years. The prescribed time limits for finalising applications are not adhered. Bankers gave a multitude of reasons to respondents: incomplete applications, unfeasible projects, lack of registration and compliance papers among others. Dalit business owners perceive that delays are due to their caste. Delays are further

⁹⁵ States like Karnataka and West Bengal have drawn disproportionately large amounts in recent years; however, other states with a sizeable population of Dalits including Uttar Pradesh have very low utilisation. Reasons for such extremely low utilisation are not consistent.

compounded due to there being multiples layers of approvals. During field work Dalit business owners were reporting that despite the delays, they were actually allowed insufficient time to submit utilisation certificates for the credit given to them. Dalit business owners provided examples of differential rent-seeking behaviour by officials for facilitating the approvals and disbursement (i.e. higher bribes demanded from Dalits Dalits than those paid by the upper castes).

The patterns of discrimination by state officials were described as taking many forms. Though there is a provision for the representation of Dalit/Adivasi/Women in the DLTF, it is rarely followed. During my fieldwork, I found that the record of DLTF meetings of DIC Raebareli was not maintained properly; the minutes of DLTF meetings were unsigned and included the list of shortlisted applicants only. Despite several efforts I could not find the details of cases and projects that were rejected let alone records of the reasons for rejections. The KVIC officials informed me that poor record-keeping is a norm across DICs as it provides opportunities for rent-seeking and for offering preferential privileges on the basis of patronage. The state apparatus through configuring the rules of access in a discretionary way generates the possibilities of patronage.

The affirmative policies for credit support for a vast section of micro and small Dalit businesses are evidently low priorities - for many reasons: the perceived inability to pay back, the dominance of upper castes in the district administration, and the exclusive self-interests of Dalit business associations.

6.5 Policies for Skill Development and Training Support

The affirmative policies for skill development and training for Dalit businesses are bureaucratically driven. Here, I discuss the power relations involved in agenda-setting, access, procedures and resource mobilisation for skill development policies.

6.5.1 Setting the Agenda for Skill Development Programmes

Agendas of skill development for Dalit businesses have often been shaped by a series of Expert Committees and Task Groups. In the last two decades, it was the Bhopal Declaration 2002 which recognised the need for the Government to initiate programmes targeted to Dalits and Adivasis in order to develop their skills and capacities (Government of Madhya Pradesh 2002). The Declaration highlighted the importance of technical education to prepare Dalit and Adivasi youth to enter the market economy and recommended:

“a new type of business/management schools awarding certificates/diplomas be set up for SC/ST students who after high school/plus-2 levels can be imparted with business/management skills” (ibid:67).

The NCEUS reports also made several recommendations for facilitating skill development to unorganised enterprises to help their growth as well as their survival, but it omitted providing recommendations for specific provisions for Dalit businesses. There were no guidelines for skill development programmes targeted towards Dalit businesses at the national level until 2009 when the National Skill Development Policy provided guidelines for ‘disadvantaged groups’ including Dalits and committed the policy to strict enforcement of the reservations applicable to these groups. It also recommended that the existing schemes be reviewed, strengthened and made more effective.

The Prime Minister’s Task Force on MSME also argued for skill development and support for technology improvements in micro and small enterprises the quality of their products could be refined and the rate of rejection minimised (Government of India 2010). This was done in anticipation of the procurement policy order which stipulated a minimum reserved state procurement from MSEs as well as Dalit/Adivasi businesses. The political interests in skill development programmes deepened under the NDA Government. The National Policy for Skill Development and Entrepreneurship 2015, launched by the NDA Government, mentioned a policy of encouraging entrepreneurship among ‘under-represented groups’, putting special focus on their inclusion, prioritising entrepreneurship education programmes, and the access to government-supported testing

facilities and infrastructure at a subsidised rate (Government of India 2015). Further, the NDA Government has proposed setting up a National Scheduled Caste and Schedule Tribe Hub in the Ministry of MSME, in partnership with industry associations, to provide professional support to Dalit and Adivasi entrepreneurs, thereby fulfilling the obligations made under the Procurement Policy Order (Ministry of MSME 2016).

The structure of skill development training programmes sponsored by NSFDC has remained unchanged for decades. It is still focused towards educated unemployed youth of the target group in emerging areas such as garment technology, computer technology, mobile phone repairs, automobile repairs, etc. There are several government sponsored entrepreneurship and skill development programmes in regional levels centres/offices⁹⁶ with the mandate to impart training to educated unemployed youth by organising workshops, counselling, seminars, certificate programmes for entrepreneurship development in occupational sectors ranging from manufacturing to software. Though these programmes are not exclusively targeted towards Dalit entrepreneurs; fees are often not charged to Dalit candidates, and in some schemes a stipend is also paid. At the district level, the Entrepreneurship Development Training programme of DIC aims to provide guidance and training to entrepreneurs to help their choice of enterprising activity. It also aims to impart necessary skills in producing project reports, obtaining various no objection certificates, licenses and marketing strategies.

6.5.2 Proceduralisation for Training Programmes

At the national level, there are more than 70 skill development programmes run by more than 20 ministries/departments. The skill and entrepreneurship development programmes under NSFDC and NSKFDC for Dalit entrepreneurs are coordinated through State Channelising Agencies (SCAs) and are conducted by reputed Government / Semi Government institutions. The multiplicity of departments has added to the

* Entrepreneurship Development Institutes (EDIs), National Institute for Entrepreneurship and Small Business Development (NIESBUD), National Institute for Micro, Small and Medium Enterprises (NI-MSME), Indian Institute of Entrepreneurship (IIE), MSME-Development Institute, NSIC, DICs, Vocational Training Centres (VCTs)

procedural complexity of skill provision. While State Scheduled Caste Development Corporations (SCDCs) are defined as Centrally-Sponsored Schemes, NSFDC is categorised under Central Sector Schemes by the Ministry of Social Justice & Empowerment.⁹⁷

At a broader level, the political interests of the UPA Government and the NDA Government in developing management skills are different. While under the UPA Government, the institutional mechanisms dealing with skill development programmes remained very divergent; the NDA Government has recognised that skill development and entrepreneurship efforts across the country are highly fragmented. It, therefore, created a full-fledged ministry to coordinate the efforts of all concerned stakeholders: various national bodies and institutions across the public and private sectors. The NDA Government also set up an inter-ministerial consultation process for the rationalisation and greater convergence of norms in various skill development schemes and in July 2015, it notified the common norms for all skill developments to the institutions concerned across India. The process of proceduralisation is complex, and the problems of coordination hinder the effectiveness of skill programmes.

6.5.3 The Issue of Low Resource Mobilisation and Unused Funds

The National Policy on Skill Development 2015 recognised the fact that public funds are not able to compensate for the problems of skill development. The success of the skills policy will depend on the quantum of resources mobilised from all stakeholders (Government of India 2015). The National Skill Development Fund (NSDF) was set up to raise funding for skill development, both from government and non-government sectors. It meets its objective through the National Skill Development Corporation (NSDC) for building skill development capacity and developing strong links with the marketplace. Till the end of March 2015, NSDF had released Rs. 2333 crore to NSDC

⁹⁷ Centrally Sponsored Schemes and Central Sector Schemes differ in terms of their pattern of funding and modality of implementation. Central Sector Schemes are 100% funded by the central government and implanted by the central government machinery. However, under Centrally Sponsored Schemes, a certain percentage of the funding is borne by the states and the state government machinery does the implementation.

towards skill development programmes – used to train 35 Lakh people so far in a network of 160 training partners and 1722 training centres (Ministry of SDE 2016). However, there appears to be no records either of the proportion that are Dalit or of the proportion of those people trained which was able to establish enterprises.

In the case of the Rajiv Gandhi Udyami Mitra Yojana, a scheme to promote and handhold micro enterprises, the gap between the budgeted expenditure and actual spending was significant. While the budgeted expenditure was Rs 13.18 crore for the year 2011-12, later, it was revised down to Rs. 4.20 crore and ultimately the actual expenditure was a meagre Rs. 1.61 crore (Ministry of MSME 2012). Though there has been an increase in the total number of beneficiaries and the amount of grants sanctioned for skill development programmes under NSKFDC over last few years, in 2013-14, it reached only 7830 beneficiaries with a budget of Rs 6.24 crore (i.e. approximately Rs 8000 per beneficiary) (NSKFDC 2014). While in 2013-14, states such Maharashtra, Punjab, Haryana, Bihar, West Bengal and Andhra Pradesh had a higher utilisation rate under NSKFDC skill development programmes; Uttar Pradesh and Madhya Pradesh had really low rates of utilisation (ibid). The Managing Director of NSFDC argued from experience that the agenda and resources of the central government do not have a direct influence on the uptake of the scheme by state governments. In 2015-4-15, the NSFDC had enrolled 13,258 unemployed Dalit youth under its training programme with the grant of Rs 14.55 crore (i.e. approximately Rs 11,000 per beneficiary) (NSFDC 2015). Expert bureaucrats at the national level carry out the resource allocation for targeted programmes under NSFDC & NSKFDC.

6.5.4 Improving Access to Training: Personality Development and Productivity

My field interviews showed that many skill development programmes did not cater to the specific needs of Dalits and certainly did not help them learn how to integrate with the organised/registered/formal sector. In their training modules, Dalits declared strong preferences for components related to personality development, the management of business and components, which are geared towards making them self-reliant.

Furthermore, they suggested that existing programmes are more suited for improving the productivity and profitability of existing entrepreneurs than for starting new enterprises (where an array of skills - the preparation of project reports; legal, taxation and administrative aspects; financial management, marketing and communications, knowledge of different technologies and equipment – is needed).

Dalit business owners in Raebareli believed the project reports prepared for Dalits with the help of DICs are of such low quality that they are not feasible and are not based on local information or established practices. They indicated that the DIC does not have the capacity to facilitate linkages with the financial institutions either for capital support or for conducting credible skill development programmes. As very few Dalit entrepreneurs are shortlisted for financial assistance by DLTF, the DIC entrepreneurship development training programme is not available to the vast majority of Dalits. Problems of access are further complicated by the bureaucratic disinterest and opportunistic deployment of various rules for Dalit businesses.

The progress and outreach of skill programmes have been sporadic. In the financial year 2014-15, a total of 13,258 Dalits benefitted from the skill development programme of NSFDC (almost 18% of which left the course mid-way), though more than an estimated 70,000 Dalits benefitted from the credit programmes (NSFDC 2015). Field interviews suggest that the trainees under NSFDC funded programmes were attending sessions mostly to gain access to the stipend for the training period. Field interviews also revealed that NSFDC programmes for Dalits do not provide any guidance towards starting their own ventures.

The examples of NSFDC, NSKFDC and DICs establish the policy decisions serve to perpetuate the institutional mechanisms as they define a deficit, an action around it, and related institutional output but never solve the policy problems. Schaffer has been critical of the self-maintenance of institutions, as they require on-going policy problems more than the policy solutions which would render them redundant (Schaffer 1984).

As the scope of these programmes is heavily sectoralised, while there is a striking bureaucratic disinterest in resource allocation and access, nonetheless skill development programmes are still bureaucratically and technocratically driven.

6.6 Discussions

In this section, I use the case material to discuss i) how power relations in the four policy processes influence outcomes; ii) the intrinsic complexity of policy practices; and iii) how discriminatory and exclusionary practices operate within the realm of the state. I also reflect on Schaffer's framework of policy analysis in the context of studying the economic incorporation of marginalised communities.

6.6.1 Power Relations in the Policy Processes

All three broad affirmative action policies of market support, credit and skill development co-exist and presuppose the central role of the private sector in Dalit emancipation. At the local, state and national levels, however, they have different scope and significance. Even though all three approaches to Dalit support policy are interconnected due to their common objectives and institutional/procedural mechanisms, they are each prioritised differently due to power dynamics that emerge as specific to each policy. The quota policy is a politicised policy in which agenda-setting is controlled by a wide range of powerful stakeholders but dominated by Dalit business elites. The field research revealed how powerful institutions such as DICCI and the Planning Commission impose an agenda furthering the interests of a select Dalit elite. To date, Dalit business policy has never been a policy process that considered informed alternatives. The procurement quota policy is not appropriate for the characteristics of the majority of Dalit firms. And therefore, this affirmative action agenda will have a limited impact on the welfare of a large section of small Dalit businesses.

While the interests of Dalit elites have captured the affirmative action agenda for market support, bureaucratic interests have depoliticised credit support and skill development programmes. The credit support and skill development agendas have been given

relatively low priority by both the states and the central government. Field interviews explain prioritisation in a number of ways: first, the banking system is still structurally dominated by upper castes; second, Dalit elites are driven by their self-interests, as the quota in procurement policy and venture capital fund will directly benefit them; third, collective action associations for Dalit micro-entrepreneurs are absent. The potentially exclusionary implications of such skewed prioritisations are manifold for poorer and socially marginalised Dalits: the centralisation of capital by few Dalit elites, further marginalisation of micro and small Dalit businesses, the perpetuation of socio-economic inequality, and the reinforcement of caste identity – albeit in newer ways.

The limited contestation around evidence and its lack of a role in agenda-setting are noteworthy. The technocratised and bureaucratised norms of agenda-setting have impacts on resource allocation in terms of mistargeting, under-allocation and under-spending. The cases of credit and skill development policies for Dalit businesses studied here offered insights about bureaucratic agenda-setting which build a case for the greater engagement in decision-making and implementation of ‘weak stakeholders’ people with less power but more experience of ground realities than the existing Dalit elites. A consensus-based decision making through balanced representation, democratic deliberation and participative processes may neutralise the differences among various stakeholders (Cheyns and Riisgaard 2014). Small Dalit businesses need to be empowered to take an active role in the decision-making process by raising their level of experience and the resulting awareness and by building their capacity to participate. Moreover, Prakash (2015) finds that small Dalit businesses can be organised effectively to deal with the state apparatus governed through upper caste patronage. He further argues that Dalits should strive to deepen their economic citizenship by means of formal and substantive claims involving the state - because markets deny them their due. Although the policy makers and the bureaucrats interviewed believed that a well-defined locally worked-out approach to key concerns like credit and skill development is

urgently required to cater to the specific needs of small Dalit businesses; very little effort has been made in this direction.

