Entrepreneurship and Marginalised Social Identities in India

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The nature and extent of the under-representation of marginalised caste groups in enterprise ownership in India are examined. It is found that exclusion takes place in three distinct stages. First, the share of Scheduled Caste, Scheduled Tribe or Other Backward Class individuals in ownership of any enterprise is less than their share in the workforce. Second, among those who do engage in entrepreneurial activities, a disproportionately higher share of entrepreneurs from the marginalised identity groups are engaged in enterprises, which are not purely commercial and are likely to be subsistence-oriented. And finally, even within the owners of purely commercial enterprises, those from marginalised groups tend to be concentrated in the smaller enterprises and are severely under-represented in the larger and more productive ones.

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Social identities such as a person's gender, caste, religion or ethnic/linguistic background continue to play an important role in determining their social and economic outcomes such as access to education, employment or credit, type of occupation as well as earnings. Disadvantaged social groups (women, marginalised castes, Muslims, and Adivasis) are under-represented in decent jobs as well as in ownership of enterprises. Although economic growth has reduced such disparities, they remain at unacceptably high levels (Centre for Sustainable Employment 2023).

In this paper, our primary focus is on the relationship between caste and enterprise ownership. The social and economic spheres of life in India have been historically governed by the norms and customs of the caste system—a hierarchical division of labour that is entwined with cultural, political, social and economic exclusion. In the modern economy, exclusion in the economic sphere manifests in forms that are often different from yet rooted in historical caste-based exclusions (Thorat and Dubey 2012). Socio-economic mobility of those at the lower rungs of the caste ladder is often not vertical but horizontal, that is, moving from traditional caste-based occupations to low-wage, insecure jobs in agriculture or in the informal sector (Jodhka 2016).

Lack of vertical mobility means the exclusion of marginalised castes from economic activities that are sources of greater economic power and better standards of living, such as formal jobs and ownership of any but the tiniest of enterprises. While good jobs can improve economic well-being through higher earnings, representation in business ownership is an independently important dimension that increases economic power as well as civic participation through ownership of assets. This second route can be particularly important for vertical mobility of the disadvantaged caste groups, the majority of whom have been historically landless and asset-poor (Jodhka 2010).

In India, caste divisions are not only a feature of Hindu society but are also found among religious minorities. Muslims from marginalised castes may suffer caste-based discrimination as well as discrimination based on their religious identity, thereby intensifying exclusion due to the intersection of multiple marginalised identities.[1] Our second aim in this paper is to examine this intersection of caste and religion as it pertains to enterprise ownership. Previous studies have shown that Muslims (irrespective of which caste they belong to) are also disadvantaged in business ownership primarily due to a lack of access to credit from banks and other financial institutions (Harriss-White and Prakash 2010). They may also face danger of economic boycotts or other overt forms of discrimination (Saiyed 2020). There are two distinct factors at work here. First, exclusion from formal sector employment opportunities may force marginalised identities into self-employment. But credit market rationing or other forms of discrimination and exclusion may act as barriers to the expansion of businesses.

Thus when discussing entrepreneurship and social identity, our starting point is to note that ownership of all enterprises is not alike in terms of the economic power that it entails. The Indian economy has a very large number of tiny own-account enterprises often operating on the logic of subsistence. Therefore, the question of representation of different social groups in ownership of enterprises needs to be addressed from both perspectives of exclusion and unfavourable inclusions (Sen 2000). That is, the exclusion of disadvantaged social groups through their lack of representation in ownership of larger, more productive enterprises, and their unfavourable inclusions in terms of their concentration in ownership of enterprises that are economically less valuable.

The exclusion of disadvantaged social groups in economically valuable enterprises tends to be sustained through processes of discrimination that manifest both at the level of the community as well as formal institutions. Individual-level discrimination can occur when there is active opposition from dominant business communities to the entry of persons from marginalised social groups or informal agreements from buyers to not source products from firms belonging to certain groups and so on (Saiyed 2020; Alha 2018; Jodhka 2010). On the other hand, an important route of institutional discrimination is found to operate in the credit market, lowering the probability and amount of formal credit that can be obtained by entrepreneurs from socially disadvantaged social groups (Raj and Sasidharan 2018). Finally, there is also evidence that regulatory costs are higher for entrepreneurs from Scheduled Caste (SC) and Scheduled Tribe (ST) groups who may lack bargaining power over government officials (Amirapu and Gechter 2020).

