

**SECTIONS**[Politics](#)[Policy](#)[Business](#)[Defence](#)[Community](#)[World](#)**ARCHIVES**[Commentary](#)[Intelligence](#)[Special Reports](#)[Features](#)[Reactions](#)[File a Reaction](#)**COLUMNS****Caste as social capital***Why have the Gounders, Nadars, the Marwaris and Katchis done so well.*

By R.Vaidyanathan



The metropolitan elite and rootless experts have concluded that caste is bad. They have made it so that every Indian is expected to feel guilty at the mention of caste. Internationally, caste is a convenient stick to flay anything Indian, its religions, customs, culture.

But the caste system is undeniably a valuable social capital, which provides a cushion for individuals and families to deal with society and the state. The Western model of atomising every individual to a single element in a right-based system and forcing the individual to have a direct link with the state has destroyed families and erased communities. Every person stands alone, stark naked, with only rights as his imaginary clothes to deal directly with the state.

While attacking the caste system, Indian intellectuals have borrowed the Western right-based concept of reservation, or affirmative action. In doing so, they have overlooked an extraordinary contribution of the caste system, in consolidating business and entrepreneurship in India, particularly in the last fifty years. The World Bank, for example, suggests that the remarkable growth of Tirupur is due to coordinated caste-based efforts of the Gounders, many of who are not even matriculates.

“Since 1985,” says the World Bank’s World Development Report, “Tirupur has become a hotbed of economic activity in the production of knitted garments. By the 1990s, with high growth rates of exports, Tirupur was a world leader in the knitted garment industry. The success of this industry is striking. This is particularly so as the production of knitted garments is capital-intensive, and the state banking monopoly had been ineffective at targeting capital funds to efficient entrepreneurs, especially at the levels necessary to sustain Tirupur’s high growth rates.”

“What is behind this story of development? The needed capital was raised within the Gounder community, a caste relegated to land-based activities, relying on community and family network. Those with capital in the Gounder community transfer it to others in the community through long-established informal credit institutions and rotating savings and credit associations. These networks were viewed as more reliable in transmitting information and enforcing contracts than the banking and legal systems that offered weak protection of creditor rights.”

AdChoices **Marathi  
Matrimonial**

Best Site For  
Marathi  
Communities  
Lakhs of Marathi  
Brides & Grooms  
[CommunityMatrimo...](#)

**How to  
Improve  
English**

Learn to Speak  
Better English.  
Online tutoring  
conversation  
course  
[www.eagetutor.com](http://www.eagetutor.com)

**Free Spelling  
Dictionary**

Optimizes Text  
and Removes  
Errors Get the  
Free SpellCheck  
App for PC  
[spelling.online-refere...](#)

**Garment  
Manufacturers**

Best Italian  
Luxury Brands for  
your pos. Invest  
with us!  
[www.italianfashionw...](http://www.italianfashionw...)

The amount of networking and contract enforcement mechanisms available with caste institutions has not been fully studied, despite the striking success of Tirupur. The same is true of the Nadar community in Virudhunagar area entrenched in the matches and printing industries. On the other hand, large amounts of literature are available on Marwaris, Sindhis, Katchis, Patels, etc, and the global networks they have created. But the point that is often still missed is that, in a financial sense, caste provides the edge in risk taking, since failure is recognised, condoned, and sometimes even encouraged by the caste group.

The firmest caste-entrepreneurship linkage was established by the 1998 economic census conducted by the Central Statistical Organisation (CSO), and it showed the other backward castes (OBCs), scheduled tribes (STs) and scheduled castes (SCs) well in the saddle. The census was vast, covering 30.35 million enterprises engaged in economic activities other than crop production and plantation. It dealt with own account enterprises and establishments, including an enterprise employing at least one hired worker. It covered private profit and non-profit institutions, cooperatives, and all economic activities, including the management of temples and dharamsalas.

What stood out about the census was that it discovered the amazing nature of so-called backward caste entrepreneurs (see table below for details). As much as half of all enterprises were owned by SCs/ STs/ OBCs in the rural areas and nearly thirty-eight per cent in the urban areas. The enterprises included manufacturing, construction, trade, hotel, restaurant, transport, finance and business, and other services.

Social Group of Owners of the Enterprises [%]

Item	Rural	Urban	Combined
------	-------	-------	----------