# CHAPTER 10
# Entrepreneurship in Services and the Socially Disadvantaged in India

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## INTRODUCTION

Writing in the *Indian Express*, a leading national daily, editor Shekhar Gupta narrates an interesting episode that highlights the absence of entrepreneurs among the socially disadvantaged groups—the Scheduled Castes (SCs) and Scheduled Tribes (STs)—in India (2011). He observes that when speaking to a crowd of nearly five hundred of "the best paid, globalized Indian finance whiz-kids" at an institutional investors' conference a few weeks prior to writing, he was repeatedly quizzed about the "curse" of caste-based reservations in India. Disconcerted, he decided to turn the tables on the audience and asked: "We have here fellow Indians with the finest jobs in the world, mostly with an IIT/IIM education. Both institutions have also had caste-based reservations forever. So how many of you here are tribal or Dalit?"[1] Gupta continues, "Not a single hand came up."

While Gupta uses this episode as prologue to a critical examination of the search for short-cut and extra-democratic solutions to every problem, it makes an important statement about entrepreneurship among the socially disadvantaged in India: despite all the affirmative action programs during the last sixty years, the SCs and STs remain absent from entrepreneurial activity, at least in the high-end financial sector.

At the highest end of business activity, the absence is of course across a much wider spectrum than just the financial sector: out of fifty-five Indian billionaires in US dollars on the latest Forbes list, not one is from the SCs or STs. Yet, it would be incorrect to conclude from either the episode narrated by Gupta or this fact that the system has produced no entrepreneurs from

the socially disadvantaged groups. While it is true that during the years of slow growth, the economy produced few significant entrepreneurial successes among the socially disadvantaged, the recent acceleration in growth is beginning to pull them into its fold. The "pull-up" has not yet brought them all the way to the top and therefore into the Forbes billionaire list, but it has produced rupee billionaires from among at least the SCs if not STs.

In fact, newspapers have recently widely reported on thirty "dalit crorepatis" who were invited for a meeting that the Planning Commission specially organized for them. Among the invitees was Milind Kamble, who serves as chairman of the Dalit Indian Chamber of Commerce and Industry (DICCI) formed in 2005. Kamble is reported to have said, "Including mine, most of the big Dalit-owned businesses are fifteen years old. With the emergence of globalization and the disappearance of the License-Permit Raj, many opportunities appeared and many of us jumped on them." Describing the meeting at the Planning Commission, he went on to note, "The Planning Commission was stunned when they asked how many of us used government schemes to build their businesses. Only one entrepreneur from Mumbai raised his hand and described how he'd applied for $20,000, spent three years visiting government offices to chase his money and finally got $15,000."[2] Beginning on July 21, 2011, *The Economic Times*, India's leading financial daily, has been profiling some of the most prominent Dalit entrepreneurs.

While anecdotes of entrepreneurship among the Dalit are thus beginning to filter through, almost nothing is known of entrepreneurship among the STs. More generally, systematic data on entrepreneurship among either of these disadvantaged groups is entirely lacking: there is no information about their shares in the number of enterprises, value added, and employment; the sectors in which they operate; and the states in which they are concentrated. Nor do we know how they fare relative to each other, the other backward castes (OBCs), or the remaining castes—sometimes called the forward castes (FCs). And finally, we lack systematic information on how the accelerated growth under the reforms has impacted entrepreneurship among these groups in both absolute and relative terms.

Therefore, the purpose of the present chapter is to provide systematic evidence of the role played by entrepreneurs belonging to various social groups. We identify the shares of various social groups in the number of enterprises, gross value added (GVA), and workers employed. We also analyze these shares according to enterprise size in terms of workers. In addition, we identify the shares of entrepreneurs by social group in different sectors and states. Finally, we throw light on growth in GVA; the number of enterprises; and employment by social groups, sectors, and states between two specific years for which data are available: 2001–02 and 2006–07.

Our analysis is based on two extensive India-wide surveys of service sector enterprises conducted by the National Sample Survey Organization (NSSO) in 2001–02 and 2006–07 (rounds 57 and 63 respectively). Both these surveys

identify the social group of the owner of proprietary and partnership enterprises, though not of cooperative and corporate enterprises, unfortunately. Insofar as the latter set of enterprises account for a very substantial proportion of services output and also represent the more successful enterprises, their exclusion naturally distorts the picture we draw of the relative importance of various social groups as entrepreneurs. But given that we currently have almost no systematic data on this subject, our analysis constitutes an important step forward.[3]

Our findings are systematically summarized in the concluding section of the chapter; here we state their main thrust. A small scholarly literature by economists on the impact of reforms and accelerated growth on poverty and inequality among the traditionally disadvantaged groups now exists. Mukim and Panagariya (2012) provide a comprehensive analysis of poverty among the SC and ST populations relative to the general population since the early 1980s. They find that while the levels of poverty for the SC and ST populations remain significantly higher than that for the general population, higher growth has been associated with steadily declining poverty not just for the general population but for these socially disadvantaged groups as well.[4] They find no evidence that rising incomes have left the disadvantaged groups behind.

In an earlier paper, Kijima (2006) studied whether the gap between the average consumption levels of the SC/ST and non-scheduled households declined between 1983 and 1999–2000 and, if so, whether this decline could be attributed to reduced discrimination. She answered the former question in the affirmative but the latter in the negative. More recently, Hnatkovska, Lahiri, and Paul (2012) offer an analysis of intergroup inequality, asking whether the wages, education levels, and occupational structure of the SCs and STs as a group converged with those of the non-scheduled groups. They answer forcefully in the affirmative on each count, and cite competitive pressures unleashed on markets via the economic liberalization as a possible cause of the convergence (Hnatkovska, Lahiri, and Paul 2012, p. 300).[5]

Coming from the entrepreneurship angle, our results reinforce these findings. We find that the SC and ST groups do lag behind other social groups in terms of their shares in GVA, workers employed, and number of enterprises owned in a large number of services sectors covered by our data. But the presence of these groups in entrepreneurial activity is far from negligible. More importantly, there is no truth whatsoever to the assertions by many left-of-center observers that growth is leaving these groups behind. The ST entrepreneurs, who have been at the greatest disadvantage, have also made the largest gains between 2001–02 and 2006–07. Overall, in terms of workers employed and enterprises owned, SC entrepreneurs have a presence in the services sectors that is not far out of line with the SC share in the population, but they are in enterprises with below-average productivity. As a result, their share in GVA is well below their population share. But they, too, have grown alongside other entrepreneurs.

Interestingly, during the five years we analyze, the FC groups, which consist of the "privileged" castes, are in retreat in virtually all dimensions in the services sector. The major gains have been reaped by the OBCs. Indeed, much of our analysis shows that the most important source of competition for SC entrepreneurs are OBC entrepreneurs.

## THE SURVEYS

Although Dehejia and Panagariya (Chapter 4 of this volume) provide a detailed description of the surveys, we review their key features here briefly. It is convenient to begin with the surveys' sectoral coverage. Round 63 covers all services except construction, wholesale and retail trade, and public administration and defense. It includes hotels and restaurants; transport, storage, and communications; financial intermediation; real estate, renting, and business activities; education; health and social work; and other community, social, and personal services. It excludes all government and public sector enterprises, educational institutions in which the entire salary of teaching and non-teaching staff is borne by the government, and service enterprises registered under the Factories Act of 1948. Round 57 has the same coverage with one major difference: it does not cover financial intermediation. For consistency over time, we entirely exclude the financial sector from our analysis.

The surveys are highly stratified. They cover the entirety of India and sharply distinguish between rural and urban areas. The first stage units (FSUs) are villages in rural areas and urban frame survey blocks in urban areas. After the first-stage units are selected, the ultimate stage units (enterprises) are selected. In turn, the latter are divided into two types: own-account enterprises (OAEs), which do not employ any workers on a regular basis, and establishment enterprises, which employ one or more workers on a regular basis.

