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The private sector's turn to deliver

SUKHADEO THORAT

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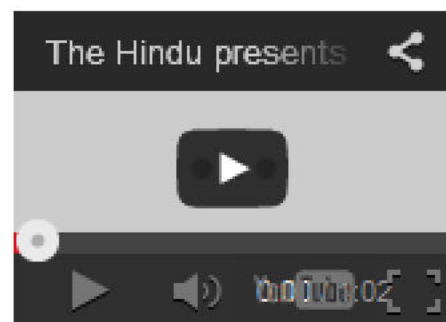
A 2010 National Sample Survey exercise revealed that the percentage of self-employed households among the Scheduled Castes was only 14 in rural areas and 29 in urban areas. File photo

The Hindu

The government's decision to set aside a 20 per cent quota for SC/ST vendors in its purchases, if accepted by every sector on a wider scale, has the potential to make growth pro-poor and inclusive.

The Central government has finally announced a policy reserving 20 per cent of its purchases for micro and small enterprises run by entrepreneurs belonging to the Scheduled Castes and the Scheduled Tribes. The new procurement policy will cover 358 items to be purchased by Central ministries, departments and public sector undertakings. The 20 per cent purchase norm will become mandatory after three years. This is in line with the policies that have been pursued for some time by Mukul Wasnik, Minister of Social Justice and Empowerment; the final approval came from the Prime Minister's Office.

This is as historic a decision as the provision of reservation in public employment, education and politics. Dr. B.R. Ambedkar first argued for compensatory policies in the private sector, in a representation to the Southbrough Committee on January 25, 1919. He shared with the members of the committee the painful incident of an 'untouchable' Mahar woman who was taken to the police court for selling watermelons, because she had violated the customary rules which prohibited 'untouchables'



from doing business: they were supposed to undertake only the so-called polluting occupations. The demand for policies to compensate the 'untouchables' for denial of poverty rights was repeated in a memorandum submitted to the Constituent Assembly in 1947: "Discrimination against citizens by the private employers in the factories and in commercial concerns on the grounds of race or creed or social status should be treated as an offence," observed Dr. Ambedkar.

Although the situation has changed much since 1919, the consequences of denial of property rights continue to haunt Dalits — which is reflected in extremely low ownership of private enterprise by them. In 2010, a National Sample Survey exercise revealed that the percentage of self-employed households among the Scheduled Castes was only 14 in rural areas and 29 in urban areas, compared with 17 and 37 per cent for higher castes. The economic census of private enterprises for 2005 showed a similar pattern. The share of the Scheduled Tribes, the Scheduled Castes, the Other Backward Classes and the higher castes in total private enterprises was about 2, 6, 30, and 61 per cent respectively in the urban areas, while the figures were 6, 10, 40, and 45 per cent in the rural areas.

Thus, the graded inequality in the ownership of private enterprise continues despite the grant of equal property rights: the share of the Scheduled Castes and the Scheduled Tribes in total private enterprise has remained much less than their share in the population. Besides, the Scheduled Caste entrepreneurs and the businesses run by them have faced discrimination in accessing some inputs and services, if not all, that are necessary for the production and sale of goods and services. This is particularly the case for communities such as Valmikis, engaged in the sale of consumer goods such as milk, vegetables and similar products, leading to market failure caused by untouchability. It is in this background that the decision by the United Progressive Alliance government to set aside a 20 per cent quota in government purchases from SC/ST vendors assumes significance.

Limitations

The policy does have its limitations as procurement under the policy will cover only purchases made by Central ministries, departments and PSUs. Public enterprises account for only 5 per cent of the total enterprises in India. The remaining 95 per cent, private enterprises, are without any such obligation. The corporate sector has developed affirmative action policies on a voluntary basis and adopted a code of conduct; entrepreneurship development is one of the components of this policy. Associations of industries have recognised the role of market support for success in integrating marginalised communities in mainstream industry. The code for affirmative action policy talks about encouraging member-companies to make companies owned by those from the SC and ST communities a part of their supply-vendor chain.

However, the policy of market support through partnership with those from the SCs and the STs has not found favour with the companies. The Confederation of Indian Industry (CII) reports that a beginning has been made in this direction by only half-a-dozen companies. CII, Assocham, and FICCI, whose membership runs into thousands of companies, are way behind in accepting the market support policy in purchases from SC and ST vendors. It is time the private sector, which makes purchases worth millions of rupees each year, also accepted the government's procurement policy in such a manner that a majority of its member-companies are covered and join hands with the government in a spirit of partnership.