Relatively less attention has been given to the intersection of identity and entrepreneurship as compared to the role of social identities in educational and labour market outcomes. Thorat and Sadana (2009) used Economic Census data for 2005 to show that the share of SCs and STs in the ownership of enterprises was much less than their shares in the population in both rural and urban areas. Moreover, there was little change in such trends between 1990 and 2005 (Iyer et al 2013). Further, the average size of enterprises owned by SCs and STs was smaller than those owned by non-SC/ST owners, and they employed a smaller proportion of the workforce than owners from non-SC/ST social groups (Iyer et al 2013). A substantial earnings gap between SC/ST and non-SC/ST households engaged in business has also been reported (Deshpande and Sharma 2016). Owing to low turnover resulting in low income, the incidence of poverty is also higher among SC/ST households engaged in business and production compared to non-SC/ST households in both rural and urban areas (Thorat and Sadana 2009).

Other studies using the micro, small, and medium enterprise (MSME) census data for 2001–02 and 2006–07 also found that similar caste disparities in ownership exist in the registered segment of the MSMEs and such disparities marginally increased between 2001–02 and 2006–07 (Deshpande and Sharma 2013). There is also evidence of homophily since major proportions of the SC/ST workforce are employed in SC/ST-owned enterprises and much fewer proportions are in non-SC/ST-owned enterprises (Deshpande and Sharma 2013).

In this paper, we build on these findings with more recent and disaggregated data to deepen our understanding of the relationship between social identity and ownership of enterprises in India. The 2013 Economic Census (unlike earlier rounds) allows us to disaggregate caste into four large groups—SCs, STs, Other Backward Classes (OBCs) and Others (a proxy for dominant castes). We also combine caste data with religion to distinguish between Muslim and non-Muslim OBCs as well as Muslim and non-Muslims from the Other caste group.[2]

We find that the marginalised caste groups are over-represented in subsistence-based enterprises and under-represented in the commercial ones. Moreover, the extent of under-representation of entrepreneurs from marginalised caste backgrounds increases with the size of the enterprise. Within the OBC caste group, Muslim OBCs are more under-represented in larger commercial enterprises as compared to non-Muslim OBCs. Within the Other caste group, Muslims are under-represented in larger commercial enterprises, whereas non-Muslims are over-represented in all commercial enterprises, except the tiniest (own-account) enterprises.

This pattern of exclusion of the marginalised identity groups from ownership of high-value enterprises results in a loss of output controlled by them. We call this an identity penalty and estimate its magnitude for the manufacturing sector. We find that this penalty is borne by the SCs, STs, OBCs—both Muslims and non-Muslims, as well as Muslims from the Other caste group. Only non-Muslims from the Other caste group earn an identity premium which amounted to ₹271.7 billion in 2010–11 prices. This is equivalent to one-fourth of all gross value added (GVA) by private proprietary, commercial enterprises. By construction, this is the sum of the identity penalties borne by all the other identity groups.

The rest of the paper is organised as follows. In the next section, we describe the data and methods used. Further we present the main findings, and discuss the results and conclude.

Data and Methods

Data on ownership of enterprises comes from the sixth round of the Economic Census (2013) which is the most recent round available. The Sixth Economic Census lists a total of 62.7 million enterprises in India in 2013, of which 58.3 million were perennial in nature and the remaining 4.4 million were seasonal or casual. Of all the census enterprises, 14.6 million were engaged in agriculture and allied activities and the remaining 48.1 million were in the non-agricultural sector. We focus here on the non-agricultural sector since movement out of agriculture is an important part of the social mobility process. The Economic Census reports the gender, caste and religion of the owner only for private proprietorships. Hence, our study is limited to the universe of private proprietary enterprises in the non-agricultural sector. The majority of the non-agricultural enterprises in the Economic Census—87%—were owned by private proprietors.