There are 15,869 FSUs in round 57, of which 41 percent are from rural and the remainder from urban areas. Altogether, the survey covered 244,376 enterprises with 37.85 percent in rural and 62.15 percent in urban areas. Round 63 selected 13,271 FSUs, of which 42 percent were in rural and 58 percent in urban areas. It surveyed 190,282 enterprises with 43.8 percent in rural and 56.2 percent in urban areas. The union territories typically had fewer observations, with Lakshadweep having the fewest: 171 in round 57 and 187 in round 63.

## SETTING THE STAGE

We noted in the introduction that the social group of the owner is identified only for proprietary and partnership enterprises and not for cooperative and corporate enterprises. Therefore, as the first step, it is important to identify

the proportion of economic activity for which the social group information on the owner is available. Services covered by the surveys represent approximately one-quarter of GDP and one-tenth of the labor force (Chapter 4 of this volume, table 4.2). Because of the exclusions, especially of government and public enterprises even within the included sectors, the actual shares are lower. For instance, the total number of workers employed in the included enterprises common to the two surveys was 26.6 million in round 57 and 27.7 million in round 63. Their numbers are considerably less than 10 percent of the total countrywide workforces of 417 and 408 million in 2001–02 and 2007–08 reported in employment-unemployment surveys.

Excluding the financial sector, the total number of enterprises was approximately 14.5 million in round 57 and 15 million in round 63. The vast majority of the enterprises are tiny OAEs. Indeed, even within the establishment enterprises, the vast majority are smaller enterprises. Thus, enterprises typically have an informal character.

Given that the social group of the owner is identified only for proprietary and partnership enterprises, our first step is to identify their share of the total number of enterprises, GVA, and workers employed. Remembering that the surveys generate all values at current prices, we convert them into constant 1999–2000 prices using the deflators implicit in the sectoral GDP data as described in Chapter 4 of this volume. Table 10.1 reports the proportions of GVA, workers employed, and the number of enterprises in proprietary or partnership enterprises and those in cooperative and corporate enterprises. In the last two columns, it also reports the growth in the three variables over the two surveys.

In 2001–02, proprietary or partnership enterprise types accounted for 82.2 percent of GVA, 92.5 percent of workers, and 98.7 percent of enterprises. In five years, there was a large shift in the GVA share toward cooperative and corporate enterprises, though not as much in workers and the number of

***Table 10.1*** PROPRIETARY AND PARTNERSHIP VERSUS COOPERATIVE AND CORPORATE ENTERPRISES

| | 2001–02 | | 2006–07 | | Percent growth | |
|---|---|---|---|---|---|---|
| Item | Prop/Part | Coop/Corp | Prop/Part | Coop/Corp | Prop/Part | Coop/Corp |
| Gross value added (real) | 82.2 | 17.8 | 50 | 50 | 30 | 498.5 |
| Total workers employed | 92.5 | 7.5 | 89.6 | 10.4 | 1.3 | 44.4 |
| Number of enterprises | 98.7 | 1.3 | 98.8 | 1.2 | 3.7 | -5.1 |

*Source:* Author calculations from the surveys mentioned in the text.

enterprises. The shift in the shares leaves unclear whether the change represents a decline of proprietary and partnership enterprises or simply slower growth. To clarify this, the last two columns show the growth in the three variables over the two surveys. These columns show that the shift in shares resulted from a very large growth in the GVA of cooperative and corporate enterprises between the two surveys. As we discuss in Chapter 4 of this volume, some of this growth may well reflect the activities of the largest enterprises in round 63, but this is by no means decisive.

From the perspective of the present chapter, the key point to note is that in terms of the number of enterprises and workers employed, we have information on the social group of owners of a very large segment. Indeed, even by GVA, we have ownership information on 82.2 percent of the activity in round 57 and 50 percent in round 63. What our data do not allow us to analyze, of course, is the role played by the disadvantaged social groups in the cooperative and corporate enterprises. But going by the number of members of the DICCI, which stood at approximately one thousand in July 2011, the share of the socially disadvantaged in these enterprises is likely to be tiny (Narasimhan 2011).

## SOCIALLY DISADVANTAGED IN PROPRIETARY AND PARTNERSHIP SERVICES ENTERPRISES

We next consider the ownership of proprietary and partnership enterprises by social groups. The natural background against which we must evaluate this distribution is the distribution of population according to social groups. Table 10.2, excerpted from Mukim and Panagariya (2012, table 5.1), provides this information from three sources: the 2001 census and the NSSO expenditure surveys conducted in 1999–2000 and 2004–05. While census data are generally regarded as more reliable, we also report the data from the two NSSO surveys because they provide the breakdown of the non-scheduled-caste population into OBCs and FCs.

It is readily gleaned from the table that the share of the STs in the population according to all three sources is a little above 8 percent. But the shares of other social groups vary according to the source. The SC population is approximately 16 percent of the total according to the 2001 census but between 19 and 20 percent

***Table 10.2*** SHARES OF SOCIAL GROUPS IN THE NATIONAL POPULATION

| Survey/Census Year | ST | SC | OBC | FC | Total Population (Million) |
|---|---|---|---|---|---|
| 1999–2000 | 8.3 | 19 | 36.1 | 36.6 | 904.5 |
| 2004–05 | 8.1 | 19.7 | 41.2 | 30.9 | 968 |
| Census 2001 | 8.2 | 16.2 | | | 1029 |

*Source:* Mukim and Panagariya (2012, table 5.1).

according to the NSSO surveys. Likewise, the proportion of the OBCs is 36.1 percent according to the 1999–2000 survey but 41.2 percent according to the 2004–05 survey. Perhaps one safe way to read these numbers is to say that, *minimally*, the ST population is 8 percent of the total; the SC, 16 percent; and the OBC, 36 percent.

Table 10.3 shows the distribution of GVA, workers employed, and the number of proprietary and partnership enterprises by social groups in rounds 57 and 63, as well as growth in these variables over the two rounds. Consistent with the data in other spheres of life such as poverty alleviation (Mukim and Panagariya 2012) and wage and education outcomes (Hnatkovska, Lahiri, and Paul 2012), the SC and ST groups are behind other social groups in entrepreneurship, but their presence is not negligible in relation to their population shares. At least at the aggregate level, the SCs account for approximately the same proportion of enterprises and worker employment as their share in the total population according to the 2001 census. Their share in GVA, however, is only half of their share in the population implying that the enterprises they own are less productive than an average enterprise. This is a theme to which we will continue to return in this chapter.

As regards the STs, their presence is considerably below their share in the total population. As we will see shortly, this in part reflects the disproportionate concentration of the STs in rural areas. The OBCs do much better than the SCs and STs, though not as well as the FCs. By 2006–07, the OBCs' share in GVA had risen to almost 37 percent, slightly above their share in the population according to the 1999–2000 round of the expenditure survey, but significantly below that according to the 2004–05 round. The average productivity of OBC enterprises is below that of FC enterprises but above those of SC and ST enterprises. On the whole, the sharpest differences are those between the SCs and STs on the one hand and the OBCs and FCs on the other, rather than those between the OBCs and the FCs.