The government's initiative on procurement, if accepted by the private sector on a wider scale, has the potential to make growth pro-poor and inclusive. A very high proportion of enterprises run by the SCs and the STs are household-based, almost 80 per cent, much higher than the corresponding figure of 61 per cent for higher castes. With low capital and traditional techniques, earnings are low, and this results in high levels of poverty among the self-employed and casual labour engaged in them. In 2009-10, of the total rural Scheduled Caste self-employed households, about 24 per cent were poor, the ratio being 15 per cent for higher castes. The ratio of poor for urban Scheduled Caste self-employed households was 35, as against 20 per cent for higher castes. The percentage of self-employed poor among the Scheduled Tribes was more than 30 per cent. The pro-poor growth requires that the productivity and earnings of these enterprises are raised with necessary support from the government and the private sector. Providing market support through reservation in purchases is one way to transform this low-productivity and poverty-stricken sector into a high-productivity sector and to make growth inclusive of the poor.

But the goal of integration of the SC and ST businesses into the main supply chains may be realised only if the private sector also follows the government's policy in purchases for all member-companies. This will make growth pro-poor and help reduce poverty among the self-employed and the casual labour engaged in them.

Look East

The private sector can possibly do more. Instead of looking to the West, it will be useful to draw lessons from the East, particularly an experiment in Malaysia. The Malaysian government, through its affirmative action policy launched in the 1970s, managed to increase ownership in private enterprises for the discriminated group of Malaya from only 2 per cent in 1970 to 20 per cent in 1990. The government brought about a systematic redistribution of ownership of private capital in favour of discriminated groups in a period of two decades.

We have the responsibility to repay the social debt the nation owes to the 'untouchables' for having denied them property rights and left them assetless for a pretty long period in history.

(Sukhadeo Thorat is Professor, Centre for the Study of Regional Development, Jawaharlal Nehru University, Delhi, and Chairman, Indian Council of Social Science Research. He is at thoratsukhadeo@yahoo.co.in)

Keywords: MSME, small enterprise, SC/ST reservation, self-employment

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There needs to be a quota for non creamy layer among these communities in only. Even within subcastes there are large deviations with regards to poverty. These complex issues must be covered rather than putting everything under broad labels.

from: Vineet

Posted on: Apr 9, 2012 at 14:40 IST

..... who studied in Delhi public school? Who should pay for that? And who is responsible for that incompetency of that SC/ST person? Even if one passes all these hurdles, there is all pervasive discrimination based on caste in various forms. I think, those people who ask where is this discrimination being practiced or declare that it was practiced a century ago, have not seen real life but just kept themselves occupied watching movies and playing video games. Why do they develop hatred towards such people who have been exploited systematically both by the state and the society? Why don't they ask for free and uniform standard education for all? What is the development for when it is not meant for its people and does not include its masses?

from: *P Vijay*

Posted on: Dec 1, 2011 at 18:08 IST

I agree with a few comments as to why is the Government only looking after SCs and STs. Does it not have any obligation towards poors belonging to the upper class? In an era when economic status is integrated with a man's social status, there is a need for revamping the system because no matter how noble the intentions of the Government are, the benefit will be reaped only by the established entrepreneurs belonging to STs and SCs. Like in public employment and education, How many deserving people get the benefit - it is the ministers and bureaucrats whose sons and daughters take reap the benefits - poors continue to be poors!

from: *Alok Chaturvedi*

Posted on: Dec 1, 2011 at 16:37 IST

I am not in accord with the decision taken by government, opinion stated by Mr. Thorat. My question is, whether it's justified to do something wrong in atonement of wrong done in the past?..First of all the idea of division of society based on caste is a farce, any division that exists today is either financially backward or well to do- applicable to all castes (including higher & SC/ST/OBC)...so any relaxation that shld be given must be in monetary terms (i.e tax breaks etc) and it must not compromise the quality. By giving 20 percent reservation, what is the surety that the quality is not being compromised?, give a fair chance to everybody and let the best prevail, Business is about making acute decision in order to excel..yes their is also a social responsibility, but lets not try to influence decision making.

from: *Avinash Rai*

Posted on: Nov 30, 2011 at 22:29 IST

Its only a old age things that says the SC/ST are deprived of education, business. Govt assumes that the people from upper caste are rich. Even from people belonging to upper caste are even deprived from a meal a day. How can the govt forget about those. why no benefits for those who are poor but belongs to upper caste. In this country either born as a rich or a SC/ST.

from: *Nitesh*

Posted on: Nov 30, 2011 at 14:19 IST

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