Data on the share of different social groups in the workforce comes from the National Sample Survey Office (NSSO) Employment and Unemployment Survey (EUS) for 2011–12—the closest employment round to the Economic Census. The GVA data for manufacturing units in the organised and unorganised sectors is estimated from the Annual Survey of Industries (ASI) and the National Sample Survey of Unincorporated Non-agricultural Enterprises, respectively, for 2010–11. The choice of this year is dictated by the NSSO unincorporated enterprises surveys which are available for 2010–11 and 2015–16. We do not choose the 2015–16 survey since there is no NSSO Employment–Unemployment Survey available for that year and we would be forced to go to the Periodic Labour Force Survey, 2017–18 for workforce shares, taking us quite a bit further from the 2013 Economic Census year. The ASI data for the organised sector firms are available annually. But here we have used 2010–11 ASI data instead of that for 2012–13 or 2013–14, so that our GVA estimates for the organised and unorganised sectors are consistent.

Identity-based representation indices: In order to estimate how well the marginalised and privileged social groups are represented in ownership of enterprises, we construct a number of representation indices. In the Economic Census, the variable "use of census structure" reports two types of enterprise structures in the economy—those used only for commercial purposes and those used for both commercial and residential purposes. The latter are more likely to be subsistence-oriented enterprises. So, we construct representation indices for each identity group in the ownership of commercial versus commercial-cum-residential enterprises.

This is done by dividing the share of each identity group in the ownership of commercial versus commercial-cum-residential enterprises by their share in ownership at the aggregate level. For the identity groups, we also disaggregate caste by religion—Muslims and non-Muslims wherever possible. However, here and in the rest of this paper, the disaggregation by religion is not carried out for the SCs and STs because both in the workforce and in enterprise ownership, the SC/ST community is reported predominantly as Hindu (see endnote 2).

Since the share of each identity group in the ownership of enterprises in the aggregate is positive, the representation index is always a non-negative value with a lower bound of 0. For any identity group, if the value of the representation index is less than 1, then that group is under-represented in ownership, and if it is greater than 1, then it is over-represented. If the representation index for any identity group is equal to 1, it means that there is no bias in their representation.

Next, we construct representation indices for each identity group separately for each enterprise size within the purely commercial sector, where the size of the enterprise is measured by the number of persons employed. The numerator in these representation indices is the share of each identity in the ownership of commercial enterprises of each size. The denominator is the share of these groups in ownership of all commercial enterprises (irrespective of enterprise size). Thus, for example, if OBC owners account for 40% for all commercial enterprises but only 10% of commercial enterprises with 10 workers, then the representation index for OBCs for this size class will be 0.4.

Note that the first representation index measures the extent of representation of different identity groups in the ownership of commercial and subsistence-based enterprises in the aggregate, whereas the second set of size-wise representation indices measures the extent of representation of different social groups in commercial enterprises of various sizes.

Identity-based penalty/premium: Finally, we also estimate the identity penalty (premium) as the loss (gain) in total GVA controlled by entrepreneurs from marginalised (privileged) social identities arising from the bias in their representation in the ownership of enterprises. This analysis is restricted to the manufacturing sector since GVA data for the organised services sector is not available at the industry level. As described earlier, we bring in GVA information from the 2010–11 ASI and National Sample Survey (NSS) data.

In order to assign a GVA value to each enterprise in the Economic Census, we estimate the average GVA by state, industry (2-digit NIC code) and size of the enterprise from ASI and NSS data for the organised and unorganised sector enterprises separately. For enterprises employing up to 10 persons that should be in the unorganised sector, the average GVA value comes from NSS data only. For enterprises employing more than 20 persons which should be in the organised sector, the average GVA value is obtained exclusively from the ASI data. If the enterprise employs between 10 and 20 persons, then it could be in the organised sector if it uses electricity, and in the unorganised sector, if it does not. Hence, for these enterprises, the average GVA for each enterprise size is calculated by taking into account enterprises in both ASI and NSS data together.