***Table 10.3*** PROPRIETARY AND PARTNERSHIP ENTERPRISES IN AGGREGATE BY SOCIAL GROUPS

| Item | ST | SC | OBC | FC | Total |
|---|---|---|---|---|---|
| *Share (round 57)* | | | | | |
| Gross value added (real) | 1.7 | 8.8 | 32.7 | 56.8 | 100 |
| Total workers employed | 2.1 | 13 | 41.1 | 43.8 | 100 |
| Number of enterprises | 2.6 | 16.1 | 42.1 | 39.2 | 100 |
| *Share (round 63)* | | | | | |
| Gross value added (real) | 2.3 | 8.5 | 36.9 | 52.3 | 100 |
| Total workers employed | 3 | 13.8 | 40.7 | 42.4 | 100 |
| Number of enterprises | 3.5 | 16.4 | 41.6 | 38.4 | 100 |
| *Percent growth between rounds* | | | | | |
| Gross value added (real) | 82.1 | 26.2 | 46.2 | 19.3 | 29.8 |
| Total workers employed | 44.1 | 7.3 | 0.1 | –2 | 1.1 |
| Number of enterprises | 41.4 | 5.5 | 2.5 | 1.4 | 3.6 |

*Source:* Author calculations from the surveys mentioned in the text.

Finally—and perhaps most importantly—the SCs and STs have shared in the growth that has taken place between the time periods of the two surveys. Although starting from a low base, ST enterprises have gained the most in terms of GVA and employment. But even the SCs, with their larger base, have gained more than the FCs both in terms of GVA and workers employed. Excluding the STs, the OBCs have made the largest gains in terms of GVA growth and, given their small gain in employment and number of enterprises, their gains in output per capita and output per enterprise have been perhaps the largest as well. In some ways, the OBCs are probably the most intense competitors of SC and ST entrepreneurs. The FCs have gained the least in terms of GVA; their share actually declined.

## DISTINGUISHING BETWEEN THE OAES AND ESTABLISHMENT ENTERPRISES

Our next step is to begin disaggregating enterprises. The first such disaggregation is between OAEs and establishment enterprises. As one would expect, among the OAEs, virtually all enterprises belong to the proprietary and partnership category. But within establishment enterprises, a significant proportion belong to the cooperative/corporate category. Table 10.4 provides the breakdown of GVA, workers employed, and the number of enterprises between the two categories.

Two main observations follow from table 10.4. Within establishment enterprises, approximately 70 percent of GVA and 82 percent of employment were in proprietary and partnership enterprises in round 57. Although these shares fell significantly to 35 and 76 percent, respectively, in round 63, they were still

***Table 10.4*** SHARES AND GROWTH OF PROPRIETARY/PARTNERSHIP AND COOPERATIVE/CORPORATE ENTERPRISES IN THE ESTABLISHMENTS

| Item | Proprietary/Partnership | Cooperative/Corporate | Total |
|---|---|---|---|
| *Round 57* | | | |
| Gross value added (real) | 69.5 | 30.5 | 100 |
| Total workers employed | 82.2 | 17.8 | 100 |
| Number of enterprises | 92.8 | 7.2 | 100 |
| *Round 63* | | | |
| Gross value added (real) | 35.1 | 64.9 | 100 |
| Total workers employed | 75.9 | 24.1 | 100 |
| Number of enterprises | 93.2 | 6.8 | 100 |
| *Growth* | | | |
| Gross value added (real) | 41.8 | 499.4 | 181.2 |
| Total workers employed | –1.4 | 44.3 | 6.8 |
| Number of enterprises | –5.6 | –11.3 | –6 |

*Source:* Author calculations from the surveys mentioned in the text.

substantial. Second, while both proprietary/partnership and cooperative/corporate enterprises experienced healthy growth in terms of GVA between the two surveys, the latter grew much faster. It was this much faster growth in cooperative/corporate enterprises that drove down the share of proprietary/partnership enterprises in GVA by such a large margin. Notably, the shift in the proportion of workers employed between the two categories was much smaller. This fact reflects the larger increase in output per worker in cooperative/corporate enterprises. Interestingly, the total number of enterprises fell in both categories, perhaps reflecting some consolidation.

Our next step is to examine how GVA, workers, and enterprises are divided between OAEs and establishments within proprietary and partnership enterprises. We do this in table 10.5. In very approximate terms, the output is divided equally between OAEs and establishment enterprises, while workers and enterprises are heavily concentrated in OAEs. These features imply relatively low productivity in OAEs both in terms of output per worker and output per enterprise. Growth figures further show that output per worker and output per enterprise have gone up in both OAEs and establishments. The increase in the latter has been larger, however. Finally, the absolute number of workers as well as enterprises has declined in establishments.

We are now in a position to consider the distribution of each type of enterprise by social group. Table 10.6 shows the division of GVA, workers employed, and number of enterprises within OAEs among the STs, SCs, OBCs, and FCs. In these enterprises, the SC population finds representation in terms of GVA, workers, and the number of enterprises owned that is close to its share of the general population, especially as revealed by the 2001 census. The ST

***Table 10.5*** COMPOSITION OF GVA, WORKERS, AND NUMBER OF PROPRIETARY/PARTNERSHIP ENTERPRISES ACROSS THE OAES AND ESTABLISHMENTS

| Item | OAE | Establishment | Total |
|---|---|---|---|
| *Round 57* | | | |
| Gross value added (real) | 50.6 | 49.4 | 100 |
| Total workers employed | 64.1 | 35.9 | 100 |
| Number of enterprises | 84.5 | 15.5 | 100 |
| *Round 63* | | | |
| Gross value added (Real) | 46.1 | 53.9 | 100 |
| Total workers employed | 65.1 | 34.9 | 100 |
| Number of enterprises | 85.9 | 14.1 | 100 |
| *Percent growth between rounds* | | | |
| Gross value added (real) | 18.2 | 41.6 | 29.8 |
| Total workers employed | 2.5 | –1.6 | 1 |
| Number of enterprises | 5.3 | –5.8 | 3.6 |

*Source:* Author calculations from the surveys mentioned in the text.

***Table 10.6*** SHARES OF SOCIAL GROUPS IN OAES

| Item | ST | SC | OBC | FC | Total |
|---|---|---|---|---|---|
| *Round 57* | | | | | |
| GVA (real) | 2 | 14.3 | 40.4 | 43.2 | 100 |
| Total workers employed | 2.5 | 17.4 | 46.8 | 33.3 | 100 |
| Number of enterprises | 2.7 | 18.2 | 43.5 | 35.6 | 100 |
| *Round 63* | | | | | |
| GVA (real) | 3.1 | 15 | 42.3 | 39.7 | 100 |
| Total workers employed | 3.5 | 18.2 | 44.3 | 34.1 | 100 |
| Number of enterprises | 3.7 | 18.1 | 42.3 | 35.9 | 100 |
| Percent growth between rounds | | | | | |
| *GVA (real)* | 80.4 | 23.7 | 23.6 | 8.4 | 18.2 |
| Total workers employed | 41.8 | 6.7 | -3 | 5 | 2.5 |
| Number of enterprises | 41.6 | 4.9 | 2.4 | 6.2 | 5.3 |

*Source:* Author calculations from the surveys mentioned in the text.

population lags behind, however. Both SCs and STs have grown faster than the total across all social groups between 2001–02 and 2006–07 in terms of GVA and workers employed. Thus, significant improvement in the status of the SCs and STs is observed. Interestingly, the competition to SCs and STs is coming more from the OBCs than from the FCs. While the latter have lost ground in GVA, the former have gained despite their high initial share.

As one would expect from their historically disadvantaged position, the shares of the SCs and STs are significantly lower in establishments (see table 10.7), which employ one or more hired workers on a regular basis and therefore have a more formal structure. The good news, however, is that their progress over time in these enterprises is even more impressive than in OAEs. They have grown faster than their OAE counterparts along virtually all dimensions and also as fast as or faster than the total activity across all groups within establishment enterprises. Tables 10.6 and 10.7 together imply that, while the SCs and STs remain behind the OBCs and FCs in terms of entrepreneurial activity, they are most surely sharing in the growth that has taken place during the period of analysis. Once again, the OBCs seem to provide the most intense competition to the SCs and STs. The disadvantaged but improving positions of the SCs and STs are consistent with evaluations of their gains along other dimensions such as poverty (Mukim and Panagariya 2012) and wages and education (Hnatkovska, Lahiri, and Paul 2012).