6.6.2 Intrinsic Complexity

Coordination among various institutions is another major problem for the multi-layered policy processes that have been initiated. The policies affecting Dalit businesses are not administered through one ministry but instead through multiple ministries, departments and agencies. The regulatory frameworks, laws and procedures have only reinforced this institutional complexity. The proliferation of regulatory institutions and mechanisms, of complicated office procedures, bureaucratic requirements for eligibility and coordination has discouraged Dalit businesses from taking full advantage of the state's policies. The sectoral specificity of problems of Dalit businesses is not recognised in the policy making process. Discrepancies in definitions and internal contradictions are used as 'escape hatches' by bureaucratic officials to evade responsibility for the mediocre outcomes of these policies. Furthermore, Dalit business owners attribute inconsistencies and contradictions in policy processes to indifference or anti-Dalit biases in the provisioning institutions, to lack of awareness about specific provisions, and to the informal and formal procedures of access. They accused district officials of procrastinating and exercising discretionary power in issuing required certificates, disbursals of credit, and releasing stipends for training programmes. The procedural complexity of the state restricts access to opportunities and business resources for Dalits. A given policy is often implemented differently in different contexts and regions (for example, the cases of credit and skill development programmes under NSFDC and NSKFDC). The politics operating at various levels combine with regional differences in priorities to create a range of effects on policy processes. These similar agendas can also have different and politically contradictory outcomes depending on the relation between the ruling party in the state and the central government.

6.6.3 Discrimination and Exclusionary Practices within the State

In chapter three, I had argued – as does Prakash (2015) - that the market, social institutions and the state apparatus are embedded in caste structures and that caste biases emanating from these structures affect their outcomes. The analysis of four aspects of the policy process for three affirmative policies for the incorporation of Dalit businesses offers insights into how policies perpetuate or prevent discriminatory and exclusionary practices within the state apparatus. The key argument driven by field research here is that the state apparatus engages in subtle forms of discriminatory and exclusionary practices in all dimensions of the policy processes: agenda-setting, procedures, access and resource mobilisation. The study sheds light on the multifaceted nature of discrimination by recognising formal and informal ways in which officials discriminate and exclude Dalit businesses from benefitting fully from the affirmative policies meant for them. Discriminatory and exclusionary practices are effected through several institutional mechanisms simultaneously in overlapping fields of bureaucratic politics.

Subtle forms of informal discrimination and exclusionary practices are often insidious and difficult to detect. The study relied on the experience of Dalit business owners and field interviews with policy makers to examine the nature of these practices and their implications for economic incorporation. It has identified discriminatory and exclusionary practices in agenda-setting, which include unfavourable prioritisation, incoherent and inappropriate schemes, bureaucratic disinterest and lack of consultation with Dalits.

The bureaucratic politics of proceduralisation promotes discriminatory and exclusionary practices through complex application procedures, multiple labels enabling capture by ‘others’, clubbing with ‘other targets’ to water down targeted programmes (e.g. ‘Stand Up India’ initiative), lack of provision of monitoring mechanisms for affirmative policy, and discrepancies in definitions (as in the procurement quota policy order).

The most visible discriminatory practices are observed in the field of bureaucratic politics of *access*. Field interviews with Dalit business owners suggest that affirmative policies for Dalit businesses, especially quota based provisions and targeted programmes

were often associated with stigma. The act of self-identification by Dalit business owners to benefit from these programmes provides an opportunity for officials to reflect discriminatory biases. Officials exercise power through inaccessibility, unapproachability and non-responsiveness. The idea of discrimination and exclusion is nurtured and sustained through the selective enforcement of rules and procedures for Dalit business. These range from preferential programmes (e.g. PMEGP, Rajiv Gandhi Udyami Mitra Yojana); discretionary practices of disqualification, document verifications and submission of applications to rent-seeking to protect the interests of upper castes. Dalit business owners in Raebareli narrated their experiences of the prejudices in the local administration: district officials and managers compromise Dalit rights, question the logic of their desire for occupation mobility, accuse them of being pampered by the state and humiliate them by questioning their political affiliations. Dalit business owners perceive their relationship with the district administration through a being the object of discrimination and exclusion. The reasons for such perceptions are often reported as rooted in the dominance of upper caste networks in the decision-making levels of the state apparatus.

The least visible aspect of discriminatory and exclusionary practices in the bureaucratic politics is *resource mobilisation*. Bureaucratic elites pursue their own distinctive interests of patronage for Dalit elites and upper castes, while targeted and preferential programmes benefiting the majority of Dalit businesses are often delayed, under-invested and under-spent. The nexus between powerful political constituencies such as DICCI and bureaucratic elite interests can create new structures of patronage which are bound by a kind of solidarity among all kind of elites – both in and out of the state - benefiting their mutual interests.

During field interviews, Dalit business owners pointed to the embeddedness of state officials in the social structures of caste, regional networks, and market associations. Such embeddedness disadvantages the interests of Dalit business owners and promotes the upper castes favourably in the market. Dalit business owners perception of the state apparatus as latently biased, prejudiced, discriminatory and exclusionary against their

interests has several implications for their economic incorporation: first, it segments the market persistently along line of caste increasing its rigidity; second, it promotes the marginalisation of Dalit businesses in the occupational sectors of the economy and relegates them to the lower rung of the market; third, it promotes caste-based market networks; consequently deepening the roles of caste in markets in newer ways. These networks occupy the space for the collective representation of businesses to the state in the sense that they come to represent the collective aspirations of the community; fourth, the constant fear of closure, rent seeking and harassment by the state officials discourages Dalit firm-ownership ; fifth, it partially explains the persistent failures of government schemes.

6.7 Reflections on Schaffer's framework

The state behaves in contradictory and specific ways with respect to the economic incorporation of Dalits into the business economy. On the one hand, at a broader level the state intervenes specifically to help Dalits enter the market through its affirmative policies: quota system, targeted programmes, and preferential provisions; on the other hand, the state apparatus engages in the formal and informal practices of discrimination and exclusion and the politics of patronage through the overlapping field of four kinds of policy processes: agenda-setting, procedures, access and resource mobilisation. Schaffer's framework for policy processes allowed me to analyse the power relations and related interests in specific policies. In particular, it focussed on the process of policy agenda-setting and showed how various stakeholders interact and influence the agenda of affirmative policies. It also offered me an opportunity to focus on the subtle notions of discrimination and exclusion in the state apparatus. It also allowed for interrogation of policy practices and mechanisms (e.g. discrepancies in definitions, procedural complexity, etc.) by which the bureaucratic power evades responsibility for the outcomes. This framework bore much significance for the study as it helped in locating possible reasons for persistent failures of affirmative policies (e.g. 'escape hatches' in proceduralisation; incoherent power relations in agenda-setting,

discriminatory and exclusionary practices within the realm of the state, etc.). This framework also focussed on the hitherto neglected field of policy practice- *resource mobilisation*. Harriss-White (2002) had adapted Schaffer's framework of policy analysis to include the important aspect of resource mobilisation, distribution and allocation of the bureaucratic politics.

Prakash (2015) uses the concept of intersectionality (borrowing from the feminist studies) to examine the lived experiences of discrimination and unfavourable exclusion of Dalit entrepreneurs at multiple points of intersection of the market, the state and civil society. Prakash's thesis of intersectionality does not pay specific attention to practices within the realm of the state. However, Schaffer's framework of policy analysis allowed me to examine specifically the forms of discrimination and exclusionary practices simultaneously in four overlapping fields in the state. This study nuanced the understanding of how the caste is reflected and perceived in the state apparatus. The narratives of Dalit business owners' experiences in dealing with the state helped to challenge the dominant notion of the state about enabling the marginalised. Schaffer (1984) justifies this data-intensive means of policy analysis saying it identifies 'room for manoeuvre'. I have interrogated how policy processes serve agendas of various stakeholders. More room for policy manoeuvre for Dalit businesses might depend on the political support for affirmative action in the business economy, the self-representation of Dalits in the top-level bureaucracy, and the capacity of small Dalit businesses to organise.

Fernandez (2012) has critiqued Schaffer's conception of policy practices arguing that it does not pay attention to how differential outcomes of discourses and practices are contingent on social identities (such as gender). Here, I argue that Harriss-White's adaptation of Schaffer's conception as four overlapping bureaucratic politics as used in this study allows me ample opportunity to account for the relationships between social identities such as caste and policy practices.

Thorat (2012) has highlighted the severity and rigidity of the caste hierarchy in the labour market and how economic discrimination is practised but does not account in detail for inherent biases and prejudices inside the state. Deshpande (2011) discusses how affirmative action provides an opportunity for social mobility for some Dalits and also looks at the limitations of a quota-based approach, but does not focus on how the state itself may perpetuate economic discrimination. In this context, this research has offered a unique opportunity to further understanding about the discriminatory and exclusionary practices of the state and how they affect market outcomes. This study adds another dimension to the scholarly contributions of Harriss-White (2003), Prakash (2015) and Jodhka (2015) on the enduring relationships in the contemporary era between caste, the market and the state.

Overall, the research demonstrated that affirmative policies for Dalit businesses are often multi-layered and complex due to the politicised contestation by stakeholders involved in the policy making process. It demonstrated that ‘policy’ is a process of bureaucratic politics operating simultaneously on its different dimensions- agenda-setting, procedures, access and resource mobilisation. The intrinsic complexities of policies for Dalits’ incorporation make them difficult to analyse. Policy studies, therefore, need to call upon a range of methodological positions and methods in order to achieve the most powerful explanations for policy practices and outcomes (Blackmore and Lauder 2005:100).

6.8 Conclusions

This chapter argues for a political analysis of policy and makes a case for the greater engagements of actors with different power positions in decision-making. The affirmative action agenda has been expanded and has become more complex, over time – in the main reflecting the interests of Dalit elites and the Dalit bureaucratic class. The existing set of affirmative policies for Dalit enterprises illustrates the dynamic nature of the political processes of political parties and bureaucracies. Policy processes are geared persistently towards an affirmative action paradigm emphasising market support rather

than credit and skill development, and even the market support has been both patchy in territorial reach with coverage expanding only very slowly over time.

The quota policy decision highlights a policy vision confined to refining 'traditional' affirmative policies focused on quotas in education institutions and government jobs. The quota policy for procurement from Dalit enterprises is not appropriate for the characteristics of the majority of Dalit firms. The plight of common Dalit businesses is not reflected in current policy processes. The politics of patronage, bureaucratic inefficiency and deliberate neglect and the domination and sabotage of the policy process by elite business interests are mutually reinforcing. The result is a gross imbalance between discursive encouragement and practical neglect of Dalit businesses.

Given the multifaceted nature of discrimination, a quota policy in procurement cannot be the sole solution to the incorporation of a majority of Dalits into the business economy. While access to credit and skill development programmes needs generalising, the low level of Dalits' incorporation into such programmes is a major obstacle to better-targeted interventions. The specific characteristics of Dalit businesses have to be understood in their interaction with inappropriate policy processes. The bureaucratic approach for skill development and credit support programmes means that the political class has not made enough efforts to work on the underlying issues obstructing Dalits' entry into the business economy as owners of firms or to relate them to the structures and relations of power.

Overall, the argument of this chapter is that policy must be understood in terms of complex layers of bureaucratic politics. Affirmative policies for Dalit businesses are complex, multi-layered, and path-dependent; their constitutive fields of practice operate simultaneously and involve many institutions of government.

7 Conclusions

Though the lives of Dalits have changed significantly in the last six and a half decades since independence, as one of the most marginalised groups in India, Dalits still struggle both socially and economically (Thorat and Newman 2012, Thorat and Negi 2014). Despite the Constitution of India providing multiple mechanisms to improve the situation of hundreds of castes and sub-castes, officially classified as Scheduled Castes and politically known as Dalits, more needs to be done to integrate them into the mainstream economy. This thesis has explored their conditions as owners of firms. In this chapter, I summarise the analysis of the incorporation of Dalits into India's private business economy.

The Indian economy has changed significantly since the introduction of liberalisation in the 1990s. With the retreat of the state from economic production and distribution, the total number of private enterprises multiplied - more than doubled - in the post-liberalisation era. The average employment per enterprise has reduced over time (from 2.88 in 1990 to 2.41 in 2005). The share of the unorganised sector has remained extremely high (at approx. 90% of employment). The enterprises are mostly own-account and self-employment-driven (95% of firms have fewer than five employees). These patterns of growth involving small businesses in part reflect the entry of Dalits as owners of firms. While the total number of Dalit enterprises grew significantly, their proportional share remained stable during the early liberalisation period of 1990-2005. Inequality in the ownership of businesses across social groups persisted over the first fifteen years of liberalisation.

It is in this context, that this thesis aimed to enhance understanding of the engagement of Dalits in the production and/or distribution of goods and services. My research looked at the incorporation of Dalits into the business economy i.e. how they are able to enter

markets as owners of businesses. This study had three key objectives: first, to analyse the spatial and sectoral variations and emerging patterns of Dalits' incorporation; second, to explain factors and processes implicated in Dalits' entry into the market economy; and third, to analyse the implications of critical social and economic policies on Dalit entry.