For estimating GVA values from either ASI or NSS or both, only private proprietary enterprises operating outside the household are considered to keep parity with the Economic Census data. Once all enterprises are assigned an average GVA based on their size, industry and location, the sum of these values over all enterprises in the Economic Census gives us an estimate of the total GVA in the commercial segment of the private proprietary manufacturing sector.

The identity penalty or premium that accrues to an identity group is computed as the difference in total GVA actually controlled by that identity group and the total GVA that would be controlled by them if they were not under- or over-represented in ownership. The total GVA actually controlled by an identity group is simply the sum of the average GVAs assigned to all the enterprises owned by that identity group. We call this *GVA_actual*. Now, if an identity group is under-represented in ownership, *GVA_actual* would be less than what would have been controlled by them if they were not under-represented. The reverse would be true in case of over-representation. We are interested in finding the difference between this counterfactual value of GVA that would be controlled by any identity and the GVA actually controlled by them. When this difference is a negative value due to under-representation, we call it identity penalty. If this is a positive value due to over-representation, this is referred to as an identity premium.

Just as the representation indices are constructed in two steps, the identity penalty is also estimated in two steps. The first corresponds to the penalty that accrues from under-representation in commercial enterprises as a whole. The second corresponds to the penalty resulting from under-representation in larger enterprises within the commercial sector. Therefore, the counterfactual total GVA that would be controlled by any identity group is also calculated in two stages. The first estimate of counterfactual GVA controlled by an identity group comes from assuming that there is no bias in the ownership of commercial versus commercial-cum-residential enterprises. That is, as if the owners' identity did not matter in determining the type of enterprise owned by them. In this case, the share of commercial enterprises owned by any identity group would be in proportion to the share of all enterprises (commercial plus commercial-cum-residential) owned by them. This counterfactual GVA is obtained by attributing to each identity group the total GVA produced in the commercial segment in proportion to their share in all enterprises in the aggregate. We call this GVA_all^{CF}. For example, if SCs own 20% of all enterprises but only 10% of commercial enterprises, then the counterfactual GVA_all^{CF} is obtained by assigning to SCs 20% of total commercial sector GVA instead of 10% of it.

The second estimate of counterfactual GVA controlled by any identity group is obtained by attributing to them the total commercial sector GVA in proportion to their share in all commercial enterprises. We call this $GVA\_commercial^{CF}$. Note that the GVA produced by each enterprise would vary considerably within all commercial enterprises. One of the major dimensions along which the GVA of an enterprise on average would vary is the size of the enterprises—larger enterprises would produce higher GVA compared to smaller ones. Therefore, the assumption behind estimating the counterfactual $GVA\_commercial^{CF}$ is that an identity group owns commercial enterprises of each size in the same proportion as their share in commercial enterprises in the aggregate. That is, there is no heterogeneity in their representation across enterprises of various sizes. In the above example, since SCs own 10% of commercial enterprises, $GVA\_commercial^{CF}$ will be obtained by assigning 10% of the total GVA produced in the commercial segment to SCs, with the assumption that SCs own 10% of commercial enterprises of each size. In reality, the share of each identity in the ownership of commercial enterprises is likely to vary with enterprise size. The actual GVA controlled by any identity group as given by *GVA_actual* takes into consideration this heterogeneity.

Now, the first type of identity penalty/premium (*P1*) for any identity *i* resulting from their under-/over-representation in the ownership of commercial enterprises is the difference between the two counterfactual GVAs. That is, $P1_i = GVA\_commercial^{CF}{}_i - GVA\_all^{CF}{}_i$

Therefore, in our example where SCs own 20% of all enterprises and 10% of commercial enterprises, if we assume that total GVA is ₹100 billion, then, *P1* for SCs is ₹10 billion (0.1*100 – 0.2*100). That is, SCs bear an identity penalty worth ₹10 billion, which is equivalent to 10% of total GVA.