## LOCATION: RURAL VERSUS URBAN

Our next step is to disaggregate the data between rural and urban locations. Before doing so, however, it is useful to provide the location of various social

***Table 10.7*** SHARES OF SOCIAL GROUPS IN PROPRIETARY/PARTNERSHIP ESTABLISHMENTS

| Item | ST | SC | OBC | FC | Total |
|---|---|---|---|---|---|
| *Round 57* | | | | | |
| GVA (real) | 1.3 | 3.1 | 24.8 | 70.8 | 100 |
| Total workers employed | 1.4 | 5.2 | 31 | 62.5 | 100 |
| Number of enterprises | 1.6 | 5 | 34.5 | 58.9 | 100 |
| *Round 63* | | | | | |
| GVA (real) | 1.7 | 3 | 32.2 | 63 | 100 |
| Total workers employed | 2.1 | 5.8 | 34.1 | 58 | 100 |
| Number of enterprises | 2.4 | 6.2 | 37.8 | 53.6 | 100 |
| Percent growth between rounds | | | | | |
| *GVA (real)* | 84.8 | 38 | 83.9 | 26.2 | 41.6 |
| Total workers employed | 51.6 | 10.4 | 8.3 | –8.7 | –1.6 |
| Number of enterprises | 40 | 16.3 | 3.3 | –14.3 | –5.8 |

*Source:* Author calculations from the surveys mentioned in the text.

groups in rural and urban areas. Ceteris paribus, enterprise location by social group depends on the location of the social groups themselves. Table 10.8, derived from table 5.2 in Mukim and Panagariya (2012), provides the relevant information on the basis of the 2004–05 NSS expenditure survey. It may be recalled that the shares in this survey do not match those in the 2001 census. Specifically, the share of SC population is an order of magnitude higher than in the latter.

The upper half of table 10.8 shows the shares of social groups by region. For example, the SC population in rural locations is 21.1 percent of the total rural population. The lower half of the table shows the within-group split between urban and rural locations. For example, only 8.1 percent of the ST population is in urban areas. From the lower half of the table, we can gather that SC, ST, and OBC populations are concentrated significantly more heavily in rural areas than is the FC population. In the case of the ST population, only 8.1 percent of it is in urban areas. This translates to the ST population being only 2.8 percent of the total urban population. The composition of population across rural and urban regions suggests that SC, ST, and OBC enterprises are more likely to be concentrated in rural areas.

Table 10.9 shows the shares and growth by social groups in rural and urban regions in GVA, workers employed, and number of enterprises in OAEs. Three features of the table stand out. First, shares of the SC population in GVA, number of workers, and number of enterprises in both rural and urban areas, especially in 2006–07, are approximately in line with their shares in the general population. This conclusion is considerably strengthened if we go by the SC population shares as measured by the 2001 census rather than the 2004–05 NSSO survey.

**Table 10.8** SOCIAL GROUPS IN RURAL AND URBAN AREAS, 2004–05

| Region | ST | SC | OBC | FC | All groups |
|---|---|---|---|---|---|
| Group share within the region | | | | | |
| Rural | 10 | 21.1 | 43.1 | 25.8 | 100 |
| Urban | 2.6 | 15.7 | 35.7 | 46 | 100 |
| Rural + urban | 8.1 | 19.7 | 41.2 | 30.9 | 100 |
| Rural-urban split within the group | | | | | |
| Rural | 91.9 | 79.8 | 78.1 | 62.4 | 74.7 |
| Urban | 8.1 | 20.2 | 21.9 | 37.6 | 25.3 |
| Rural + urban | 100 | 100 | 100 | 100 | 100 |

*Source:* Mukim and Panagariya (2012).

**Table 10.9** SHARES AND GROWTH BY SOCIAL GROUPS IN THE OAE IN RURAL AND URBAN REGIONS

| Item | ST | SC | OBC | FC | Total | ST | SC | OBC | FC | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rural | | | | | Urban | | | | |
| *Round 57* | | | | | | | | | | |
| GVA (real) | 2.7 | 15.8 | 46.8 | 34.7 | 100 | 1.3 | 12.6 | 33.3 | 52.8 | 100 |
| Total workers employed | 3.2 | 19 | 51.6 | 26.2 | 100 | 1.4 | 14.7 | 38.6 | 45.2 | 100 |
| Number of enterprises | 3.5 | 19.9 | 47.8 | 28.8 | 100 | 1.4 | 15.3 | 36.3 | 47 | 100 |
| *Round 63* | | | | | | | | | | |
| GVA (real) | 4.3 | 17.7 | 44.4 | 33.6 | 100 | 1.7 | 11.9 | 40 | 46.4 | 100 |
| Total workers employed | 4.7 | 21.1 | 45.1 | 29.1 | 100 | 1.5 | 13.5 | 43 | 41.9 | 100 |
| Number of enterprises | 5 | 20.8 | 42.8 | 31.4 | 100 | 1.6 | 13.8 | 41.4 | 43.2 | 100 |
| *Percent growth between rounds* | | | | | | | | | | |
| GVA (real) | 90.1 | 32.1 | 11.7 | 14.1 | 17.9 | 57.7 | 11.9 | 42.5 | 4.2 | 18.6 |
| Total workers employed | 49.1 | 10.9 | –12.4 | 11.6 | 0.3 | 14.3 | –2.3 | 18.2 | –1.5 | 6.2 |
| Number of enterprises | 45.8 | 8.6 | –6.9 | 13.3 | 3.9 | 23.4 | –3 | 22.6 | –1.1 | 7.6 |

*Source:* Author calculations from the surveys mentioned in the text.

Second, and by comparison, the shares of the ST population in OAEs in GVA, workers employed, and number of enterprises substantially lag behind their shares in both the rural and urban population. But the good news is that the ST population has seen its shares in GVA and workers rise uniformly and sharply in both rural and urban areas. The shares of the SC population, on the other hand, have risen in rural areas but declined in urban areas. The latter does not imply a lack of growth but rather slower-than-average growth.

Finally, in urban OAEs, the OBCs have emerged as a serious competitor to the FC population. Beginning with shares approximately commensurate to population share, the OBC group has significantly expanded its share in GVA from 33.3 to 40 percent over the five years we examine. Though much of its gain has come at the expense of the FCs, it has also wrested some share from the SCs.