To explore these objectives, I measured the degree of Dalit economic incorporation and its spatiality, across time, regions and sectors. The first component of this research contextualised the process of economic incorporation concerning the *structure of opportunities* for Dalit business and the *business resources* to which the Dalit communities have access in attempting to set up on their firms (Ward and Jenkins 1984, Bader 1997) (see Chapter 3). The second aspect sought to uncover discriminatory and exclusionary⁹⁸ practices creating adverse terms for Dalits and the relations of these practices to social structures, market organisations and the state apparatus (Deshpande 2011, Thorat and Newman 2012, Jodhka 2015, Prakash 2015). A dual framework of discrimination and social exclusion was used to unravel factors and processes affecting the entry of Dalits. The third component of this research situated policy processes politically and enabled an examination of the complex power relations among various policy stakeholders. For this, the study adopted Schaffer's framework of policy analysis (Schaffer 1984), which examines policy as bureaucratic politics or '*bureaucratics*' in turn comprised of the simultaneous politics of agenda-setting, procedures and rules, resource mobilisation and public access.

The research involved using and gathering data at multiple levels to analyse Dalits' incorporation and used mixed methods - quantitative and qualitative. While structural

* Discrimination can be defined as any distinction, exclusion, restriction or preference based on traits other than merit or utility. Social exclusion can be considered as processes preventing adequate access to resources and integration into key social institutions.

factors were investigated at district and state levels; discriminatory and exclusionary processes were examined with primary field research and case studies. The study used choropleth mapping and trajectory analysis to explore spatial patterns, temporal and sectoral variations. It used spatial autocorrelation tests and spatial regression analysis to model quantifiable factors affecting Dalits' entry as business owners. To analyse the role of social structures, market institutions, and the state in Dalits' incorporation the research used case studies, semi-structured interviews, and thematic analysis. The combination of various methods helped in unravelling the complexity of processes of economic incorporation. This revealed how Dalits remain entrenched at the bottom of a highly hierarchical social system and are subjected to multiple kinds of discrimination and exclusion in gaining access to business resources and opportunities.

In this chapter, I present the summary and discussion of the three objectives of this thesis. In the first section, I highlight the key findings from the empirical chapters under three sub-sections: (i) temporal, spatial and sectoral variations in Dalits' incorporation, (ii) factors and processes affecting Dalits' incorporation, and (iii) policy processes and their implications. The first section also highlights the other key contributions that this thesis has made to research on Dalits' economic incorporation. The second section discusses my reflections on the analytical framework, literature review, theory, and methodology. The last section points out the limitations of this study and the scope for further research.

7.1 Major Contributions from Researching Dalits' Incorporation

In this section, I summarise key findings and arguments from the thesis' empirical analysis and also highlight my research contributions to three areas. First, the research shows the variations in Dalits' incorporation at many levels: their overall proportion over time; then sectoral, spatial and regional patterns. Second, I show how various

factors affect the process of incorporation. Last, I indicate that policies for Dalit business are multi-layered processes and how they are sabotaged by the politics of Dalit elites.

7.1.1 Temporal, Sectoral and Spatial Variation in Dalits' Incorporation

My first objective in the thesis was to analyse the temporal, sectoral and spatial variation of Dalits' entry into businesses over last two decades: first, the overall proportional share of Dalits' business ownership over time at all India level; second, variation across key economic sectors; third, geographical variations across regions and states.

First, the characteristics of Dalit enterprises were investigated using the Economic Census data (1990, 1998 and 2005) and the 67th Round National Sample Survey (2010–11). Dalit businesses are concentrated in a few economic sectors, and their growth rate is comparatively low. The majority are disproportionately small in size and of low productivity, self-managed, undertaking survival activities at the low end of the distribution of firms in India. They face discrimination and social exclusion in accessing inputs and services necessary for business operations. They face disproportionate transaction costs while entering into business in modern sectors. They are adversely affected by the existing social structures in the market economy.

In the first fifteen of liberalisation since 1991, the proportional participation of Dalits as owners of enterprise did not change: social inequality in the ownership of firms persisted. Spatial, temporal, and sectoral variations in business ownership measure the imperfect and partial extent of incorporation across various regions of India and sectors of the economy over time. I calculated 'indices of participation' and produced a series of maps using GIS techniques to show patterns and trajectories over time in the inclusion

of Dalits in the business economy.⁹⁹ The trajectory of Dalits' incorporation is shown to be uneven, and there are large differences not only between geographical regions across the country but also between the economic sectors.

The spatial patterns across sectors show persistent under-representation in certain regions of India and certain sectors of the economy. Sectors are neither spatially uniform, nor are there uniquely distinct patterns of spatial concentration per sector. Dalits in the northern and southern states persistently face strong negative discrimination in almost all sectors of the economy. Southern regions with a relatively well-developed non-agricultural economy have unusually low participation indices. Northern states with higher proportions of Dalits in the total population also have low levels of incorporation and show substantial negative discrimination. In the Central-Eastern swathe, the level of Dalits' incorporation improves towards the Eastern region. North-Eastern tribal states with a minuscule proportion of Dalits in their total population show very high levels of economic incorporation.

I also analysed variations over time in the extent of Dalits' incorporation. During 1990-2005, Dalits' relative position in agricultural and allied businesses weakened except for far Eastern states and the North-East region. Dalits' disproportionately low participation in non-agricultural activities also intensified in Southern as well as Northern states. While Dalits had a relatively higher level of participation in the construction sector across most of the regions of India, they had significantly low levels of participation in trade, hotels and restaurants, transport, storage, communications, finance, real estate, health, education, and personal & community service sectors across all regions of India except for the North-Eastern states. The regionalisation of the economic participation of Dalits is highly differentiated in sector-specific ways.

* for a detailed analysis of maps see Harriss-White and Vidyarthi (2009); Harriss-White, Vidyarthi et al. (2014)

Spatial factors drive the process of incorporation. Spatial statistical techniques show that there is a high level of spatial clustering as well as spatial dependence on relatively adverse terms for Dalits in sectors such as hotels, transport, and trade. The regional patterns emerging from the spatial analysis at district level do not always accord with the state level analysis, suggesting that there are relationships and processes unrelated to state level policies affecting the entry of Dalits into business. These processes might be related to exclusionary practices within the state (Prakash 2015), to the community networks of Dalits (Jeffrey, Jeffery et al. 2004), and to the social background and social structures (Desai and Dubey 2012). Further, the spatial econometric analysis of sectoral and spatial variations found error coefficients to be highly significant. It indicated that the unobserved factors such as discrimination and the social exclusion of Dalits in the marketplace might be pan-Indian. I develop this in the next section.

Using my primary case studies from the state of Uttar Pradesh (UP), a very broad set of reasons for such variations were vouchsafed. They included differences in the skill sets needed to establish enterprises (i.e. marketing, information, accounting, project design, management, production etc.), the level of regulatory compliance requirements (i.e. taxation, licensing, safety, audit etc.), the degree of linkage to traditional occupations, the scale of capital and labour needed to set up firms, the patronage of business associations, networks and political parties, the availability of affirmative support, and other types of discriminatory and exclusionary practices. The field research revealed that Dalits are disadvantaged through these means in many sectors. Furthermore, it showed how these variations are linked to social structure and market institutions: while Dalits have comparative advantages in entering business in sectors such as construction and other community, social and personal service activities due to traditional caste-based

occupations; they face significant disadvantages in sectors such as hotels & restaurants, finance, transport, storage due to practices of exclusivity by upper caste networks. I observed the variation among Dalit sub-groups regarding their sectoral preferences – which were explained primarily by differences in their history, household occupational characteristics and their political patronage.

The key All-India contribution of the research was in mapping the regional pattern of Dalits incorporation into the business across sectors. These maps provide a scientific basis for identifying regions of economic discrimination. They enrich our understanding of the geographical diffusion of Dalit incorporation. They will also be useful to future scholars studying the issue of regional and sectoral variations in economic incorporation and will then contribute to the study of other ethnic groups' entry to, and operation in, the market. These maps offer a dynamic framework in which to analyse the impacts of structural shifts in policy such as liberalisation, affirmative policies in procurement, and 'Stand Up India'¹⁰⁰ initiatives for Dalits as they roll out across various regions. As the maps show regions of a relative advantage as well as disadvantage, they can be used to develop and evolve inclusive development frameworks. The spatial and sectoral analysis of enterprise ownership can help as a tool to measure the inclusiveness of the private business economy. They contribute to redress gaps in Dalit studies and offer insights into the complexity of Dalit economic incorporation.

7.1.2 Factors and Processes affecting Dalits' Incorporation

The second objective of my thesis was to understand *the factors which affect Dalits' incorporation*. This also required field research. My interviews of 36 Dalit entrepreneurs in the case study district of Raebareli in Uttar Pradesh showed that Dalits often enter

¹⁰⁰ The NDA Government has launched the 'Stand Up India' scheme in 2016 as part of the government's efforts to support entrepreneurship among women, SC and ST communities.

business due to constraints in agriculture and other waged livelihood opportunities. Other reasons include discrimination in the private sectors jobs, and limited opportunities in employment in the state. The idea of entrepreneurship for small Dalit business owners was driven more by self-employment for survival rather than by goals of innovation, growth, and accumulation.

Three broad types of opportunity structure for Dalit business owners emerge from the field research: constrained opportunities, open opportunities, and affirmative opportunities. Socio-economically poorer people, accounting for the vast majority of the Dalit population, if they enter the business, end up as self-employed or disguised wage workers to further the survival of their households. In the second type, open opportunities, the motivation of Dalits with sufficient business resources to enter the market is to increase their income and accumulate capital. The third category of affirmative opportunities refers to state-created opportunities that are targeted towards Dalits. While 'open opportunities' and 'affirmative opportunities' manifest 'pull' effects for Dalits seeking to start their businesses; 'constrained opportunities' reflect 'push' effects. Almost three-quarters of the sample interviewees were 'pushed' into business ownership. But, as these samples were selected through snowballing techniques, one needs to be cautious about the generalizability of this finding. Notwithstanding, the case study of Raebareli district offers in-depth insights about processes of economic incorporation, which may be relevant in other settings.

Business resources such as finance, know-how (technical as well as managerial skills), premises, labour, and the capacity to comply with regulations can either enable or limit Dalits' ability to act on available opportunities to start a business. Dalits consider access to finance as the greatest impediment to market entry. While Dalits are advantaged in 'know-how' of their caste-based 'traditional' occupations, they find it difficult to acquire

skills formally for ‘modern’ sectors.¹⁰¹ The majority of Dalit business owners either have no employees at all or work with family members. Others who employ regular or casual wage labour on a needs basis rely mainly on Dalit labour to reduce the transactions costs of hiring non-Dalits (i.e. higher wages, flexibility in working hours). Field interviews showed that Dalits also face discrimination and are significantly disadvantaged in comparison to non-Dalits in accessing premises at desirable locations for businesses due to the scale, the type of enterprise activity and premium rental prices set for them.¹⁰² Thus, in contexts of opportunity structures and business resources, the field research showed how Dalit business owners are often limited to particular sectors and areas due to discriminatory processes as well as historical disadvantages. The field study also found that the motivation to start an enterprise, the experience of discrimination and exclusion, and the extent of access to business opportunities and resources all vary among Dalits according to the type of enterprise activities, gender, socio-economic conditions of their sub-caste, and prevailing social structures such as caste-based networks, informal suppliers’ group, cultural associations etc. For example, while the ideas of ‘purity’ and ‘pollution’ create unfavourable conditions in the market for Dalits entering hotels and restaurant sector; the dominance of upper-caste networks makes it difficult for Dalits to get into the finance sector.

The field research identified how the socio-economic backgrounds of individual Dalits and their access to resources inevitably affect their market entry. Dalit business owners were classified into three interlinked and fluid categories: *marginal*, *survivor* and *accumulator*. The *marginal* Dalit business owners often enter the market without

¹⁰¹ Traditional occupations refer to occupations shaped by customs and beliefs of the social and caste hierarchies in the past. Modern sectors consist of services, manufacturing, and technology-driven industries.

¹⁰² The role of caste relations in the rental property market has been found crucial in the segmentation processes in a small town Srinivasan, M. V. (2016). *Arni’s Workforce: Segmentation Processes, Labour Market Mobility, Self-employment and Caste*. Middle India and Urban-Rural Development: Four Decades of Change. B. Harriss-White. New Delhi, Springer..

experience or social advantages and struggle to make ends meet. The second category of *survivor* Dalit business owners enter markets with considerable experience and business resources but often get trapped by wider contexts and social structures beyond their control (such as political patronage, caste-based networks in the market, locational disadvantages, technological constraints) and then struggle to grow or accumulate. The *accumulator* Dalit business owners have often previously benefitted from affirmative support and/or have wider networks and higher-level access to resources and can expand their businesses over time. Less than a quarter of the sample cases belonged to the *accumulator* category. Though these labels could be used to categorise any marginalised group; these categories allow us to analyse the nature and dynamics of the push and pull factors that confront Dalit entrepreneurs across economic sectors.

Dalits' access to opportunities and resources are derived from their positioning in local society. Critical effects of social structures are manifested in the dominance of upper castes in market associations, information networks, and favourable sites for businesses. As a result, Dalits may disguise their caste identity to reduce the transaction costs of both setting up and running businesses.

Chapter 4 discussed how access to business opportunities and resources should not be seen in isolation when attempting to account for the lower level of Dalit business activity. The entry of Dalit business owners is conditioned by the interactions of opportunities and resources with social structures, market institutions, and the state. Several market institutions such as public sector banks, financial agencies, suppliers' networks, formal and informal business associations operate and behave differently towards different social, caste and religious groups. Market institutions often reflect hierarchical caste relationships and thus perpetuate discriminatory and exclusionary

processes. Dalits' access to resources to establish a business is disadvantaged by such practices.