The second type of identity penalty/premium (P2) for identity *i* resulting from their under-/over-representation in the ownership of commercial enterprises of various sizes is the difference between the actual GVA controlled by that identity and the counterfactual $GVA\_commercial^{CF}$ assigned to them. That is, $P2_i = GVA\_actual_i - GVA\_commercial^{CF}{}_i$

Again going back to our example, if we assume that the total GVA actually controlled by SCs is ₹4 billion, then *P2* for SCs is ₹6 billion (4 – 0.1*100). That is, the total GVA controlled by SCs is ₹6 billion less than what would have been controlled by them if they were not under-represented in ownership of larger, high-value commercial enterprises.

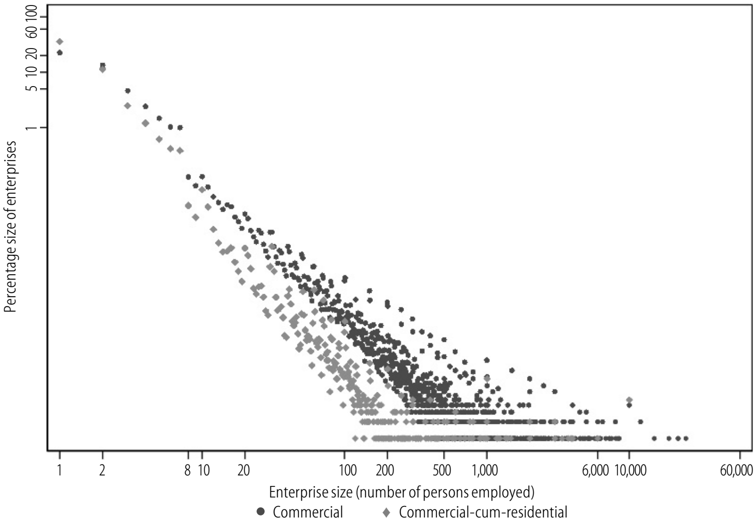
And finally, the total identity penalty/premium (*P*) for any identity *i* is simply the sum of these two types of identity penalty/premium. That is, $\boldsymbol{P}_i = P1_i + P2_i$. If the value of $P1_i$, $P2_i$ or $\boldsymbol{P}_i$ is negative, it denotes an identity penalty and if the value is positive, it denotes a premium. In our example, total penalty (***P***) borne by SCs is ₹16 billion {(-10) + (-6)}, of which ₹10 billion is due to their under-representation in commercial enterprises in the aggregate and another ₹6 billion is due to their under-representation in larger enterprises within the commercial sector.

Results

Enterprises in India—An overview: As mentioned earlier, the Sixth Economic Census enumerated 62.7 million enterprises in India in 2013, of which 14.6 million were engaged in agriculture and allied activities and the remaining 48.1 million were in the non-agricultural sector. Our focus is on non-agricultural enterprises. Within these, we only consider private proprietorship since the Economic Census reports the caste and religion of the owner only for these. The majority of the non-agricultural enterprises in the Economic Census—87%—were owned by private proprietors.

A further distinction is important here from the perspective of structural change. A large number of enterprises in the census are likely to be subsistence-based and not oriented towards growth and accumulation. Going back to the distinction mentioned earlier between exclusions and unfavourable inclusions, we would like to see how marginalised identities fare in the ownership of growth- and accumulation-oriented enterprises since exclusion from other opportunities is likely to result in a crowding of such individuals into self-employment for subsistence.

Figure 1: Size Distribution of Commercial and Residential-cum-Commercial Enterprises in India, 2013



Source: Sixth Economic Census. Only non-agricultural proprietary enterprises are shown. Both axes are on log scale.

As mentioned earlier, whether or not the enterprise operates from within the household is often used as a marker for subsistence-based enterprises. Here, we draw on the variable "use of census structure" to distinguish commercial from commercial-cum-residential enterprises. Admittedly, this is an approximation since it is possible that there are enterprises classified as operating in a "residential-cum-commercial" structure which are accumulation-oriented. By excluding those, we are narrowing our definition of accumulation-oriented enterprises to only those that operate out of purely commercial premises. These accounted for 47.5% of all private proprietary non-agricultural enterprises in India in 2013.