Next, table 10.10 reports the shares of different social groups in rural and urban areas in establishment enterprises. Two features of the table stand out. First, while the shares of the SC and ST populations are uniformly lower than the corresponding shares in the OAEs, they have uniformly risen. GVA,

***Table 10.10*** SHARES AND GROWTH BY SOCIAL GROUPS IN THE ESTABLISHMENTS IN RURAL AND URBAN REGIONS

| Item | ST | SC | OBC | FC | Total | ST | SC | OBC | FC | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Rural | | | | | Urban | | |
| *Round 57* | | | | | | | | | | |
| GVA (real) | 2.7 | 5.1 | 40.6 | 51.5 | 100 | 0.7 | 2.3 | 18.5 | 78.5 | 100 |
| Total workers employed | 2.3 | 7.9 | 40.7 | 49.2 | 100 | 0.8 | 3.5 | 25.1 | 70.5 | 100 |
| Number of enterprises | 2.4 | 6.4 | 43.5 | 47.6 | 100 | 1 | 3.9 | 27.5 | 67.6 | 100 |
| *Round 63* | | | | | | | | | | |
| GVA (real) | 4.5 | 5.2 | 42.7 | 47.6 | 100 | 0.9 | 2.4 | 29.2 | 67.5 | 100 |
| Total workers employed | 4.4 | 9.6 | 40.9 | 45.2 | 100 | 1 | 4 | 31 | 64 | 100 |
| Number of enterprises | 4.5 | 8.7 | 43.2 | 43.6 | 100 | 1.2 | 4.7 | 34.9 | 59.2 | 100 |
| *Percent growth between rounds* | | | | | | | | | | |
| GVA (eal) | 85.7 | 11.9 | 17.1 | 3 | 11.4 | 83.5 | 61.4 | 143 | 32.3 | 53.8 |
| Total workers employed | 62.7 | 0.8 | –15.9 | –23.1 | –16.3 | 33.3 | 23.6 | 32.1 | –2.6 | 7.4 |
| Number of enterprises | 45.6 | 5.2 | –23.2 | –29.1 | –22.5 | 29.8 | 30.8 | 35.7 | –6.3 | 7 |

*Source:* Author calculations from the surveys mentioned in the text.

workers employed, and number of enterprises owned by the SCs and STs in the establishment category in both rural and urban regions have risen faster than the corresponding averages. Growth is not leaving the SCs and STs behind, but they do have a significant amount of catching up to do.

Second, in urban areas, the shares of both SCs and STs in establishment enterprises have been low in all categories. But both groups have also experienced very impressive growth rates. This said, one aspect of the pattern observed in OAEs repeats here. The OBC population has experienced phenomenal growth. In enterprises owned by the OBCs, GVA rose an extraordinary 143 percent over the five years we examine. The growth led to an increase in the OBC share in total GVA from 18.5 to 29.2 percent within five years. In comparison, the FC share fell from 78.5 to 67.5 percent over the same period.

## MORE ON SMALL VERSUS LARGE ENTERPRISES

The division of enterprises between OAEs and establishments already gives us some idea of how the disadvantaged social groups fare in small versus large enterprises. The distinction can be made sharper, however, by the division of enterprises according to the number of workers employed.

Therefore, in the next step, we divide enterprises into those with fewer than five workers and those with five or more workers. In table 10.11, we first show the division of economic activity between these two types of enterprises according to both NSS survey rounds. In 2001–02, three-quarters of

***Table 10.11*** DIVISION OF ACTIVITY BETWEEN ENTERPRISES WITH FEWER THAN FIVE WORKERS AND FIVE OR MORE WORKERS

| Item | Fewer than Five Workers | Five or More Workers | Total |
|---|---|---|---|
| *Round 57* | | | |
| GVA (real) | 72.2 | 27.8 | 100 |
| Total workers employed | 80.3 | 19.7 | 100 |
| Number of enterprises | 96 | 4 | 100 |
| *Round 63* | | | |
| GVA (real) | 69.1 | 30.9 | 100 |
| Total workers employed | 80.5 | 19.5 | 100 |
| Number of enterprises | 96.1 | 3.9 | 100 |
| *Growth* | | | |
| GVA (real) | 24.1 | 44.5 | 29.8 |
| Total workers employed | 1.3 | 0 | 1 |
| Number of enterprises | 2.8 | -1.7 | 2.6 |

*Source:* Author calculations from the surveys mentioned in the text.

GVA and four-fifths of workers in proprietary or partnership enterprises were in units with fewer than four workers. The share of GVA in these smaller enterprises declined slightly in 2006–07 but, at 69 percent, was still very large. The decline in share reflected slower growth in smaller rather than larger enterprises.

In table 10.12, we depict the social groups' shares in smaller and larger enterprises. This table strongly reinforces the pattern we noted across OAEs and establishments. Both the SC and ST populations do significantly better in smaller enterprises. Between the two rounds, the ST population improves its position across all indicators in both small and large enterprises. But the achievements of the SC population differ between enterprise types: it improves its position in the smaller enterprises for all indicators, but not in the larger ones. Its share in GVA and workers employed fell in the larger enterprises.

Table 10.12 also brings out the dominance of the FC population in larger enterprises more sharply. Over time, this dominance has declined, but even in 2006–07, this group's share in GVA in larger enterprises was 72.6 percent

***Table 10.12*** RELATIVE SHARES OF DIFFERENT SOCIAL GROUPS IN ENTERPRISES WITH FEWER THAN FIVE AND FIVE OR MORE WORKERS

| | Fewer than Five Workers | | | | | Five or More Workers | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Item | ST | SC | OBC | FC | Total | ST | SC | OBC | FC | Total |
| *Round 57* | | | | | | | | | | |
| GVA (real) | 2 | 10.9 | 37.6 | 49.5 | 100 | 0.8 | 3.4 | 20 | 75.8 | 100 |
| Total workers employed | 2.4 | 14.6 | 44.1 | 38.9 | 100 | 0.9 | 6.6 | 29.1 | 63.3 | 100 |
| Number of enterprises | 2.7 | 17 | 43.7 | 39.3 | 100 | 1 | 6.8 | 29.6 | 62.5 | 100 |
| *Round 63* | | | | | | | | | | |
| GVA (real) | 2.8 | 11.3 | 42.7 | 43.1 | 100 | 1.2 | 2.4 | 23.8 | 72.6 | 100 |
| Total workers employed | 3.3 | 15.7 | 43.4 | 37.7 | 100 | 1.9 | 6.3 | 29.7 | 62.1 | 100 |
| Number of enterprises | 3.7 | 17.4 | 43.6 | 39 | 100 | 2 | 7.3 | 32.2 | 58.5 | 100 |
| *Percent growth between rounds* | | | | | | | | | | |
| GVA (real) | 76.7 | 29.1 | 40.9 | 8.1 | 24.1 | 116.3 | 1.9 | 72.2 | 38.4 | 44.5 |
| Total workers employed | 38.6 | 8.6 | –0.2 | –2.1 | 1.3 | 101.8 | –4.8 | 2 | –1.9 | 0 |
| Number of enterprises | 40.6 | 5.4 | 2.4 | 2 | 2.8 | 93.6 | 5.5 | 6.9 | –8.1 | –1.7 |

*Source:* Author calculations from the surveys mentioned in the text.

compared with only 43.1 percent in smaller enterprises. The OBC population has improved its position in both small and large enterprises, but it still lags relative to its population share in the large enterprises.

## WHICH SECTORS?

The surveys allow us to follow the social group of the owner by broad NIC (National Industrial Classification) sectors called "sections" and denoted by uppercase letters. The exhaustive list of the sections ranges from A, B, C, . . . ,to N, O, and Q. The initial letters represent agriculture and industry sectors and the later ones services. Services sections that both surveys covered include H (hotels and restaurants), I (transport, storage, and communications), K (real estate, renting, and business activities), M (education), N (health and social work), and O (other community, social, and personal service activities).