Market associations are often dominated by former occupation-related castes. These appear to Dalits as more or less exclusive upper-caste based networks, capable of blocking Dalits' access to sites, supplies, and business information. The field research revealed how practices of exclusivity by higher caste business associations screen out Dalits and maintain their domination. The collateral conditions for credit, the processes of apprenticeship, the terms and conditions of advance supplies are all mechanisms through which higher castes obstruct Dalits' operations. However, Dalits themselves are also forming caste-based associations to compete in the modern economy even though the structures of caste-based political patronage are further perpetuated. The increasing ethnicisation of caste and inter-caste rivalry also reinforces caste structures.

Further, the most necessary and relevant parts of the state apparatus, which govern licenses, permissions, sites and the infrastructure for entry into the business, are often controlled by upper-caste bureaucrats and their relations of patronage and these limit the opportunities for Dalit business owners. Thus one of the important contributions of this research is to reveal how the relationships between business resources and the structural dimensions of society and economy have varying caste-based effects on market entry.

The study established that the concept of spatial dependence is crucial in explaining sectoral and spatial variation in Dalit participation analysing the incorporation of Dalits across contiguous districts/states, observations for one district/state are likely to be spatially auto-correlated with that of neighbouring districts/states. The global measure of spatial autocorrelation at the district level is found to be very significant and positive for most of the economic sectors.

Further, structural factors such as levels of urbanisation, unemployment, and average land holding size have been hypothesised and empirically tested for their influence on the processes of sectoral and spatial unevenness in participation. While the state level spatial regression analysis found that urbanisation is the most significant predictor of Dalits' incorporation, the hypotheses that a greater educational attainment and the population density of Dalits improve their chances of business ownership had to be rejected. At the same time, the district level analysis suggested that Dalits' urban population ratios, Dalit unemployment, and their population density are significantly and positively related to Dalit participation in the business economy. The district-level influence of literacy among Dalits was consistent with the state-level analysis – and also rejected. The multilevel spatial analysis of Dalits' incorporation draws attention to the different extent of contextual effects at the district level and the state level on market entry.

With the help of 'spatial lag' and 'spatial error' modelling, the study found statistically that the unobserved factors could only explain spatial dependence in the model. For lack of appropriate data, the spatial models are not able to take account of business resources that are dependent on social relations, access to state-provided infrastructure, and on the extent of persistent and widespread discrimination and social exclusion of Dalits. Case studies showed that participation in the private business economy results from a complex mix of social, economic, cultural and structural factors.

The study demonstrated that spatial and sectoral variations in enterprise ownership could be explained by a combination of factors and processes. Very few studies on Dalit incorporation have highlighted the spatial and sectoral differences in Dalit business ownership (Harriss-White and Vidyarthi 2009, Harriss-White, Basile et al. 2014) but until the present research, general and statistically convincing explanations for these

variations were not available. The insights from this study have helped our understanding of the persistence of caste structures and caste-based practices in India's liberalised economy. I now discuss the policy processes and their implications.

7.1.3 Policy Processes and their Implications

The study of policy as an academic sub-field is overwhelmingly biased to policy formulation and policy-making in which implementation is considered as a residual and ex-post evaluations are rare and tend to result in suggestions for new rounds of policy. Bernard Schaffer, however, offered a framework to describe policy process as a series of overlapping zones of practices: authorization, establishment, and allocation (Schaffer 1984). Among others, Harriss-White used Schaffer's conception of policy process involving four kinds of simultaneous bureaucratic politics: the agenda generating policy decisions or 'authorisation,' the establishment of laws and procedure, resource mobilization (which Schaffer neglected) and access to public sector allocations (Harriss-White 2002). This approach to policy has the distinct advantage of delineating in a realistic way the 'room for manoeuvre' and the interests arraigned against a given policy.

The study adapted Schaffer's framework to analyse the complex layers of politics involved in affirmative policies for Dalit businesses and to elucidate the power relations in policy processes. In case studies of affirmative policies for market support, credit and skill development, it examined how affirmative policy processes are developed and evolve. Here, I present the key findings for the four dimensions of policy processes: agenda-setting, procedures, resource mobilisation and access.

The state apparatus (i.e. higher level of bureaucracy, the Planning Commission, and various task forces, panels and working groups for promotion of MSME or welfare of

Dalits established by the Government) identified the low level of economic incorporation of Dalits as being a significant problem for the agenda of inclusive growth. It has expanded its support from providing credit and training to business owners to creating assured markets through preferential procurement quotas and the establishment of dedicated capital funds.

In case studies of three policies: market support, credit and skill development, it was discovered that their agendas both coexist and are interconnected through shared objectives and institutional/ procedural mechanisms. But they are driven differently due to varying power dynamics, and they are at different stages of evolution. While the agendas for market support and the quota in procurement for Dalit businesses have evolved in the 21st century, the credit and skill support development programmes had been in existence for longer. The biggest obstacle to Dalit businesses is a lack of credit, but the scope of the credit support programmes and access to them has remained limited. The character and design of skill development programmes have not changed much since their inception as they promote a select few entrepreneurial activities, which appear to Dalit interviewees as arbitrary and not relevant.

My analysis put particular focus on the most recent policy decision about setting quotas for Dalit businesses in government procurement¹⁰³, because this marks a structural change in affirmative actions for Dalit businesses. Policy-makers engaged in setting the agenda of affirmative policies for the market support (including the state procurement quota policy) are a small elite Dalit group¹⁰⁴ and a section of top-level bureaucracy,

¹⁰³ The Government of India's Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 mandated all central ministries, departments and central PSUs to ensure at least 20 percent procurement of total annual purchases of products produced and services rendered by MSEs. Out of 20 percent target from MSEs, a sub-target of 20 percent was earmarked for procurement from MSEs owned by SC/ST entrepreneurs.

¹⁰⁴ A minuscule number of Dalit business owners have become millionaires defying all odds and prejudices, and have received a significant degree of visibility and prominence in the national media over the last decade. They have formed the Dalit Indian Chamber of Commerce and Industry (DICCI) but within the Dalit population, they represent only a very narrow social stratum. The formation of DICCI and

which controls decisions on quotas without a useful evidence base. The limited contestation of quota allocations without evidence raised critical questions about the technocratic and bureaucratic norms of agenda-setting.

Dalit business associations and Dalit intellectuals were found to play a vital role in the development of the state's affirmative action agenda in the private business economy. The self-interest of these Dalit elites and their power over the top-level bureaucracy played crucial roles in bringing the idea of quotas in procurement policy and a Dalit venture capital fund onto the policy agendas. Though the initiative for setting procurement quotas for Dalit businesses is considered 'transformative' and 'historical' by the Dalit Indian Chamber of Commerce and Industry (DICCI) and the mainstream English media, its effectiveness is yet to be established through the policy processes of resource mobilisation and access. Furthermore, the agenda-setting for Dalit businesses led by Dalit business elites and the top-level bureaucracy has huge implications for poorer and socially marginalised Dalits. These include the perpetuation of socio-economic inequality, the marginalisation of micro and small Dalit businesses, and the reinforcement of caste identity in newer ways. The quota policy for procurement from Dalit enterprises is not appropriate for the characteristics of the majority of Dalit firms, and their plight is not reflected in the policy process.

While the quota policy process has been influenced by the politics of Dalit elites; the two other support policies - credit support and skill development programmes, neither without their problems¹⁰⁵ - were side-lined by Dalit elite campaigners and lobbies. These were to a far greater extent the product of bureaucratic and technocratic policy processes

emergence of Dalit millionaires have led however to the promotion of 'Dalit capitalism' as the way forward for the economic empowerment of Dalits.

¹⁰⁵ Credit and skill development programmes targeted towards Dalit businesses are often under-funded, incoherent, inappropriate and riddled with the bureaucratic complexity of rules and procedures.

leading to the centralisation of capital by few Dalit elite people in business and the marginalisation of small Dalit businesses.

The proliferation of regulatory institutions, of detailed office procedures, of bureaucratic requirements for eligibility and coordination procedures, has only added to the complexity of multi-layered policies and has discouraged Dalit businesses from taking full benefit of the state's incentives. Discrepancies in definitions and internal bureaucratic contradictions are also deployed to evade responsibility for the outcomes. Practices of *mistargeting*, *under-allocation* and *under-spending* have also been exposed to the case-study policy research.

The policy processes researched here involve a range of state and non-state institutions including business associations and many social practices of discrimination and exclusion (i.e. domination by the upper caste, notions of purity and pollution, subordination in business partnerships, threats of violence, exclusivity, premium rents, higher collateral and interest rates for credit than for non-Dalits, control over labour supply etc.). Moreover, formal social and economic policies designed to prevent discriminatory and exclusionary practices in the business economy may perpetuate it in practice. The combinations of formal and informal practices adopted by the officials in the state apparatus include inaccessibility; non-responsiveness; inordinate delays and procrastination in registration, approvals and disbursal, licensing and dispute resolution; incoherent and inappropriate schemes; under-investment in targeted/preferential programmes; underspending; mistargeting; and the selective enforcement of rules and procedures (See Annexe 11 for a comprehensive list of discriminatory and exclusionary practices).

The specific characteristics of Dalit business – their small size and their confinement to certain economic sectors - must be understood as the outcome of complex social relations and policy processes. In turn, policy processes for promoting the incorporation of Dalits into business are multi-layered and complex due to the politicised contestation by stakeholders.

The historical context of affirmative policies for Dalit businesses was examined in this thesis. A set of state-level variations in policy support for Dalit businesses were identified. While key states in Northern India such as Rajasthan, Jharkhand, Madhya Pradesh and Uttar Pradesh had made specific policies to provide market support to Dalit businesses, in Southern India states namely Andhra Pradesh and Karnataka incorporated preferential provisions for Dalit entrepreneurs in their industrial policies. The state-level variation in policies may further exacerbate uneven regional economic incorporation of Dalits.

Paradigmatic shifts in affirmative policy discourse have developed in three key ways: from a paradigm of 'affirmative action' to a 'diversity paradigm,' from 'jobs' to 'enterprise' and from 'socio-political empowerment' to 'economic empowerment.' These discursive shifts reflect the change in focus from the empowerment of the social group to support for individual capabilities. Field research suggests that these shifts have been driven by the compulsions of neo-liberal ideology in the liberalizing economy.

These findings have implications for equity and inclusiveness in the business economy. At the least, they suggest that the analysis of interests opposed to a given policy, and means to neutralise them should be mainstreamed into policy studies and advocacy.

7.1.4 Summary

The study offers several insights. First, on caste: new expressions of caste prejudice; the general persistence of caste in shaping market outcomes; specific variations in caste prejudice according to the sector of the economy and regions – regions not always defined by state or policy boundaries. Second, the study highlights the liberating role of urbanisation as a key predictor of the spatial and sectoral concentration of Dalit businesses. Urbanisation offers Dalits an opportunity to operate in anonymised settings and also to re-label themselves. Third, the study showed that the business participation of ethnic and marginalised groups is affected by the structure of opportunities and the level of access to the essential business resources such as credit, skills, sites, supplies, labour, etc. Fourth, discriminatory processes such as subordination and humiliation by the upper castes; forced partnerships, etc. and exclusionary processes such as practices of exclusivity by market association; threats of violence and eviction; affect Dalits' market entry. Variability in discrimination and exclusion across sectors and regions are crucial in explaining sectoral and spatial variations in Dalit business ownerships. While the discriminatory notions of purity and pollution are applied in hotels and restaurant sector, the practice of exclusivity is adopted in finance.

Fifth, this research shows that the state ensures the marginalisation of Dalits through the new generation of policy processes. These involve the politics of patronage, bureaucratic inefficiency, under-investment, and procrastination. The field research on policy demonstrates that 'policy' is a process of bureaucratic politics operating simultaneously in several different dimensions. In particular, the process of policy agenda-setting showed how evidence is politically constructed and used by a range of agents with interests in specific policies.

7.2 Reflections on Literature and Theory

The previous sections summarised the key contributions of this thesis on Dalits' economic incorporation. In this section, I focus on how this research contributes to the larger literature.

While this research has explored the understudied area of the status of Dalits in business ownership, most studies of the economic participation of Dalits have focused on labour markets and on affirmative policies for jobs and education (reviewed by Thorat and Deshpande 2001, Thorat and Mallick 2004, Thorat, Aryama et al. 2005, Thorat, Attewell et al. 2009). This research added to the field of Dalit entrepreneurship pioneered by Deshpande (2013), Prakash (2015) and Jodhka (2015). It also contributes to Dalit studies by looking into aspects that have not been the focus of much earlier attention – two areas in particular; first, the spatiality of discrimination and social exclusion and second, the politics of policy for Dalit business. The relationship between caste and the economy has rarely been empirically and spatially analysed at scales greater than slum or village studies (Vera-Sanso 1995, Himanshu, Jha et al. 2016).

In my review of the literature on Dalit studies in Chapter 2, three general points were noted. Firstly, Dalits remain at the bottom of India's social hierarchy grounded in caste and are a comparatively disadvantaged social group. Despite the rise in their literacy level, urbanisation and occupation diversity, they continue to experience caste-based discrimination and social exclusion in social as well as economic life. Second, the economic analyses of caste, in attempting to explain the persistence of caste system in India's modern economy, focus on the transactions costs and penalties imposed on breaking caste-based restrictions on economic mobility but do not explain the formal and informal practices of exclusion within the state and the market. Third, Dalits rely on

restricted community networks to access business resources or assistance in setting up businesses.

In my literature review, I also discussed other research on the economic incorporation of Dalits into India's private business economy. In particular, the work by Prakash (2009, 2015) and Jodhka (2010, 2015) was highly relevant to my research. They show that market outcomes are embedded in social structures such as the caste and suggested several mechanisms of discrimination against Dalits in the business sector. The most important of these were caste-based penalties, caste-based rigidity in market processes, prejudice in granting access to credit and sites, network closure, etc. (Prakash 2009, Jodhka 2010). Prakash (2015) has shown from field research how Dalit's market entry requires upper-caste patronage, which is costly to broker through bribes and may fail - leading to unfavourable exclusion from the benefits of government-supported schemes and programmes. These factors proved to be useful in my analysis of Dalit business.