Figure 1 shows the complete size distribution of all private proprietary enterprises in the non-agricultural sector for both commercial and commercial-cum-residential enterprises. As expected, commercial-cum-residential enterprises tend to be smaller than purely commercial enterprises. Commercial enterprises have a much smaller share of own-account enterprises and a higher share of the larger enterprises as compared to the commercial-cum-residential enterprises. The commercial-cum-residential sector accounts for the majority of own-account enterprises (61.3%), whereas purely commercial enterprises account for the remaining 38.7%. On the contrary, only 40.2% of enterprises that employ more than one person are in the commercial-cum-residential sector whereas the majority of them are of the purely commercial type (59.8%).

Of course, it is also obvious from Figure 1 that the average enterprise in India as of 2013 was tiny, whether of the household or commercial variety. Those larger than 10 workers constitute only 0.26% of all household enterprises and 1.4% of all commercial enterprises.[3] For this reason, we construct size-wise representation indices for each size from one person to 20 persons employed, and club the remaining enterprises employing more than 20 persons in one bin representing the largest private proprietary enterprises in the commercial segment.

How are different social groups represented in ownership of enterprises? We now examine how disadvantaged social groups are represented in enterprise ownership. If there were no constraints to becoming owners of enterprises for the disadvantaged identities, we would expect the share of each identity in ownership to be broadly at par with their share in the workforce. However, previous studies have shown that identity-based disparities do exist and this is also evident from Table 1 below which reports the share of the four broad administrative caste categories—SC, ST, OBC and Others in the workforce and in the ownership of enterprises of any kind. We see that the share of the marginalised caste groups—SCs, STs, and OBCs—in ownership of any enterprise is less than their share in the workforce. The difference is higher for SCs and STs than for OBCs.

As mentioned earlier, we are further interested in examining any differences for the religious minority of Muslims within caste groups where possible. Hence, Table 1 also reports the shares for Muslims and non-Muslims within both OBCs and Others. This shows that the share of OBC-Muslims in the ownership of enterprises is at par with (in fact, marginally higher than) their share in the workforce. But the same is not true for OBC-non-Muslims which pulls down the share of OBCs in the ownership of enterprises in the aggregate. On the other hand, both non-Muslims and Muslims from Other caste groups have a larger share in the ownership of enterprises than in the workforce.

Table 1: Share of Various Social Groups in the Workforce and in Enterprise Ownership

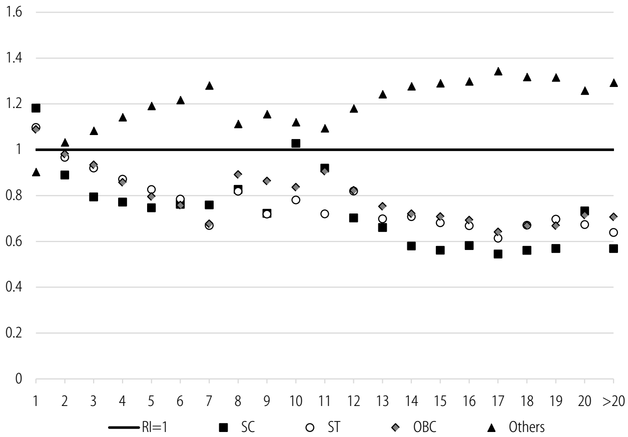
Identity Group	WF Shares	Ownership Shares
SC	19.3	11.2
ST	10.1	4.3
OBC	43.5	39.6
Others	27.1	44.9
OBC–Non-Muslims	37.9	32.9
OBC–Muslims	5.7	6.5
Others–Non-Muslims	21.3	36.4
Others–Muslims	5.8	8.5

Sources: Sixth Economic Census.

The numbers presented in Table 1 make the point that even if we do not distinguish with respect to the commercial or subsistence nature of the enterprise or its size, marginalised caste groups are under-represented in the ownership of enterprises. We now examine: When they do become entrepreneurs, what type of enterprises do they own? For this, we construct the first set of representation indices (see Data and Methods) for each identity group in ownership of commercial and commercial-cum-residential enterprises.