Table 10.13 gives the composition of and growth in the services included in the surveys at the national level when we restrict ourselves to proprietary and partnership enterprises. Section I—which represents transport, storage, and communications—accounts for the most GVA, workers employed, and number of enterprises by far, followed by section H, which includes hotels and restaurants. Together, these sections account for more than half of GVA,

***Table 10.13*** COMPOSITION OF AND GROWTH IN SERVICES SECTORS

| Item | H | I | K | M | N | O | Total |
|---|---|---|---|---|---|---|---|
| *Round 57* | | | | | | | |
| GVA (real) | 18.8 | 35.7 | 13.8 | 8.7 | 11.2 | 11.7 | 100 |
| Total workers employed | 20.2 | 29.3 | 9.5 | 11.8 | 7.9 | 21.3 | 100 |
| Number of enterprises | 15 | 37.5 | 8.8 | 8.1 | 9.3 | 21.3 | 100 |
| *Round 63* | | | | | | | |
| GVA (real) | 18.8 | 37.8 | 12.5 | 8.7 | 9.8 | 12.5 | 100 |
| Total workers employed | 19.9 | 33 | 9.7 | 10.7 | 7 | 19.7 | 100 |
| Number of enterprises | 13.8 | 42.3 | 9.3 | 6.5 | 7.2 | 20.9 | 100 |
| *Growth* | | | | | | | |
| GVA (real) | 29.5 | 37.3 | 17.1 | 29.2 | 13.7 | 37.8 | 29.8 |
| Total workers employed | –0.5 | 13.6 | 4.1 | –8.7 | –10.3 | –6.6 | 1 |
| Number of enterprises | –4.8 | 16.8 | 9.5 | –17.4 | –19.3 | 1.5 | 3.5 |

*Source:* Author calculations from the surveys mentioned in the text.

workers, and enterprises in the services covered by both surveys. At the other extreme, we have Section M, comprising education and accounting for less than 10 percent of GVA.

We next document the shares of different social groups in GVA, workers employed, and number of enterprises in each of the sections. This is presented in table 10.14. Perhaps the single clearest pattern emerging from this table is the across-the-board gain made by the STs. In five out of six sectors, GVA growth associated with the ST-owned enterprises exceeds that associated with any other social group. In the remaining sixth case, Section H, GVA growth of 34.1 percent in ST-owned enterprises is barely edged out by the 34.2 percent growth in the SC-owned enterprises. In terms of workers employed, ST-owned enterprises show higher growth (or lower decline) than any other group in any section. Going by value-added share in 2006–07 (round 63), ST enterprises have the greatest presence in Section I (transport, storage, and communications) followed by Section M (education).

The presence and performance of SC-owned enterprises show greater variance across sectors. Going by value-added share in 2006–07, they have the greatest presence in Section O (other community, social, and personal service activities) followed by Section I (transport, storage, and communications). An interesting contrast between these two sectors, however, is that whereas the SCs marginally increased their presence in Section I, they lost substantial ground in Section O between the two surveys. Surprisingly, the latter development is a welcome one. A key service included in Section O is Division 90, which comprises sewage and refuse disposal, sanitation, and similar activities. Our strong suspicion is that the heavy SC presence in Section O is due to its traditional dominance of Division 90. Their exit from this set of activities is desirable, since it is likely to help undermine stereotyping of the SCs.

The third section in which the SC population has a major presence is N (health and social work). Here also, its share in GVA declined from 6.3 percent in 2001–02 to 5.0 percent in 2006–07, with a 10.2 percent absolute decline in real terms. Once again, it is possible that the SC involvement in this sector was largely in low-end cleaning and sweeping activities from which they are now exiting. But this is only a conjecture.

The SC population has made its greatest gains in Section K (real estate, renting, and business activities). No doubt, with 4.4 percent share in GVA in 2006–07, its presence in the sector is far below its potential as reflected by its share in the population. But 97.6 percent growth in real terms over five years in a sector that includes computer services and outsourcing activities suggests that the SC population is fast entering the modern sectors where it has traditionally not had a presence.

Next, we may make some brief remarks about the OBCs. The data in table 10.14 offer little support to any notion that they are at a disadvantage. They have large shares in almost all sectors and have either held or improved these

***Table 10.14*** SHARES AND GROWTH BY SOCIAL GROUPS AND BY SECTORS

| Item | ST | SC | OBC | FC | ST | SC | OBC | FC |
|---|---|---|---|---|---|---|---|---|
| | Section H | | | | Section I | | | |
| *Round 57* | | | | | | | | |
| GVA (real) | 1.9 | 4.2 | 39 | 54.9 | 2.3 | 12.2 | 33.3 | 52.1 |
| Total workers employed | 2.5 | 6 | 46.2 | 45.3 | 2.6 | 16.8 | 35.8 | 44.8 |
| Number of enterprises | 2.9 | 8 | 49.8 | 39.3 | 2.8 | 20.5 | 35.9 | 40.9 |
| Round 63 | | | | | | | | |
| GVA (real) | 2 | 4.4 | 38.9 | 54.8 | 3.3 | 12.4 | 37.3 | 47.1 |
| Total workers employed | 3.3 | 7.1 | 46.7 | 42.9 | 3.5 | 16.4 | 38.4 | 41.7 |
| Number of enterprises | 3.9 | 9.5 | 50.1 | 36.5 | 3.6 | 19.3 | 38.1 | 39 |
| Growth | | | | | | | | |
| GVA (real) | 34.1 | 34.2 | 29.2 | 29.1 | 92 | 39.1 | 53.8 | 24 |
| Total workers employed | 34.8 | 17.4 | 0.6 | –5.9 | 50.4 | 10.3 | 22 | 5.9 |
| Number of enterprises | 27.4 | 13.4 | –4.2 | –11.7 | 51.1 | 9.9 | 24.2 | 11.5 |
| | Section K | | | | Section M | | | |
| *Round 57* | | | | | | | | |
| GVA (real) | 0.6 | 2.9 | 19.4 | 77.1 | 1.6 | 4.3 | 24.3 | 69.8 |
| Total workers employed | 1.4 | 5.6 | 33.1 | 59.9 | 1.4 | 6.2 | 26.4 | 66 |
| Number of enterprises | 1.9 | 6.8 | 35.3 | 56 | 2.2 | 8.6 | 25.8 | 63.4 |
| Round 63 | | | | | | | | |
| GVA (real) | 1 | 4.8 | 29.4 | 64.8 | 3.1 | 3.5 | 23.4 | 70.1 |
| Total workers employed | 2.3 | 7.5 | 37.6 | 52.6 | 2.4 | 5.8 | 29 | 62.7 |
| Number of enterprises | 2.3 | 8.1 | 39.6 | 50 | 4.3 | 10.3 | 27.3 | 58.1 |
| Growth | | | | | | | | |
| GVA (real) | 97.8 | 97.6 | 76.9 | –1.6 | 151.3 | 4.4 | 24.4 | 29.6 |
| Total workers employed | 69.6 | 40.3 | 18.1 | –8.6 | 57.2 | –13.2 | 0.4 | –13.3 |
| Number of enterprises | 31.4 | 30.8 | 22.8 | –2.1 | 63.2 | –1.4 | –12.8 | –24.2 |
| | Section N | | | | Section O | | | |
| *Round 57* | | | | | | | | |
| GVA (real) | 1 | 6.3 | 22.1 | 70.6 | 1.2 | 18.4 | 52.8 | 27.6 |
| Total workers employed | 3.5 | 8.8 | 28.4 | 59.4 | 1.3 | 23.2 | 60.1 | 15.4 |

***Table 10.14*** CONTINUED

| Item | ST | SC | OBC | FC | ST | SC | OBC | FC |
|---|---|---|---|---|---|---|---|---|
| | Section H | | | | Section I | | | |
| *Round 57* | | | | | | | | |
| Number of enterprises | 4.8 | 10.9 | 31.6 | 52.8 | 1.4 | 23.1 | 61 | 14.4 |
| Round 63 | | | | | | | | |
| GVA (real) | 1.7 | 5 | 24.9 | 68.4 | 1.4 | 13.3 | 58.7 | 26.6 |
| Total workers employed | 3.8 | 9.1 | 28.7 | 58.3 | 2.3 | 25.5 | 50.7 | 21.4 |
| Number of enterprises | 5.7 | 12.9 | 31 | 50.4 | 2.6 | 22 | 52.2 | 23.2 |
| Growth | | | | | | | | |
| GVA (real) | 93.6 | –10.2 | 27.9 | 10.2 | 58.2 | –0.1 | 53.3 | 32.4 |
| Total workers employed | –0.3 | –6.8 | –9.3 | –11.9 | 67.2 | 3 | –21.1 | 29.5 |
| Number of enterprises | –4.1 | –4.1 | –20.8 | –23 | 88.4 | –3.5 | –13.1 | 63 |

*Source:* Author calculations from the surveys mentioned in the text.

shares over the two surveys. Quite remarkably, in Sections H and I, which together account for more than half of the GVA covered by the two surveys, they had shares approaching 40 percent in 2006–07. Equally important, in fast-growing Section K, they expanded their GVA share from 19.4 to 29.4 percent.