My study also highlighted that market outcome is socially embedded. As established earlier, the social groups to which the prospective business owners belong have a significant bearing on their market entry - affecting their access to business opportunities and resources and also affecting market outcomes (Deshpande and Sharma 2013, Jodhka 2015, Prakash 2015, Srinivasan 2016). A central argument of this thesis is that Dalit market entry is affected by social identity due to the critical and prejudicial effects of caste on access to opportunities and resources. My analysis further extended these arguments by bringing in aspects of sectoral and spatial variation into the analytical framework. Caste status still leads to the denial of opportunity and business resources for Dalits in different ways across economic sectors.

Forms of discrimination and exclusion in the economic sphere are shaped by regional contexts as well. This is primarily because elements of caste structure such as network

effects, the assertion by elites, relations between upper castes and lower castes, norms and practices, and sub-categorisation of Dalits vary from region to region.

Damodaran in his study on the modern-day evolutions of business communities in India argues that 'inclusive capitalism' has not followed a uniform pattern across India (Damodaran 2008). He has observed that Southern and Western states have incorporated a far wider spectrum of communities in the business economy than have northern states. However, in contrast, my study using Economic Census data, has found that Dalits continue to face negative discrimination in Southern as well as Northern states except Central-Eastern swathe and North-Eastern states - though each for different reasons. Thorat & Newman argue that discrimination and social exclusion create barriers to upward mobility for Dalits in much more ways than for other marginalised groups (Thorat and Newman 2012). Though my work does not do any comparative analysis, it reinforced the fact of Dalit discrimination in the marketplace.

The literature on the factors and processes in caste-based discrimination in the economic sectors, as well as spatial analysis, was also useful for my analysis. This literature notes that structural factors (such as education, poverty, unemployment, land ownership, residential status) are important in explaining entry and participation (Jeffrey, Jeffrey et al. 2004, Bal and Judge 2010, Iversen, Kalwij et al. 2010, Jodhka 2010).

Dalits persist as comparatively disadvantaged social groups regarding physical capital such as land and fixed assets. Such structural disadvantages severely affect Dalits' ability to access business resources like credit and supplies. In her analysis of Dalits' private business ownership across primary, secondary and tertiary sectors, Murphy had suggested that moving to urban areas might have a dissolving effect on caste rigidities (Murphy 2006). With the help of spatial econometric analysis, my study confirmed the significant impact of urbanisation on Dalits' businesses. Though urbanisation

disadvantages Dalits due to their relatively smaller social networks, urban sites work to Dalit advantage through their anonymity which tends to reduce penalties and transactions costs over those in (rural) conditions where their caste is well-known.

Harriss-White and Vidyarthee analysed Dalit participation in the business economy and state-level variations in the 1990s (Harriss-White and Vidyarthee 2009). This thesis looks at Dalits' incorporation over the time span 1990-2005 using the latest data. It expands on possible explanations for spatial and sectoral variations and elaborates on factors and processes influencing economic incorporation. Iyer, Khanna & Varshney showed that there are substantial caste differences in entrepreneurship across states and Dalits are significantly under-represented in the ownership of enterprises (Iyer, Khanna et al. 2013). They did not attribute differences in under-representation of Dalits across states to significant differences in their access to physical or human capital. I also conclude that land holdings and literacy levels, used statistically as proxies for physical and human capital respectively, are not related to the patterns of Dalit enterprise ownership.

Teltumbde (2001) and Babu (2004)'s research results about the limited impact of liberalisation on Dalit business were useful. My research has refined the argument and highlighted that caste prejudice has not weakened as expected in the business domain. Kapur and colleagues showed that on a broader level the consumption patterns of Dalits saw substantial shifts during the post liberalisation period and the inequality between Dalits and other groups has been reduced (Kapur, Prasad et al. 2010). My analysis of participation was not as conclusive as their analysis of consumption, finding that while, in the first decade, liberalisation had an adverse impact on the proportional share of

Dalits' business ownership; by the end of 2005, the overall proportionate share of Dalit businesses remained stable.

Aiyar has argued that the liberalisation has opened new spaces for Dalit businesses and allowed a new entrepreneurial class to emerge among Dalits (Aiyar 2015). Some authors have highlighted the rise of Dalit millionaires driven in part by new opportunities in a liberalised economy (Iyer, Khanna et al. 2013, Kapur, Babu et al. 2014, Aiyar 2015). My study argues however that this phenomenon is not representative of Dalit businesses. It substantiated the work of Gopal Guru on Dalit millionaires in which he calls this phenomenon of the sudden rise of few millionaires a 'low-intensity spectacle' (Guru 2012).

Within the small body of research on Dalit entrepreneurship under liberalisation, my research argues that liberalising forces have not weakened caste structures (as theorised by Srinivas 1994, Fuller 1996), and instead that caste-based identity structures express themselves in new ways. While social forces are destroying aspects of caste (replacing caste by experience and reliability for instance in commercial networks) on the one hand, at the same time Dalit identity is being perpetuated by Dalit elites and the state - in newer domains. The evolution of DICCI and the introduction of caste-based procurement quota policies are examples of this appearance of Dalit caste identity in the liberalised business economy. Caste identity has always been expressed in the business economy (Timberg 1978, Harriss-White 2003), but the appearance of the Dalit identity in the private business economy is a recent phenomenon. Thus, this research contributes to the scholarly critiques of theories of institutional change and attempts to explain the persistence and/or reproduction of institutions such as caste in both society and economy.

The state has been mandated by the Constitution to play a leading role in addressing the structural causes of the social and economic under-representation of marginalised communities. Several studies show how the state-mediated economic outcomes are linked to social and political structures. Moreover, Pai has demonstrated the limitations of state-induced change through programmes targeted towards Dalits in the absence of a strong wave of identity-based assertion (Pai 2010). My research on state-sponsored schemes also notes the lack of a Dalit upsurge from below but finds that Dalit socio-political assertion has led to some economic assertion by Dalits elites. The implications for the vast majority of Dalits of elite assertion, especially DICCI, on the agenda-setting of policy support are of exclusion. The benefits of economic growth policies can reach the most disadvantaged groups only if they are combined with supportive policies targeted to those groups currently excluded from participation in the market economy other than as wage workers.

Using the policy analysis framework of Schaffer (1984), my study examined the policy processes for Dalits' economic incorporation. I have discussed how the agenda is set for targeted policies and how control over that agenda is contested by a wide range of interests and power relations, how rules of access are defined and influenced by powerful elites, and how resources are mobilised, underfunded and delayed. The political analysis of procurement quota policy was complicated by the fact that affirmative policies are multi-layered and path-dependent and they involve many institutions of the state. Fernandez has adapted Schaffer's framework for her analysis of gender-based targeted programmes and identified various bureaucratic powers responsible for persistent failures of these programmes (Fernandez 2012). She argued that persistent policy failures are consequences of underperforming formal practices combined with informal policy practices by bureaucratic powers. The analysis of

development policy and agriculture in India by Harriss-White (2002), which also adapts Schaffer's framework by simplifying and developing the policy processes involving four kinds of overlapping politics- agenda, procedure, access and resource, was quite relevant for this research. I have provided many examples of how a given policy is implemented differently in different contexts and regions. For instance, under the credit support programmes of National Schedule Caste Finance Development Corporation (NSFDC), states like Karnataka and West Bengal have directed disproportionately large funds to their Dalit population; however, other states with sizeable Dalit populations including Uttar Pradesh have very low utilisation.

7.3 Reflecting on Analytical Framework and Methodology

In this final sub-section, I reflect critically on the analytical framework and methodology used in the study.

The study has made contributions by developing a rich analytical framework to analyse enterprise ownership. It simplified the complex idea of entrepreneurship among marginalised communities for this purpose. Understanding economic incorporation requires knowledge of multiple disciplines: economics, politics, policy studies, sociology, economic geography, etc. With the help of a multi-disciplinary approach, the research has invoked as wide a range of approaches to the explanation as the existing data allows.

Further, the thesis situates various factors and processes in a spatial context at different levels of aggregation. While the state-level analysis offers broad regional contours for the processes of incorporation, the district level analysis provides additional insights about multiple structural factors, as districts are more agro-ecologically homogenous and politically distinctive. Some spatial patterns of incorporation spread across the political

boundaries of states, while others are contained entirely within – and masked by - state boundaries. These regional patterns, some defined by state and district boundaries but many transgressing them or bounded by them call into question the authority of political-administrative factors in shaping the incorporation of Dalits into the market economy as business owners just as they call for more research on the social determinants of regions of Dalit participation.

The All-India, inter-state, and state-level research were aided by a case study of one district, Raebareli, and of several individual cases within it. This multi-level analytical framework was found helpful in explaining both sectoral and spatial variation, the processes of policy and the practices of discrimination and social exclusion.

The multi-disciplinary analytical framework chosen for this study allowed me to situate Dalit issues in multi-dimensional ways at various scales. It enabled the simultaneous examination of a large number of factors that affect the process of economic incorporation. Though the multi-dimensional and scalar analysis is a very robust analytical framework for the simultaneous examination of group-level and individual level factors, the distinction between group and individual factors becomes intertwined and very complex.

This multi-level analytical framework has been developed for analysing Dalit business in India, a developing country; but can be used for the analysis of the economic incorporation of any marginalised group. The intrinsic complexity of the policies of Dalit incorporation makes them difficult to analyse. I found that the political analysis of policies calls upon a range of methodological positions (i.e. a mix of primary and secondary sources, multiple domains, narrative analysis, etc.) to explain various aspects of policy practices –i.e. agenda-setting, procedures, resource mobilisation and access.

The research used mixed methods, moved between different scales, crossed boundaries of disciplines, and deployed a wide range of evidence. While this study uses statistical tools to analyse regional and sectoral patterns of economic incorporation of Dalits as a group at the state and district level, it relies on qualitative methods for individual case studies. This combination of multiple methods – semi-structured interviews, case studies, the quantitative analysis including spatial econometrics and policy document analysis- allowed me to accommodate the overlapping contexts of structural disadvantages and discriminatory practices. This also offered me the opportunity to triangulate methods and data as well as theoretical insights. Here, triangulation not only helped in validation but deepening and widening our understanding of complex processes of economic incorporation. Olsen argues that triangulation and pluralism support interdisciplinary research and innovations of conceptual frameworks (Olsen 2004).

Though the combined uses of elements of quantitative and qualitative approaches provided a better understanding of research problems in this study, it also posed many challenges. Learning multiple methods and integrating them effectively in research design is resource-intensive and time-consuming. Mixed methods research has to take the assumptions underlying the multiple methods of analysis being used into account in drawing and presenting findings. Spatial analysis methods require intensive data of sufficient quality (e.g. locational (geometric/topological) information about the objects of concern, in order to quantify spatial patterns). The spatial data have inherent limitations attributable to granularity, spatial and temporal mismatch, location and attribute uncertainty, incompatible geographies, topological errors resulting in erroneous spatial weights (Jacquez 2004). Inferences drawn from spatial analysis have some limitations. The spatial modelling used in the study employed randomisation based on its

distributional assumptions (e.g. randomised permutations for Moran's I). This affects the generalisability of its inferences by limiting it to the data set. Further, studies of geographical clusters must consider the ecological fallacy¹⁰⁶ and misleading aspects of arbitrary spatial partitions (e.g. administrative boundaries changing over time).

My choice and conduct of qualitative research methods for the in-depth analysis of factors and processes of incorporation may also have influenced my findings. Different positionalities of my interviewees can lead to some answers being biased while others concealed some important information. Case studies from Raebareli district in Uttar Pradesh cannot be considered qualitatively or quantitatively representative of small Dalit businesses in general, but they do offer insights into the process of economic incorporation and the mechanisms of discriminatory practices.

The narrative of discriminatory and exclusionary practices in this study is implicitly comparative: that Dalits are more profoundly discriminated against and excluded than are other castes, tribes and minorities. One limitation of the field method we have developed is that it lacks control samples, thus constraining explicit comparisons. In defence, three points need emphasising. First, I have been cautious in making any direct comparison with non-Dalit small businesses due to practical difficulties and resource constraints in the field. Second, the study primarily relied on Dalit business owners' subjective experiences of discrimination – both encountering discrimination and perceiving the self as a target of discrimination. In many sectors of the economy, Dalit business owners attributed their exclusion and disadvantageous position in the marketplace to their group's stigmatised identity and to discriminatory attitudes of upper

¹⁰⁶ The ecological fallacy can lead to erroneous effect attribution Lal, A. (2016). "Spatial Modelling Tools to Integrate Public Health and Environmental Science, Illustrated with Infectious Cryptosporidiosis." *International journal of environmental research and public health* **13**(2): 186.. Results obtained solely from aggregate data should not be used for making assumptions about the nature of an association at the individual level Beale, L., J. J. Abellan, S. Hodgson and L. Jarup (2008). "Methodologic Issues and Approaches to Spatial Epidemiology." *Environment Health Perspectives* **116**(8): 1105-1110..

castes, both in the state apparatus and in marketplace exchanges. Their narratives have been used wherever possible to explain their experiences. This approach has helped me elicit insights into subtle mechanisms of discriminatory and exclusionary practices in the state and the market. Third, within the field of Dalit studies, Prakash's (2015) findings for larger Dalit business in North and Central India and Jodhka's (2005) findings on small Dalit businesses in Haryana and Uttar Pradesh (neither of which extended to include non-Dalit 'controls') have been used for comparative purposes. I have situated my findings in this literature (See Chapter 4 and 6).

