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BUILDING ENTREPRENEURS

Sunday, 23 March 2014 | R Vaidyanathan | in Agenda



The Government should concentrate more on developing the entrepreneurship skills of the Scheduled Castes and Scheduled Tribes and help them overcome unemployment, writes R Vaidyanathan. Excerpts:

A debate is currently raging in the polity regarding reservations for Scheduled Castes and Scheduled Tribes (SC/ST) in the private sector, similar to the one that is provided in the Government and the public sector. The private corporate sector constitutes a relatively small portion of the national income, namely, around 18-20 per cent. We do not have separate statistics on the number employed by the private corporate sector and proprietorship and partnership (P&P sector) forms of organisations. Many companies do not provide information on the number of people employed by them since it is not required to be given in their Annual Reports.

We find that the employment in the Government and the public sectors stagnated in the nineties and has actually shown a decline in the last two years. The reasons are two-fold. One pertains to the public sector, compared to the socialistic approach of the sixties when everything from bread to rockets was made by the Government. The second reason is that the Government is broke, and more so, at the State level. Salaries and pensions constitute more than 50 per cent of the expenses of many State governments. The Government (both Centre and States) have shifted from defined benefit to defined contribution pension schemes. The dependency ratio (the number retired to number currently employed) is increasing at an exponential rate for most Government departments. Hence, employment in the Government has been significantly reduced and this impacts the SC/ST also.

According to the Government of India, as claimed in the Economic Survey, there were 5.5 lakh persons employed in trade activities (wholesale and retail) in 2011 in the whole country. This presumably includes hotels and restaurants also, since they are not separately provided and they come under the trade category in our statistics. Also, the number of people employed by the construction industry is stated to be only 1 lakh in the whole country during 2011. According to the figures, in the transport, storage and communications sector, only 1.9 lakh persons were employed in the whole country in the year 2011 unreliable data. It is unfortunate that major national policies are being formulated using such fiction.

The Government and private organised sector have only a small share of the total workforce of the country. The organised private sector employs a total of 114 lakhs, which is around 3 per cent of the total workforce (nearly 400 million). Under the circumstances, even if the entire organised private sector is reserved for the SC/ST/ OBC, the gains from employment will be very meagre. But the perspective needs to be different. The more pertinent issue is the share of the SC/ST/OBC in the ownership of the private sector.

We have the exhaustive Economic Census 2005, conducted by the Central Statistical Organisation (C SO) which covers 41.83 million enterprises engaged in different economic activities other than crop production and plantation. It deals with own account enterprises as well as establishments, an enterprise run by employing at least one hired worker. It covers private profit and non-profit institutions, co-operatives, and all economic activities including dharamshalas/temples.

We find that nearly half of all enterprises are owned by SC/ST/OBC. In the rural areas, it is 55 per cent. This encompasses manufacturing, construction, trade, hotels, restaurants, transport, finance, business and other services. The Enterprise Survey reveals that out of the total of 41.83 million enterprises in the country, 37.63 million were found to be self-financing. This speaks volumes about our credit delivery systems. What is required to be debated is the enhancement of credit systems for the enterprises, and more so to those owned by the SC/ST/OBC. In other words, the focus should be on the 'Vaishya-visation' of large segments of our civil society, instead of creating a large number of 'proletariat' in the fashion of nineteenth century economic models.

The Marxist postulate is that, it is 'inevitable' that the 'petite bourgeoisie' becomes a proletariat in the process of the growth of capitalism. But that is based on 19th century experiences. Policy planners and experts need to work on a road map to calibrate changes in our current context. Already, we find that it is difficult to locate a

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tailor or a cobbler in many towns. Let us remember that Wal-Mart was built in rural America by liquidating thousands of mom-and-pop stores which are equivalent to our street corner kirana shops.

The arrival of the Internet and cell phones presents opportunities to innovate in the linking of millions of small 'Vaishyas' to create scale economies. Indian civilisation has always been innovative in finding solutions to social problems. Maybe, the time has come for the Government to perform the task of a Kshatriya (internal and external security) and encourage large segments of our society to become Vaishyas through instrumentalities of credit delivery, taxation, social security and development of regional and community based clusters. This may go a long way in enhancing the social status of the SC/ST/OBC rather than providing some limited job opportunities in listed companies.

The writer is the author of India Uninc

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