Table 2 (p 45) shows that SCs, STs and OBCs are under-represented in the ownership of purely commercial enterprises and over-represented in the commercial-cum-residential enterprises which are likely to be subsistence-oriented. However, the extent of over-representation in commercial-cum-residential and under-representation in purely commercial enterprises

Figure 2: Representation Index for Various Caste Groups by Enterprise Size



Sources: Sixth Economic Census.

Table 2: Representation Index for Ownership of Commercial and Subsistence-based Enterprises, by Identity

Enterprise Type/ identity Group	SC	ST	OBC	Others	OBC–Non-Muslims	OBC–Muslims	Others–Non-Muslims	Others–Muslims
Commercial	0.76	0.74	0.91	1.17	0.91	0.9	1.22	0.92
Subsistence	1.21	1.24	1.08	0.85	1.09	1.1	0.8	1.06

Sources: Sixth Economic Census.

is less for OBCs than for SCs and STs. On the other hand, the pattern is reversed for Others. They are over-represented in commercial and under-represented in the subsistence-based enterprises.

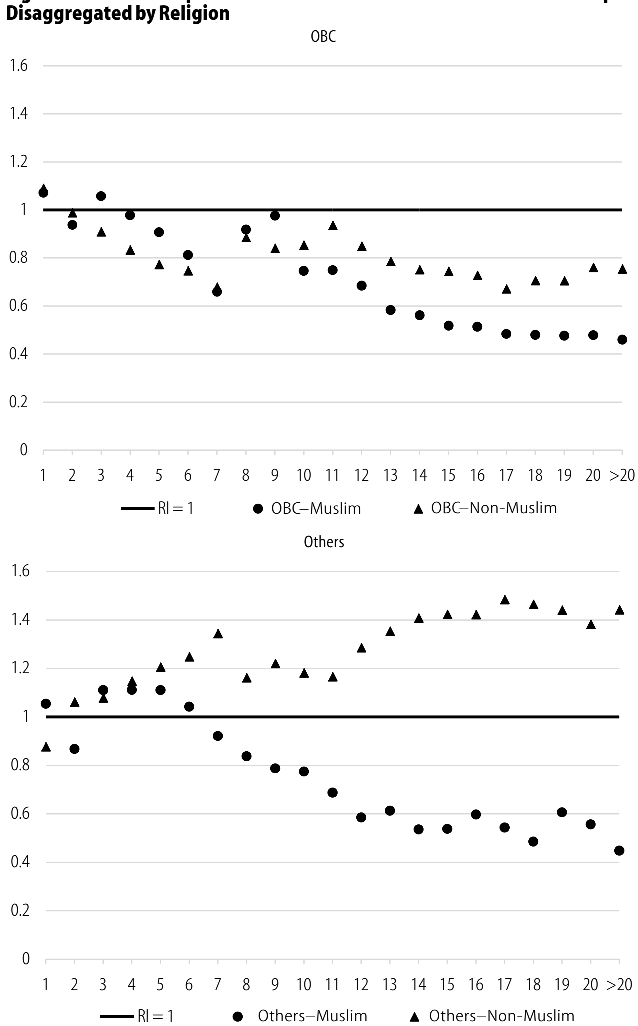
Disaggregating OBCs and Others by their religious identity shows that in the case of OBCs, both Muslims and non-Muslims are under-represented in commercial enterprises and over-represented in the commercial-cum-residential enterprises. But the index is close to 1 indicating that the extent of over-/under-representation is not very severe. However, non-Muslims from the Other caste group are clearly over-represented in commercial enterprises while Muslims from Other castes are mildly under-represented.

Therefore, not only are marginalised identities less likely to become owners of enterprises, but also conditional on ownership, they are disproportionately concentrated in subsistence-based enterprises operating from within the household premise and much less likely to own market-oriented, purely commercial enterprises.

These representation indices are useful in understanding the extent of representation of privileged and marginalised identity groups in the ownership of purely commercial enterprises in general. However, an aggregate measure like this treats all commercial enterprises alike and conceals the heterogeneity in the type of commercial enterprise that might exist in enterprises owned by different identities. One of the fundamental sources of such heterogeneity lies in the size of the enterprise.