7.4 Limitations and Scope for Further Research

The thesis mapped the factors and processes affecting the entry to the market with a particular focus on Dalits. The findings highlight the need for further investigation using other kinds of evidence and different levels of aggregation. Moreover, the analysis of factors and processes affecting other ethnic and disadvantaged groups in India's business economy – mainly Adivasis and Muslims – needs developing. It will generate a comparative understanding of market entry and operation. Analysis at the micro-level - sub-district and block development unit (i.e. lower than the district level of this study) may bring fresh perspectives to the issues of sectoral and spatial variation in economic participation. Case studies at the local level across different regions may help identify local factors, processes and mechanisms such as the extent and persistence of occupational status hierarchies, the roles of elites, and variations across sub-groups within the set of Dalit castes. The relationships between political regime structures and economic incorporation need research from the perspectives of disadvantaged groups. Further studies are also required for deeper analyses of discriminatory and exclusionary practices in the context of economic incorporation.

This research emphasises the need for systematic evaluations of the policies designed to improve the economic incorporation and participation of Dalits. A detailed and holistic perspective of the power relations of multiple stakeholders is also crucial for improving the design of policies. In particular opposition to policies needs systematic analysis with a view to developing a lexicon of bureaucratic and political tactics to neutralise them so that policy is more likely to be implemented as foreseen at the policy decision point. The experience of Dalit business owners should be an essential part of policy analysis.

There are limitations to the research in this thesis. First, many broad questions remain unanswered as they fall beyond the scope of the focus here. How do factors such as class, gender, ethnicity and religion operate along with caste in the business economy? How do we explain the persistence of caste structures in a liberalised economy theoretically? How are other marginalised communities - tribal and minorities-integrated economically, in comparison to Dalits? How does the nature and intensity of economic discrimination vary across sub-sectors and sub-regions? How can Dalits have access to full economic citizenship and equal opportunities for social mobility? What kinds of policy interventions need to be in place to address the issues of exclusionary and discriminatory practices in market entry and operation?

The emphasis of this thesis was on a multi-level analysis of Dalits' incorporation as business owners. This limits its relevance to various other key aspects of India's market society. For example, though gender is a central aspect of social life, the study could not develop a gendered analysis. Then, economic incorporation through business ownership needs to be explored using gender as a central axis of analysis. Attention also needs to be paid to the gender dimensions of discriminatory and exclusionary practices in business ownership. A theory of gendered economic incorporation may help to understand better the interrelationship between gender structures and power structures in

the context of market entry. The study of gender aspects would require extensive data collection which was beyond the scope of this thesis.

The second main limitation relates to the process of selecting sub-sectors, regions, and policy interventions for the detailed analysis. The study included individual field studies from only four economic sub-sectors namely construction, hotels and restaurants, personal and other community services, and finance. Insights from other sub-sectors would be very helpful in furthering the comparative understanding as well as explanations for variations offered in this study. Moreover, the field research in this study focused on Dalit business owners from a single province - Uttar Pradesh - for a nuanced perspective of the factors and processes affecting Dalits' entry into the market.

Though the findings from this study helped in identifying factors affecting Dalits' entry into, and operation in, the market and enabled the development of explanations of factors influencing the processes involved, the generalizability of the findings across other geographical regions needs further field research. A comparative study of market entry processes in several – if not all - regions would help extend insights from this study. Another opportunity exists in the area of policy analysis for universal policies to improve the mechanisms of market entry as the large emphasis of this study has been primarily on targeted efforts and affirmative policies of the Government towards a specific marginalized community.

Third, the study has limitations emanating from the methodology of a multi-level analysis – All-India, state and district levels and the use of mixed methods. It is hard to explain spatial and sectoral patterns using a constant, systematic set of variables due to the paucity of data for relevant group characteristics, particularly at the district level.

Overall, this research builds upon existing body of work in the field of Dalit studies and has also laid the foundation for future research activities. It offers new empirical information and develops an analytical framework for a multi-level analysis of economic incorporation. The study presents a set of reasons why and how caste persists in a business economy and also contributes to the extensive literature on the analysis of policy processes. There remains, however, a need for the continuous improvement of data, for the refinement of the analytical framework, and for interpretation in newer ways.

8 Annexes

Annexe 1: Sources of Empirical Information

A. Government Documents

- All India Economic Census Report 2005
- National Common Minimum Programme of the Government of India
- Annual Reports - Ministry of Social Justice and Empowerment
- The Bhopal Document: Charting a New Course for Dalits for the 21st Century
- Report on Social Security for Unorganised Workers by National Commission for Enterprises in the Unorganised Sector
- Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector
- Report on Prevention of Atrocities against Scheduled Castes by National Human Rights Commission
- Report of the Task Group on Development of Scheduled Castes and Scheduled Tribes on Selected Agenda Items of the National Common Minimum Programme by Planning Commission
- The Task Force Report on Bhopal Declaration
- Manifesto of the Indian National Congress & BJP
- NCEUS Reports
- PM Task Force report on MSEs
- Policy Orders/Circulars/Office Memorandum
- MSME list of schemes
- MSME Census Reports
- National Sample Survey Reports

B. 28 interviews with key officials from variety of institutions

- Ministry of MSME
- Dept. of SJ&E, Ministry of SJE
- NSFDC
- DICCI and its regional chapters –Delhi & Hyderabad
- FCI
- BSE
- Tata Motors
- DIC, Raebareli
- UPSCFDC, Raebareli
- RGUMY
- RES UP
- BUPGB
- LIC, Raebareli
- Raebareli Tent Association
- Academicians/Scholars

C. 36 interviews with enterprise owners belonging to Dalit community

D. Media reports

E. Public information about key events

- Bhopal Conference
- Dalit Capitalism Party
- Formation of DICCI and Dalit Trade Fair
- Interaction of delegations with Planning Commission and Government officials
- Election in state elections

Annexe 2: Structure of Fieldwork

Central Level

- Ministries of MSME, Finance, Social Justice & Empowerment, and Planning, Statistic and Implementation
- NSFDC & NSKFDC
- FCI & BSE
- NSIC
- Development Commissioner (MSME)
- CSO & Census Offices

State Level

- UPSFDC
- RES
- Department of Industries
- Department of MSME
- EDI

District Level

- District Administration
- Social Welfare Deptment
- Municipal Council
- DIC
- BUPGB
- LIC
- RGUMY
- Dalit business owners from 4 sectors in Raebareli District
- Market Associations
- Civil Society

Annexe 3: Research Ethics Approval

DEPARTMENT OF SOCIAL POLICY AND INTERVENTION

Barnett House, 32 Wellington Square,
Oxford, OX1 2ER, United Kingdom
www.spi.ox.ac.uk



21st October 2011

Kaushal Vidyarthi
Green Templeton College
Oxford

Dear Kaushal,

Ref: 2010 - 82

Dalits' Incorporation into India's Business Economy

Your application for research ethics approval in connection with your thesis has been considered by the Departmental Research Ethics Committee in accordance with the procedures laid down by the University for ethical approval.

I am pleased to inform you that, on the basis of the information provided, the proposed research has been judged as meeting appropriate ethical standards and DREC approval has been granted.

Please can you ensure that you submit a copy of this letter with your thesis in August.

Yours sincerely

Dr Lucie Cluver
Chair of DREC

cc. Robert Walker
Barbara Harriss-White

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Annexe 4: Participant Information Sheet

DEPARTMENT OF SOCIAL POLICY AND INTERVENTION

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Participant Information Sheet

20.10.2011

Research Title: DALITS' INCORPORATION INTO INDIA'S BUSINESS ECONOMY – IMPLICATIONS FOR SOCIAL AND ECONOMIC POLICIES

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I'm an Indian student in a doctoral program at the Department of Social Policy and Intervention at University of Oxford, UK. As part of my research on how Dalits are incorporated into India's business economy and its implications for social and economic policies, I carry out in-depth interviews with Dalit entrepreneurs and key stakeholders. My study aims to provide a better understanding of how Dalits are participating in the business economy as the owners of firms and how this process is spatially and sectorally varied. The study also aims to elicit insights about factors and processes implicating Dalits' participation and to analyse how social & economic policies affect these processes. The study focuses on the experience of Dalit enterprise owners in setting up the businesses and on the perspectives of key actors involved in the process of Dalits' incorporation into business economy.

I would like to invite you to take part in my research by giving me an interview. The interview is based on open questions related to the enterprise ownership and various factors and processes affecting the participation. The interview will be in a form of conversation. It will take no longer than one hour, and will with your permission be recorded. You may at any time choose not to answer any questions as well as withdrawing from the interview.

The information collected from the interview is confidential and the interviewee's identity will be anonymised according to legal requirements. Hence, your real identity in relation to any information provide in the interview will not be disclosed, and will be replaced by pseudonyms. All the information from the interview will be anonymised by the researcher himself after the interview, in an electronic version of the interview and their transcription note. The information from the interview will be used by the researcher for a PhD dissertation bearing the above title that will be accessible to the public. Depending on your permission, which you may choose not to grant, the anonymised quotations from this interview may be used in the dissertation. All information collected is stored digitally by the researcher, who is the only person that has access to the data. At the end of my PhD project all information collected will be destroyed.

If you subsequently have a concern about any aspect of this project, please contact me either by my e-mail address or telephone number. I will do my best to answer your query. If you remain unhappy and wish to make a formal complaint, please contact the Department of Social Policy and Intervention, Oxford University, who will direct your complaint to the appropriate body.

The project has been reviewed by, and received ethics clearance through, the University of Oxford Central University Research Ethics Committee.

Annexe 6: Topic Guide for the Semi-Structured Interviews with DBOs

I conducted semi-structured interviews with 36 Dalit business owners in Raebareli district of Uttar Pradesh. As the population data for the geographic site was not known, a snowball sample of Dalit business owners was created, emanating from the few first interviews. I shared the participant information sheet in Hindi with DBOs with a fairly full explanation of the reasons for my interest, the purpose of the research, the subject matter to be covered in our meeting and an assurance of confidentiality. I made personal contact and fixed the date and time for our appointments when the business owners are not busy, so that the opportunity cost of conversation (and the size of the possibly pressuring crowd) are minimised. I ensured that sensitive questions are asked in a matter of fact style, with a ready explanation of reasons for wanting to ask them.

Broad Topic Lists:

1. History of Ownership
 - Family Occupation History
 - Caste and sub-caste
 - Landholdings
 - History of migration
 - Date of starting the business
 - Site of business
 - Purpose/reasons behind the business
 - Acquisition of skills, contact, information
 - At start: type of business/size/location
 - Start-up Capital: fixed/working, source, location
 - Ownership pattern of the business enterprise
 - History of growth of the firm- products/geography/sites of transaction/sellers/buyers/finance/labour/changes
 - Pattern of investments
 - Uncertainty, losses and crises
 - Apprenticeship experience
 - Role of family members
 - Support from others in the family
 - Support from Dalit elites/extended network
 - Support to others for start-up
 - Opposition
 - Experience of others
 - Failure of others
2. Operations and Transactions in the market
 - Formation of contracts
 - Enforcement of contracts
 - Early business transactions
 - Disputes and means of resolution
 - Payment systems

- Ties with marketing and suppliers
 - Client management
 - Acquisition of site/shop/shed
 - Present (sale) value-
3. Market Organisations and Associations
 - Collective organisation of businesses
 - Diversity of associations used by respondent in region
 - Regulations developed by business associations
 - Means of enforcement
 - Information support (price, schemes, opportunities)
 - Credit and finance support
 - Logistical supports (storage, payments, transports, etc.)
 - Lobbies for policy change – history of specific issue
 - Political affiliations
 - Support from political party
 4. Experience with State's Interventions (Policy support and regulations)
 - Licensing regulations
 - Fee for businesses and transactions
 - Utilities and infrastructures services
 - Commercial taxation
 - Preferential credit from the state banking units
 - Preferential allotment of sites for businesses
 - Preferential procurements
 - Support for storage/transport/payments/security
 - Contact in the government offices
 - Caste certificate
 5. Market responses for credit, finance, supplies
 - Support for credit from the banks
 - Personal experience/relationship with banking officials
 6. Social Regulations
 - Caste based occupational restrictions
 - Occupational mobility
 - Experiences of caste based discrimination
 - Issues of merit – inside and outside the workplace
 - Role models
 - Identity issues
 - 'Othering' of Dalits/Non-Dalits etc
 - Differences between sub-groups
 7. Have I missed anything?