Finally, it can be seen that the FC population has been uniformly losing ground to the other three groups. Its value-added share has fallen in five out of six sections covered by the two surveys over the five-year period. In the sixth case, Section M (education), its gain is marginal, from 69.8 percent in 2001–02 to 70.1 percent in 2006–07. Overall, it simply cannot be denied that shifts in favor of the disadvantaged groups are taking place in the rapidly growing private economy. One may complain about the pace of the shift but not the direction.

## WHICH STATES?

Our last step in the analysis is to consider the presence and progress of the disadvantaged social groups by states. In all, India has thirty-five politically separate entities: twenty-eight states and seven union territories. The inclusion of all these entities would clutter the analysis. Therefore, we choose to focus on the twenty-one largest states. For the convenience of terminology,

we count Delhi as a state, although it is formally a union territory. We exclude six other union territories, six smaller northeastern states, Sikkim, and the tiny state of Goa. Table 10.15 shows the shares of various social groups in the twenty-one states using the 2004–05 NSS expenditure survey data.

Several observations follow from this table. First, Chhattisgarh, Orissa, Jharkhand and Madhya Pradesh—in that order—have the largest presence of SCs and STs taken together. The two groups combined account for 46.6 percent of the population in Chhattisgarh and approximately 40 percent in the remaining three states. The SCs and STs also account for a significant proportion (34 percent) of the population in Rajasthan. Second, the SCs account for 20 percent or more of the population in as many as ten states. These include some of the largest states such as Uttar Pradesh, West Bengal, Bihar, Tamil Nadu, and Rajasthan. Third, the five most populous states—Uttar Pradesh, Maharashtra, West Bengal, Bihar, and Andhra Pradesh—account for more than half of the SC population. In evaluating the presence of the SC population among entrepreneurs, it is crucial to assess their presence in these five

***Table 10.15*** SHARES OF GROUPS WITHIN EACH STATE

| State | ST | SC | OBC | FC | Population (Millions) |
|---|---|---|---|---|---|
| Andhra Pradesh | 7 | 18.3 | 46.9 | 27.8 | 72.9 |
| Assam | 17.8 | 9.9 | 17.6 | 54.6 | 25.2 |
| Bihar | 0.6 | 21.9 | 59.7 | 17.8 | 73.6 |
| Chhattisgarh | 32.4 | 14.2 | 44.1 | 9.3 | 21.5 |
| Delhi | 1.6 | 24.6 | 11.4 | 62.5 | 12.4 |
| Gujarat | 14.8 | 10.5 | 39.2 | 35.5 | 47.2 |
| Haryana | 0.3 | 25.5 | 30.3 | 44 | 21.6 |
| Himachal Pradesh | 4.9 | 26.2 | 14.9 | 54.1 | 6.1 |
| Jammu and Kashmir | 0.6 | 12.7 | 12.5 | 74.2 | 6.8 |
| Jharkhand | 26.6 | 12.9 | 45 | 15.5 | 24.3 |
| Karnataka | 6.6 | 17.9 | 39 | 36.4 | 49.3 |
| Kerala | 1.6 | 10.5 | 60.2 | 27.7 | 30.8 |
| Madhya Pradesh | 21.2 | 17.4 | 39.4 | 22 | 60.1 |
| Maharashtra | 9.4 | 15.8 | 30.9 | 43.9 | 92.3 |
| Orissa | 23.4 | 17 | 38.2 | 21.4 | 37.2 |
| Punjab | 0.4 | 35.9 | 20.4 | 43.3 | 23.2 |
| Rajasthan | 13.1 | 20.9 | 44.6 | 21.4 | 55.3 |
| Tamil Nadu | 0.6 | 22.2 | 72.2 | 5 | 56.1 |
| Uttar Pradesh | 0.5 | 23.1 | 52.8 | 23.6 | 165 |
| Uttarakhand | 4.8 | 21.4 | 18 | 55.8 | 8.3 |
| West Bengal | 6.5 | 26.8 | 6.5 | 60.3 | 78.9 |
| All 21 states | 8.1 | 19.7 | 41.2 | 30.9 | 968 |

*Source:* Mukim and Panagariya (2012, table 5.4).

***Table 10.16*** GVA AND WORKER SHARES OF SOCIAL GROUPS IN THE STATE

| | GVA Shares | | | | Worker Shares | | | |
|---|---|---|---|---|---|---|---|---|
| State | ST | SC | OBC | FC | ST | SC | OBC | FC |
| Andhra Pradesh | 1.7 | 6.4 | 36.1 | 55.8 | 2.2 | 8 | 50.6 | 39.3 |
| Assam | 13.7 | 8.2 | 24.9 | 53.1 | 19 | 9 | 27.1 | 44.9 |
| Bihar | 0.7 | 16.2 | 51.3 | 31.8 | 0.8 | 24.3 | 51.4 | 23.4 |
| Chhattisgarh | 4.4 | 7 | 47.5 | 41.1 | 5 | 8 | 52.6 | 34.4 |
| Delhi | 0.7 | 7 | 10.6 | 81.7 | 0.7 | 9.2 | 12.9 | 77.2 |
| Gujarat | 2.4 | 6.3 | 26.1 | 65.2 | 3.7 | 8.5 | 35.6 | 52.2 |
| Haryana | 0.1 | 10.9 | 30.3 | 58.7 | 0.2 | 14.4 | 31.9 | 53.5 |
| Himachal Pradesh | 11.2 | 9.3 | 11.9 | 67.6 | 7.3 | 12.2 | 12.6 | 67.9 |
| Jammu & Kashmir | 1.4 | 6.3 | 13.1 | 79.1 | 0.9 | 6.7 | 18.7 | 73.7 |
| Jharkhand | 5.7 | 5.9 | 42.8 | 45.6 | 7.9 | 7.8 | 49.6 | 34.6 |
| Karnataka | 1.7 | 3.5 | 39.6 | 55.2 | 3.2 | 4.4 | 48.9 | 43.5 |
| Kerala | 0.1 | 1.9 | 67.5 | 30.5 | 0.2 | 3.5 | 61.7 | 34.6 |
| Madhya Pradesh | 1 | 3.3 | 33.1 | 62.7 | 2 | 5.6 | 44.6 | 47.8 |
| Maharashtra | 1.5 | 5.7 | 23 | 69.8 | 3.2 | 8 | 32.5 | 56.4 |
| Orissa | 6.1 | 8.5 | 40 | 45.4 | 8.9 | 21.3 | 38.5 | 31.3 |
| Punjab | 0.1 | 18.4 | 17.6 | 63.8 | 0.2 | 23 | 17.6 | 59.2 |
| Rajasthan | 1.8 | 6 | 37.8 | 54.4 | 2.3 | 9.7 | 41 | 47 |
| Tamil Nadu | 0.2 | 6.9 | 76.6 | 16.2 | 0.2 | 8.7 | 80.1 | 11 |
| Uttar Pradesh | 0.5 | 14.1 | 42.8 | 42.6 | 0.5 | 21.5 | 44.3 | 33.7 |
| Uttaranchal | 1.2 | 6 | 18.5 | 74.3 | 1 | 8.9 | 16.2 | 73.8 |
| West Bengal | 1.6 | 23.7 | 5.6 | 69.2 | 1.8 | 29.6 | 6.4 | 62.2 |

*Source:* Author calculations from the surveys mentioned in the text.

states. Finally, the OBCs form the largest single social group in eleven out of the fourteen most populous states. The FC populations also form the largest single group in nine states, but these are mostly small states. Among these nine states, only Maharashtra and West Bengal make the list of the twelve largest states.

