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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

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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."

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
SC	9.0	5.8	7.7
ST	5.2	2.3	4.0
OBC	36.0	29.1	33.
Total of above	50.2	37.2	44.8

Source: *Economic Census, Table 2.6, and CSO, 1998*

The 1998 economic census also revealed that eighty per cent of all the enterprises in the country (24.39 million) were self-financing. Much of it would have come from informal caste networks. Attention should, therefore, focus on enhancing credit systems for such enterprises, especially those owned by SC/ ST and other backward communities. In other words, the accent should be on "vaishya-ising" large segments of our civil society, instead of creating masses of "proletariat" in the fashion of nineteenth century Western models. For that, we need to recognise caste as a natural social capital present in our system

But the downside of the survey was that it revealed a significant decline of SC-

owned enterprises, from 3.42 per cent in 1980-90 to 0.4 per cent in 1990-98, both in urban and rural areas, with the growth turning negative (-0.41 per cent) in the rural areas. This decline needs to urgently engage policy planners. Is the decline due to SC migration to urban areas, or because of inadequate credit availability?

In contrast, the growth rate of enterprises owned by STs significantly increased from 4.16 per cent (1980-90) to 6.64 per cent (1990-98). The increase was sharp in urban areas, from 2.37 per cent to 12.24 per cent. This is interesting, and must be studied too, for replicating the cluster efforts. The focus should be on assisting the entrepreneurship of such groups rather than reservations in dwindling government jobs. There are inter-state variations in industry focus among these social segments, which need scrutiny and targeted encouragement.

Caste based reservation is often justified over economic quotas to remove social backwardness, despite the objections of sociologists. The late great sociologist, M.N.Srinivas, said in *Collected Essays* brought out by the Oxford University Press in 2005, "An important feature of social mobility in modern India is the manner in which the successful members of the backward castes work consistently for improving the economic and social condition of their caste fellows. This is due to the sense of identification with one's own caste, and also a realisation that caste mobility is essential for individual or familial mobility."

Gurcharan Das, the strategic consultant, writer and former vice-president and managing director of Proctor & Gamble Worldwide, says in his book, *India Unbound*, "In the nineteenth century, British colonialists used to blame our caste system for everything wrong in India. Now I have a different perspective. Instead of morally judging caste, I seek to understand its impact on competitiveness. I have come to believe that being endowed with commercial castes is a source of advantage in the global economy."

And where caste unites in economics and entrepreneurship, it divides in politics. As a caste group, the Nadars and Gounders have prospered, while the politically high profiled Vanniars, Thevars and Dalits in Tamil Nadu have been consumed by internal differences. But at the same time, the most significant casualty of the globalisation process could be the self-employed caste groups, much more so than the large impersonal corporations. Policy makers and experts must work up a road map to protect them. Wal-Mart was built in rural America by liquidating thousands of mom and pop shops, the equivalent of our street corner Nadar or Muslim shops.

The arrival of Internet and cell phones present innovative opportunities to link millions of small "vaishyas" to create scale economics. Over the centuries, Indian civilisation has been always creative in finding solutions to social problems. Maybe, it is time the government performs mainly the kshatriya duties of internal and external security while encouraging large segments of society to become vaishyas through instrumentalities of credit delivery, taxation, social security and development of regional and community/ caste-based clusters. This may go a long way in enhancing the social status of SCs/ STs/ OBCs rather than providing them limited job opportunities in the private sector in the name of reservations.

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One strong Hindu can change the thought-current of the whole world...
Hindus should have fearlessness, the first prerequisite of a spiritual life.

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