Annexe 7 Interviewee List (Policy Stakeholders)

S N	Designation	Agency
1	Additional Secretary & Development Commissioner	Ministry of MSME, Government of India
2	Additional Development Commissioner & EA	Ministry of MSME, Government of India
3	Deputy Director General	Ministry of MSME, Government of India
4	Joint Development Commissioner	Ministry of MSME, Government of India
5	Joint Development Commissioner (2nd)	Ministry of MSME, Government of India
6	Joint Secretary (Schedule Caste Division)	Deptt. of SJ&E, Ministry of SJ&E, Government of India
7	Director	Ministry of SJ&E, Government of India
8	Chairman and Managing Director	NSFDC, New Delhi
9	Secretary to CMD	NSFDC, New Delhi
10	Chairman, DICCI	DICCI
11	Mentor, DICCI & Activist	DICCI
12	Member, DICCI from Gujarat	DICCI
13	Member, DICCI from Maharashtra	DICCI
14	Head, DICCI, NCR Region	DICCI NCR
15	Head, DICCI, Hyderabad Region	DICCI Hyderabad
16	Director	FCI
17	Deputy CEO	BSE
18	Senior Manager	Tata Motors
19	General Manager	DIC, Raebareli
20	Upper Statistical Officer	DIC, Raebareli
21	Head, Udyog Bandhu Scheme	DIC, Raebareli
22	Manager	UPSCFDC, Raebareli (Government of Uttar Pradesh)
23	Assistant Accountant	UPSCFDC, Raebareli (Government of Uttar Pradesh)
24	Trainer & Udyami Mitra	RGUMY, Raebareli
25	Joint Engineer	RES, Uttar Pradesh
26	Chairman	BUPGB, Raebareli
27	Manager (Admin)	LIC, Raebareli
28	Treasurer	Raebareli Tent Association

Annexe 8: Affirmative Policies for Dalit Business Across Various States

SN	State	Overview of Affirmative Policies for Dalit Businesses ¹⁰⁷
1	Andhra Pradesh	<ul style="list-style-type: none"> • The Government of Andhra Pradesh has approved the preferential fiscal benefits to Dalit/Adivasi entrepreneurs in the Industrial Development Policy 2015-2020 which include: <ul style="list-style-type: none"> ○ 100% reimbursement of stamp duty and transfer duty paid by the industry on purchase of land meant for industrial use and lease of land/shed/buildings and also mortgages and hypothecations ○ 50% rebate in land cost limited to Rs. 20 lakhs in Industrial Estates/Industrial Parks ○ 25% land conversion charges for the industrial use (limited to Rs. 10 lakhs) ○ Fixed power cost reimbursement @ Rs. 1.50/ per unit for five years from the date of commencement of commercial production. ○ Seed capital assistance to first generation entrepreneurs @25% of the machinery cost ○ 35% investment subsidy on fixed capital Investment by Dalit/Adivasi Entrepreneurs and additional 10% investment subsidy for Dalit/Adivasi women entrepreneurs, ○ 50% reimbursement of the cost involved in skill upgradation and training local manpower (limited to –Rs. 5,000/ per person).
2	Arunachal Pradesh	<ul style="list-style-type: none"> • The New Industrial Policy of Arunachal Pradesh 2001 does not have any preferential provisions for Dalit entrepreneurs.
3	Assam	<ul style="list-style-type: none"> • The Industrial Policy of Assam 2008 does not have any preferential provisions for Dalit entrepreneurs.
4	Bihar	<ul style="list-style-type: none"> • The Industrial Incentive Policy Bihar – 2006 did not have special provision for Dalit entrepreneurs.

¹⁰⁷ It is important to note that this Annexe does not provide a very comprehensive list of affirmative policies for Dalit businesses across all states of India due to the time and resources limits of the study. The Annex presents findings from the desk-based survey.

SN	State	Overview of Affirmative Policies for Dalit Businesses ¹⁰⁷
		<ul style="list-style-type: none"> • The Bihar Industrial Investment Promotion Policy, 2016 has provided a special incentive package for Dalit and Adivasi entrepreneurs which include: <ul style="list-style-type: none"> ○ Full interest rate subventions on term loan for new as well as established units ○ Provision of Project Management Consultancy support to facilitate the establishment and operation of units ○ Special clusters with common facilities
5	Chhattisgarh	<ul style="list-style-type: none"> • The Industrial Policy 2014-19 has several preferential provisions for Dalits/Adivasi entrepreneurs which include: <ul style="list-style-type: none"> ○ 75% of the total interest paid up to period of 6 years to the industries established (maximum limit is Rs. 20-60 lakhs per annum depending upon type of industry, location and scale) ○ 40% of the fixed capital investment (maximum limit Rs. 40 -120 lakhs depending upon depending upon type of industry, location and scale) ○ Electricity duty exemption up to 10 years from the date of commencement of commercial production to the industries ○ 100% exemption on land premium and rate of lease rent at Rs.1 per acre annually ○ Facility of free of cost plot allotment in industrial areas (industry, commerce & service areas) ○ Reservation of up to 25% plots in economically developing areas and up to 50% plots in economically backward areas ○ Provision of small sheds under the Scheduled Tribe Sub Plan (TSP) and Scheduled Caste Sub Plan (SCP)
6	Goa	<ul style="list-style-type: none"> • The Share Capital to Local Entrepreneurs and Self-Employed Scheme 2008 has not provided any specific plans for Dalit businesses except for possible modifications in the scheme if any difficulties arise in implementation, particularly in the case of women SHGs/disabled persons/SCs/STs/OBCs. • The Preferential Purchase Incentives For Micro And Small Enterprises Scheme, 2008 and the Goa Investment Policy 2014 do not have any special provisions for Dalits.

SN	State	Overview of Affirmative Policies for Dalit Businesses ¹⁰⁷
7	Gujarat	<ul style="list-style-type: none"> • Under the Industrial Policy 2015, there is a provision of additional 1% interest subsidy for Dalit/Adivasi/Women/PH/young industrial entrepreneurs. • The Government of Gujarat has made preferential provisions for Dalit entrepreneurs under SCP for loan/assistance (Rs.60,000/- as loan and Rs.15,000/- as subsidy) to purchase place/shop in shopping centres built by Municipal Corporations • The Gujarat State Financial Corporation provides term loan up to the amount of Rs.5 Lakhs @ 14 % rate of interest to Dalit/Adivasi
8	Haryana	<ul style="list-style-type: none"> • The Industrial and Investment Policy – 2011 does not have special provisions for Dalit entrepreneurs.
9	Himachal Pradesh	<ul style="list-style-type: none"> • Dalit entrepreneurs are provided land at the concessional rates in the industrial area. • Industrial estates provide built-up sheds at 75% subsidised rent to Dalit entrepreneurs.
10	Jammu and Kashmir	<ul style="list-style-type: none"> • The Jammu & Kashmir Industrial Policy-2004 does not have any special provision for Dalit entrepreneurs.
11	Jharkhand	<ul style="list-style-type: none"> • The Jharkhand Procurement Policy 2014 has made earmarked procurement from MSEs owned by Dalits or Adivasis [Out of 20 percent target of annual procurement from MSEs, a sub-target of 20 percent (i.e., 4 percent out of 20 percent)] • Objectives of the Jharkhand Industrial Policy – 2012 include to ensure participation of Dalits, Adivasis and, and other underprivileged sections of the society in the industrial development. • 5% additional benefit under the Comprehensive Project Investment Subsidy (CPIS) for SC/ST/Women/Handicapped Entrepreneurs has been proposed in the Jharkhand Industrial and Investment Promotion Policy 2016 (Draft).
12	Karnataka	<ul style="list-style-type: none"> • The Industrial Policy 2001 had provision of an additional subsidy to the extent of 5% of the value of fixed assets (subject to a ceiling of Rs.1.00 lakh) for tiny/small scale units owned by Dalits/Adivasis/women • The Karnataka Industrial Policy 2014-19 has given a special thrust for encouraging Dalits/Adivasis/women entrepreneurs. Provisions include:

SN	State	Overview of Affirmative Policies for Dalit Businesses ¹⁰⁷
		<ul style="list-style-type: none"> ○ 22.5% of the allottable land/shed for SC/ST entrepreneurs ○ Entrepreneurship Development Programmes for SC/ST entrepreneurs ○ Concessions, incentives, subsidies available <ul style="list-style-type: none"> ▪ Investment subsidy ▪ Exemption from stamp duty ▪ Reimbursement of land conversion fee ▪ Concessional registration charges ▪ Exemption from entry tax ▪ Subsidy for setting up effluent treatment plant ▪ Exemption from electricity tariff ▪ Interest subsidy for water harvesting, technology up-gradation ▪ Reimbursement of cost of preparing project reports
13	Kerala	<ul style="list-style-type: none"> • Under the Entrepreneur Support Scheme 2012, all MSMEs established by entrepreneurs belonging to women, Dalits, Adivasis and young entrepreneurs can avail an assistance of 20% of the fixed capital investment (limited to Rs. 30.00 lakhs).
14	Madhya Pradesh	<ul style="list-style-type: none"> • The Government of Madhya Pradesh initiated the “supplier diversity” initiative in 2002 under which 30% of all government supply orders were reserved for Dalits/Adivasi suppliers. • The Industrial Promotion Policy 2010 (amended in 2012) has made provision for preferential provisions for manufacturing enterprises owned by SC/ST/Women/Disabled category such as <ul style="list-style-type: none"> ○ Preferential rate of assistance in interest subsidy scheme (6% for a period of 8 years subject to a maximum limit of Rs. 25 lakhs) ○ 20% subsidy on fixed capital (subject to a maximum of Rs. 20 lakhs)
15	Maharashtra	<ul style="list-style-type: none"> • The Government of Maharashtra has planned for the preferential land allotment to Dalit entrepreneurs within the MSME segment. • It also has plans for providing the special financial support from the state's social welfare and tribal fund and

SN	State	Overview of Affirmative Policies for Dalit Businesses ¹⁰⁷
		creating a separate investment fund within the Small Industries Development Bank of India (SIDBI) to support Dalit entrepreneurs
16	Odisha	<ul style="list-style-type: none"> • The Odisha Procurement Preference Policy for MSME 2015 has included the provision of mandated procurement of 4% out of 20% target for MSEs by SC/ST/PH/Women/Technical (Degree/Diploma holding) entrepreneur. • The Odisha Entrepreneurship Development Policy 2015 provides interest subvention of 8% to MSEs owned by SC/ST/PH/Women/Technical (Degree / Diploma holding) entrepreneurs • Under Odisha MSME Development Policy 2015, SC/ST/PH/Women/Technical (Degree / Diploma holding) entrepreneurs are entitled to capital investment subsidy of 12% of fixed capital investment (upper limit of Rs.10 lakhs)
17	Punjab	<ul style="list-style-type: none"> • The Fiscal Incentives for Industrial Promotion -2013 policy does not have any special provisions for Dalit businesses.
18	Rajasthan	<ul style="list-style-type: none"> • The Rajasthan Investment Promotion Scheme, 2014 has made provisions for special schemes for enterprises owned by women/SC/ST/persons with disability: <ul style="list-style-type: none"> ○ 50% additional exemption from payment of conversion charges payable for change of land use ○ Additional investment subsidy to the extent of 10% of VAT and CST deposited by the manufacturing enterprise ○ Additional 10% reimbursement of VAT paid on the plant and machinery or equipment for a period up to seven years from date of issuance of the entitlement certificate for service enterprise ○ Provision of employment generation subsidy per employee per year • The Rajasthan State Industrial Development & Investment Corporation Limited offers land allotment to Dalits and Adivasis at 50% subsidised rate of allotment (up to a maximum of 2,000 sq.mts. of allotment) in an industrial area.
19	Tamil Nadu	<ul style="list-style-type: none"> • Under the New Entrepreneur-cum-Enterprise Development Scheme (NEEDS) of the State Government,

SN	State	Overview of Affirmative Policies for Dalit Businesses ¹⁰⁷
		<p>young entrepreneurs can get loans from bank or the Tamil Nadu Industrial Investment Corporation (TICC) with a capital subsidy of 25 percent of the project cost (not exceeding Rs.25 lakh) and entrepreneurs belonging to SC/ST, backward classes, most backward classes, transgenders and the differently-abled get 10 years relaxation in the age limit.</p>
20	Telangana	<ul style="list-style-type: none"> • Under the New Industrial Policy Framework for the State of Telangana 2014, the Government has made several preferential provisions for Dalit/Adivasi entrepreneurs which include: <ul style="list-style-type: none"> ○ 100% reimbursement of stamp duty and transfer duty paid by the industry on purchase of land meant for industrial use and lease of land/shed/buildings and also mortgages and hypothecations ○ 33% rebate in land cost limited to Rs.10.00 Lakhs in Industrial Estates / Industrial Parks ○ Seed capital assistance to first generation entrepreneurs to set-up micro enterprises @ 20% of the machinery cost ○ 35% investment subsidy on fixed capital investment (with a maximum limit per unit as Rs. 75.00 Lakhs) ○ Sanctioned one acre of land and provided a grant of Rs. 5 crores for setting up of an incubation centre for Dalit entrepreneurs. ○ 50% reimbursement of the cost involved in skill upgradation and training the local manpower limited to Rs. 2000/ per person ○ Land to be allotted to SC/ST Entrepreneurs in proportion to the SC/ST population in the state ○ Incentives under the T-PRIDE—Telangana State Program for Rapid Incubation of Dalit Entrepreneurs Incentive Scheme ○ A fund of Rs. 100 crores from SCP funds and Rs. 50 crores from TSP funds for a credit guarantee scheme
21	Uttar Pradesh	<ul style="list-style-type: none"> • The Industrial and Service Sector Investment Policy 2004 does not have special provisions for Dalit entrepreneurs. • The Infrastructure & Industrial Investment Policy 2012 also does not have special provision for Dalit entrepreneurs.

SN	State	Overview of Affirmative Policies for Dalit Businesses ¹⁰⁷
		<ul style="list-style-type: none"> • The Uttar Pradesh Public Procurement Policy approved by the cabinet in August 2014 has proposed plans to encourage SC/ST, women and the differently abled in the SME sector. • The previous Government led by BSP (2007-12) had reserved 23% of all government contracts costing up to Rs 25 Lakhs (to be executed under government departments, municipal bodies, authorities, corporations or any government entity) for SC/ST contractors • The Entrepreneur Development Institute at Lucknow has a targeted training programme for young Dalits/Adivasis.
22	Uttrakhand	<ul style="list-style-type: none"> • The Uttrakhand Micro, Small & Medium Enterprise Policy-2015 does not provide any preferential provisions for Dalit entrepreneurs.
23	West Bengal	<ul style="list-style-type: none"> • The West Bengal Incentive Scheme 2013-18 for Micro, Small and Medium Enterprises has made several provisions for MSEs owned by women/SC/ST/minority community entrepreneurs: <ul style="list-style-type: none"> ○ An additional subsidy of 20% on State Capital Investment Subsidy normally admissible. ○ 15% of the Fixed Capital Investment Subsidy for Micro Enterprises and 10% for Small Enterprises ○ 100% waiver of electricity duty on the electricity consumed for five years from the date of commencement of production of its approved project irrespective of location.