We are now in a position to consider the presence of various social groups in the services enterprises in different states. To economize on space, we only report the share of various social groups in GVA and workers employed in 2006–07. These are shown in table 10.16 for the same states shown in table 10.15. Broadly speaking, the representation of SCs and STs as entrepreneurs bears a close relationship to their presence in the states.

Consistent with what we already know, the STs consistently lag more than the SCs in relation to their population shares. But in some states, the gaps are truly large. The ST population has very large shares of the population in Chhattisgarh (32.4 percent), Jharkhand (26.6 percent), Orissa (23.4 percent), Madhya Pradesh (21.2 percent), and Assam (17. 8 percent). But only in Assam

do its shares in GVA and workers employed reach double digits. Somewhat anomalously, the ST share in GVA in Himachal Pradesh is 11.2 percent, well above the population share of the group, which is only 4.9 percent. The shares in GVA in Chhattisgarh (4.4 percent), Jharkhand (5.6 percent), and Orissa (6.1 percent) suggest some presence of ST entrepreneurs, but they remain substantially below their population shares. The GVA share in Madhya Pradesh is especially low at only 1 percent.

In comparison, the SC population has a more significant presence in many states, especially when we consider workers employed. West Bengal has the most impressive presence of this social group: 23.7 percent in GVA and 29.6 percent in workers employed in comparison with a 26.5 percent share of the population. But there are other states with a significant presence of SC entrepreneurs. In each of Bihar, Punjab, Haryana, and Uttar Pradesh, the SC populations have double-digit shares in both GVA and workers employed. Indeed, 6 percent or higher shares in GVA and 8 percent or higher shares in workers employed are common across the states. Three states that stand out for their low shares of SC entrepreneurs are Kerala, Karnataka, and Madhya Pradesh.

The shares of the OBCs in both GVA and workers approximately match their shares in the population in nearly all states. Where they are lower, the gaps are small. Indeed, it is difficult to conclude from these data that they are in any way disadvantaged. Any advantage the FC population enjoys in GVA and workers employed relative to their population shares largely reflects the disadvantage to the STs and SCs.

## CONCLUDING REMARKS

While substantial literature now exists on poverty and inequality among social groups, until now, almost nothing has been known about how the socially disadvantaged groups fare in entrepreneurship in terms of shares in the GVA, workers employed, and number of enterprises owned. Our chapter provides a first comprehensive look at these measures of entrepreneurship. We analyze the presence of the socially disadvantaged groups in proprietary and partnership enterprises in the economy as a whole, according to enterprises size, in rural and urban areas, according to sectors, and in different states.

Our analysis exploits two services sector surveys of enterprises, which identify ownership according to three caste groups: STs, SCs, OBCs, and "other," which we label as the FCs. Our main findings may be summarized as follows:

- Consistent with the data in other spheres of life, such as poverty alleviation and wage and education outcomes, the SC and ST groups are behind other social groups in entrepreneurship but their presence is not negligible. At

the aggregate level, the SCs account for approximately the same proportion of enterprises and worker employment as their share in the total population according to the 2001 census. Their share in GVA is, however, only half of their share in the population implying that the enterprises they own are less productive than an average enterprise.

- The entrepreneurial presence of the STs is considerably below their share of the total population. In part, this reflects the disproportionate concentration of the STs in the rural areas, often outside the mainstream of even the rural economy.
- The OBCs do much better than the SCs and STs, though not as well as the FCs. By 2006–07, their share in the GVA had risen to almost 37 percent, approximately equal to their share in the population. On the whole, the sharpest differences are those between the SCs and STs on the one hand and the OBCs and FCs on the other hand rather than those between the OBCs and the FCs.
- All groups have shared in growth though not to an equal extent. In terms of GVA, ST enterprises grew the fastest followed by OBC, SC, and FC enterprises in that order. The STs started with low shares in GVA, workers employed, and the number of enterprises owned in 2001–02 but experienced the sharpest increases in all shares. The SCs, by contrast, increased shares in workers employed and enterprises owned but lost in terms of GVA. The main competition to the SCs came from the OBCs rather than the FCs.
- The shares of the SCs and STs steadily decline as we move from smaller to larger enterprises. Their shares are much smaller in establishment enterprises, which employ one or more hired workers on a regular basis, than in own-account enterprises, which do not employ any hired workers on a regular basis. The shares decline even further when we limit ourselves to enterprises with five or more workers. Thus, the SCs and STs are heavily concentrated in smaller enterprises, which are characterized by lower productivity on average.
- The OBCs do particularly well in urban areas. Whereas the SCs and STs gained shares at the expense of both OBCs and FCs in the rural areas, the SCs lost shares to the latter groups in urban areas. Remarkably, the ST group gained shares in both rural and urban areas despite starting from a very low level.
- The ST group made very substantial gains in all six sectors covered by our data between 2001–02 and 2006–07. In five out of six sectors, growth in GVA in ST-owned enterprises exceeded that associated with any other social group. In the remaining sixth case, SC-owned enterprises barely edged it out.
- An extremely interesting feature of the data is that the SC group seems to now be exiting sewage and refuse disposal, sanitation, and similar activities while entering transport, storage, and communications in a major way.

This development can be expected to contribute to the breaking down of stereotypical attitudes that associate SC members with sewage and refusal disposal.

- The OBC group has a strong presence in all six broad sectors. Moreover, they either maintained their shares or improved them in all of the sectors between 2001–02 and 2006–07. At least these data do not support the hypothesis that they are seriously disadvantaged.

The short conclusion from this study is that the SCs and STs are well behind the OBCs and FCs in the area of entrepreneurship, as in other areas such as poverty, wages, and educational achievement. But there is no support whatsoever for the assertions often made by many left-of-center commentators that growth has left these disadvantaged groups behind. Both groups have shared in economic growth, with the ST group—which is farther behind than the SC group—gaining the most in the service enterprises we have studied. We also find at best limited evidence that the OBC population is at a significant disadvantage. Indeed, it has a presence commensurate with its population share and has been rapidly displacing the FC entrepreneurs in the enterprises we have studied.

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## NOTES

1. The word *dalit* means the "downtrodden" in Hindi and refers to the class of people in South Asia formerly known as "untouchable."
2. See http://mobile.globalpost.com/dispatch/news/regions/asia-pacific/india/110421/india-untouchable-dalit-business-entrepreneur (accessed January 18, 2012).
3. It is probable that the SCs and STs were entirely absent from corporate enterprises in 2001–02. Even in 2006–07, their presence was so sparse that identification of the social group would have identified the enterprise, thus violating confidentiality laws.
4. Sundaram and Tendulkar (2003) had earlier compared the poverty levels among the socially disadvantaged groups between 1993–94 and 1999–2000.

5. A recent study by Shukla, Jain, and Kakkar (2010) also focuses on the prevailing inequality among various social groups and offers a rich set of indicators drawn from the National Survey of Household Income and Expenditure conducted by the National Council on Applied Economic Research. But they do not track the fortunes of the groups over time. Additional references to earlier studies on inequalities between scheduled and non-scheduled groups can be found in the reference lists in Kijima (2006) and Hnatkovska, Lahiri, and Paul (2010).

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