Annexe 9 Tables for Resource Mobilisation Aspects of Policy Processes

Performance of NSFDC¹⁰⁸ during the last 5 years

Year	Equity released (Rs. in crore)	share by	Disbursement (Rs. in crore)	No. of beneficiaries covered (Nos.)
2010-11	75.00		180.09	47,728
2011-12	85.00		182.77	43,772
2012-13	100.00		201.55	50,048
2013-14	100.00		245.14	54,975
2014-15	100.00		270.27	70,885
Since Inception in 1991	1000.00		3019.87	9,41,000

Budget Estimate, Revised Estimates and Actual Expenditure of RGUMY

Year	BE (Rs. Crore)	RE (Rs. Crore)	Actual Expenditure (Rs. Crore)
2007-08	7.50	1.00	0.23
2008-09	12.00	12.00	9.71
2009-10	5.00	0.50	0.24
2010-11	7.75	2.66	1.67
2011-12	13.18	4.20	1.61

(RGUMY Cell, Ministry of MSME, 2012)

SCP: Plan Allocation

S.N o.	Year	Plan Allocation		Due Allocation		SCP Allocation		Targeted Allocation
		Amount Rs. Cr.	% of Allocation	Amount Rs. Cr.	% of Allocation	(Amount Rs. Cr.)	% of Allocation	
1	2011-12	335521	16.6	55696.5	9.37	31434.46	NA	NA
2	2012-13	391027	16.6	64910.5	9.49	37113.03	2.06	8036.19
3	2013-14	419068	16.6	69565.3	9.92	41561.13	2.53	10591.14
4	2014-15	575000	16.6	95450.0	7.51	43208.08	1.86	10689.60
5	2015-16	465277	16.6	77236.0	6.63	30850.88	1.86	8792.70

Source: Union Budget Volume 1, Statement 21

¹⁰⁸ <http://socialjustice.nic.in/nscfdc.php> accessed on 15th May 2016

Annexe 10: Timeline of Key Events (Public Procurement Policy Order 2012)

Year	Events/Activities/Organisation	Recommendation/ Remarks
January 2002	Bhopal Declaration	<ul style="list-style-type: none"> Proposed that the state should "democratise capital" by allocating funds for the Dalit and Tribal communities that would enable them to invest both in developing their skills and their opportunities to enter the free market economy
2002	Supplier Diversity Programme	<ul style="list-style-type: none"> The Government of Madhya Pradesh extended quota provisions in government contract for Dalits and Adivasis
2002	Task Force Report on Bhopal Declaration	<ul style="list-style-type: none"> Recommendation for policy guidelines that goods and services in proportion to Dalit and Adivasi population will be purchased from SC/ST entrepreneurs or enterprises controlled by them' (Government of Madhya Pradesh 2002:53)
2004	Group of Ministers (GoM) of UPA	<ul style="list-style-type: none"> Formed to discuss the affirmative action including reservation in the private sector for fulfilling the aspirations of the youth belonging to the Scheduled Castes/Scheduled Tribes.
2004	NCEUS	<ul style="list-style-type: none"> A national body set up to review informal and unorganised sector
2005	Task Group on Development of SCs and STs under the Planning Commission	<ul style="list-style-type: none"> Discusses Affirmative Action outside public sector for Scheduled Castes
2005	DICCI	<ul style="list-style-type: none"> Formation of Dalit Indian Chamber of Commerce & Industry
2006	Task Group on Development of SCs and STs under the Planning Commission	<ul style="list-style-type: none"> "7.5% share to STs may be considered in respect of awarding the tenders from Government & PSUs like Railway supply/Canteen Store Department, etc." (Planning Commission 2005:114). It did not say anything about similar quota for

	recommended	Schedule Castes.
2006	Coordination Committee set up under the Chairmanship of the Principal Secretary to the Prime Minister	<ul style="list-style-type: none"> • Consultations with apex industry chambers for promoting affirmative action for Dalits and Adivasis in the private sector
2006	Sub-committee of the Cabinet Committee on Schedule Caste Affairs in UPA-1	<ul style="list-style-type: none"> • 30% of government purchases be made from SCs/STs (Ghildiyal and Ghildiyal 2011)
July 2006	Prime Minister Manmohan Singh's recommendations	<ul style="list-style-type: none"> • Suggested a proportion of government procurements should be made from Dalit and Adivasi entrepreneurs
October 2006	Cabinet Committee of Ministers for Social Justice & Empowerment	<ul style="list-style-type: none"> • In principal approved by the Cabinet Committee (Lerche 2008)
August 2007	Sonia Gandhi, the Chairperson of UPA and President of Indian National Congress Party, had visited South Africa	<ul style="list-style-type: none"> • Appreciation of the South Africa's policy to leverage public procurements to encourage businesses promoted by blacks
December 2008	Representatives of 19 member delegation, led by CII MSME Council met the then Prime Minister	<ul style="list-style-type: none"> • Highlighted several important issues impacting the growth of MSME sectors including 'shortage of credit, need for a focused procurement policy, prompt payment of MSME dues, simplification of labour laws, formulation of a one-time settlement policy, etc.' (Government of India 2010:7)
January 2009	Congress Party Manifesto	<ul style="list-style-type: none"> • Committed to 'use government procurement to stimulate entrepreneurship activities' among Dalits and Adivasis

September 2009	Prime Minister's Task Force on MSME	<ul style="list-style-type: none"> • Problematised the prevailing situation of micro and small enterprises in the government procurement • Highlighted the share of purchases from MSEs by the Government Departments/ agencies around 4-5% only (Government of India 2010:75). • Set a goal for government departments and PSUs to reach, over a stipulated period, a target of at least 20% of their annual volume of purchases from micro and small enterprises (MSEs), and mandate them to report their achievements in this regard in the annual reports
April 2010	Prime Minister's Council on MSMEs	<ul style="list-style-type: none"> • Formed with representation from the ministries in charge of MSMEs, think tanks and expert bodies associated with the sector
April 2010	Steering group comprising of Secretaries to the Ministries of MSME, Finance, Labour formed	<ul style="list-style-type: none"> • To review the progress of implementation of the Task Force's recommendations
May 2010	Ministry of MSME	<ul style="list-style-type: none"> • Circulated a Cabinet note about the proposed 20 percent quota in the government from small and micro enterprises. • Ministry of Home Affairs, Ministry of Commerce & Trade, and Ministry of Petroleum and PSUs under them opposed the idea and raised apprehensions about the quality of products from these units (The Indian Express 2010) • An inter-ministerial meeting was organised by the Ministry of MSME to sort out those apprehensions • Deliberations continued for more than a year.
August 2010	Fourth Meeting of the Coordination Committee of	<ul style="list-style-type: none"> • Found the progress of affirmative action, as reported by the apex chambers,

	Ministry of Social Justice and Empowerment	unsatisfactory, and the Committee urged the chambers to accelerate it (Government of India 2012)
November 2011	Cabinet Meeting	<ul style="list-style-type: none"> • A number of members of the Cabinet strongly expressed their reservations about the proposal for procurement quota for Dalits and Adivasis within quota for micro and small enterprises • Opponents were sceptical about the existence of enough entrepreneurs among Dalits and Adivasis to help the government meet the mandatory requirement to the fear of quality being compromised (Times News Network 2011) • Jaipal Reddy, Union Minister for Science and Technology, had raised concerns for quality and technology at the meeting and it was clarified that the policy did not seek to relax standards and the issues were referred to the review committee in place (Ghildiyal 2011). • In-principle approval to the procurement policy with quota provision
November 2011	Delegation of Dalit MPs from the Congress Party	<ul style="list-style-type: none"> • Met Congress President and thanked her for the initiative and believed that this decision would help them in poll-bound Uttar Pradesh and Punjab (Times News Network 2011)
April 2012	The Central Government	<ul style="list-style-type: none"> • Officially notified¹⁰⁹ the new 'Public Procurement Policy for Micro & Small Enterprises (MSEs) Order, 2012.' • Option for first three years • Mandated CPSUs/Depts/Ministries to take additional steps for enhancing participation of Dalits and Adivasis in Government procurement: <ul style="list-style-type: none"> ○ Special Vendor Development Programmes or Buyer-Seller Meets for

¹⁰⁹ The policy had been notified by the exercise of the powers conferred in section 11 of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006.

		<p>Dalits/Adivasis;</p> <ul style="list-style-type: none"> ○ Outreach programmes by NSIC to cover more and more Dalit and Adivasi enterprises; ○ Opening a special window by NSIC for Dalits and Adivasis under its Single Point Registration Scheme
April 2015	Ministry of MSME	<ul style="list-style-type: none"> • Procurement Quota Policy becomes mandatory
2016	NDA Government	<ul style="list-style-type: none"> • Announces 2016 as the Year of Economic Empowerment for SC/ST entrepreneurs to celebrate 125th Birth Anniversary of Dr. B.R. Ambedkar
February 2016	Budget 2016	<ul style="list-style-type: none"> • Proposed to constitute a National Scheduled Caste and Scheduled Tribe Hub in the MSME Ministry in partnership with industry associations to provide professional support to Scheduled Caste and Scheduled Tribe entrepreneurs to fulfil the obligations under the Central Government procurement policy 2012 (Press Information Bureau 2016:11)

Annexe 11: Discriminatory and Exclusionary Practices in the Realms of the State, the Market Institutions and the Social Structures

SN	Structures	Practices	Outcomes/Consequences
1.	<p>The State</p> <ul style="list-style-type: none"> • Top-level bureaucracy in the policy-making • Local Bureaucracy in the administration • Public Sectors Banks • Other institutional finance agencies • Government funding Agencies • Police • Municipality/Local Governance Bodies • Licensing Authorities • Industries Centres • Government training/skill development centres 	<p><u>Agenda Setting</u></p> <ul style="list-style-type: none"> • Unfavourable prioritisation • Incoherent & inappropriate schemes • Bureaucratic disinterests • Lack of consultation with Dalits <p><u>Proceduralisation</u></p> <ul style="list-style-type: none"> • Discrepancies in definitions • Multiple labels enabling capture by ‘others’ • Clubbing with ‘others’ • Absence of monitoring for targeted/preferential programmes <p><u>Access</u></p> <ul style="list-style-type: none"> • Inaccessibility, inapproachability & non-responsiveness of officials • Inordinate delays & procrastination in registrations, approvals, disbursal, licensing, dispute resolution • Selective enforcement of rules and procedures • Irregular & ad-hoc payments • Informal preconditions to avail credit/skill programmes • Ignoring guidelines of targeted/preferential programmes • Preferential privileges to upper caste • Patronage by bureaucracy • Discretionary practices of disqualifications, document verifications, submission of applications • Threat of eviction/closure 	<ul style="list-style-type: none"> • Reinforcement of caste identity <ul style="list-style-type: none"> ○ Hiding identity and relabeling by Dalits ○ Centralisation of capital by upper-caste and elites ○ Segmentation of market on caste lines ○ Deepening of caste based market networks ○ Reverse discrimination ○ Spatial segregation of Dalits • Imperfect & inefficient markets <ul style="list-style-type: none"> ○ Prevents competition in the market ○ Rigidity in the market • Adverse inclusion in the market <ul style="list-style-type: none"> ○ Unfavourable conditions for businesses to succeed ○ Sectoral marginalisation ○ Small size of businesses of Dalits ○ Higher representation of own-account enterprises among Dalits ○ Relegation of Dalits to

SN	Structures	Practices	Outcomes/Consequences
		<ul style="list-style-type: none"> • Fear of penalty from the state apparatus • Harassment on behalf of the dominant caste • Accusation of pampering by the State • Questioning the occupational mobility • Questioning about the political affiliations • Forced linking with suppliers to avail schemes/subsidies • Rent seeking to protect interests of upper-caste groups • Differential rent seeking behaviour for Dalit businesses- higher bribes • Rejections- incomplete applications • Denial of institutional credit • Condescension and Contempt • Humiliation • Latent bias and prejudices • Stigmatisation and Stereotyping <p><u>Resources Mobilisation</u></p> <ul style="list-style-type: none"> • Under-investment in targeted/preferential programmes • Underspending of budget • Diversion of funds & misutilisation 	<p>the lower rung of the market</p> <ul style="list-style-type: none"> ○ Constant fear of closure & insecurity <ul style="list-style-type: none"> • Consequences related to State <ul style="list-style-type: none"> ○ Persistent failures of government schemes ○ High degree of informality ○ Perception about the state among Dalits- casteist, predatory, coercive • Regional variations • Perpetuation of socio-economic inequality
2.	<p>Social Structures</p> <ul style="list-style-type: none"> • Upper Caste Hegemony • Caste Networks • Sub-caste within Dalits • Political Linkages & Political Elites 	<ul style="list-style-type: none"> • Domination by upper caste • Threat of violence • Informal negotiation • Patronage by political parties • Subordination • Forced partnership/alliance with upper caste • Forced to operate from unfavourable location • Notions of purity and pollution 	

SN	Structures	Practices	Outcomes/Consequences
	<ul style="list-style-type: none"> • Social Networks • Regional networks • Local political network • NGOs/Civil Society 	<ul style="list-style-type: none"> • Adverse publicity by upper-caste rivals • Refusal to share resources • Forced conformity to existing social constructs • Restriction on political affiliation 	
3.	<p>Market Institutions</p> <ul style="list-style-type: none"> • Private Banks • Money lenders • Local Market Associations • Suppliers' Network • Pvt Associations-CII/FICCI/DICCI • Land/site owners • Contractors' Network • Supply Chain 	<ul style="list-style-type: none"> • Practices of exclusivity • Premium rental for sites • Denial of space/site for businesses • Premium interest rates for credit • Higher collateral for credit • Restriction on duration & size of credit • Control over labour supply • Adverse terms for workers • Blockage of information • Denial of apprenticeship • Control over capital by a small group • Forced to supply/sell at lower profit margins • 	

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