Size-based disparities in ownership of enterprises across castes: We now examine the extent of representation of different social groups across commercial enterprises of various sizes where size is measured by the total number of persons employed (including the owner).

Figure 3: Size-wise Representation Index for Others and OBC Caste Groups Disaggregated by Religion



Sources: Sixth Economic Census.

Figure 2 plots the size-wise representation index for the four administrative caste categories. There are some important points that emerge from this graph. First, the smallest enterprises with only one person employed (own account) are the only enterprises where Others are under-represented and all the other three caste categories—SC, ST and OBC—are over-represented. Despite these own-account enterprises not operating from within the household, they remain the least valuable of the commercial enterprises and are also least likely to grow by accumulation.

As the size of the enterprise increases, the pattern is reversed. Over-representation of Others and under-representation of the marginalised caste groups steadily increase with enterprise size till enterprises employing seven persons is reached. The size and over-/under-representation relation is relatively fuzzy for enterprises that employ 8 to 10 persons. However, starting from enterprises that employ 11 persons, over-representation of privileged caste owners and under-representation of entrepreneurs from the marginalised caste groups again increase with enterprise size.

Therefore, the size of the enterprise matters in the context of representation of different caste groups in enterprise ownership—marginalised caste groups are progressively more under-represented in the ownership of large enterprises and the reverse is true for owners from privileged caste groups. However, since enterprises employing 10 persons also mark one of the thresholds for formal sector entry, it appears that the size effect on representation of different caste groups in enterprise ownership operates separately within the formal and informal sectors. This is an interesting aspect of the identity-size relationship that needs to be explored further.

Moving to the intersection of caste and religion, we see some striking disparities. We have seen that Others are over-represented in all enterprise sizes except in own-account enterprises and the extent of their over-representation is higher in larger enterprises. However, panel (a) of Figure 3 (p 45) shows that this reflects the ownership pattern of non-Muslims but not that of Muslims. Other caste Muslims are over-represented only in small enterprises. In enterprises employing more than six persons, not only are they under-represented but the extent of their under-representation increases as the enterprises become larger.

On the other hand, a similar disaggregated representation index for OBCs shows that in smaller enterprises employing less than 10 persons, non-Muslims are more under-represented than Muslims. However, in enterprises employing 10 or more persons, this is reversed and Muslims from OBC background are more under-represented than non-Muslims. Moreover, for OBC non-Muslims, beyond enterprise size 17, there is some improvement in representation but for OBC Muslims representation steadily declines in the larger firms.

In summary, two points are worth emphasising from the foregoing analysis. First, ownership of relatively larger private proprietary enterprises (with 20 workers or more) remained heavily dominated by dominant caste groups as of 2013. Second, as enterprise size increases, Muslims suffer an additional under-representation as compared to their non-Muslim counterparts from similar caste backgrounds.

Estimating the marginalised identity penalty in the manufacturing sector: From the above discussion on representation of different social groups in ownership of enterprises, it is evident that the marginalised identities in India are consistently disadvantaged in ownership of enterprises in the economy. Such disadvantage takes two forms—(i) individuals from these social groups are under-represented in ownership of commercial enterprises in the aggregate, and (ii) within commercial enterprises, owners from marginalised identities are over-represented in own-account enterprises but under-represented in larger enterprises. Both these channels lead to a relative loss of economic power. The opposite mechanism of relative gain in economic power through over-representation in enterprise ownership and more over-representation in larger firms occurs for the privileged social groups.

Economic power in itself is an abstract concept but there are several ways in which it can be quantified to give it a concrete form. One way to do that in the context of representation in ownership of commercial enterprises is to express the loss (gain) in economic power of marginalised (privileged) identity groups due to under-representation (over-representation) in terms of the loss (gain) in the value of output controlled by them. As discussed in the Data and Methods section, we refer to such loss and gain in economic power as the identity penalty and identity premium and estimate it for the manufacturing sector.

As mentioned above, marginalised caste groups tend to lose out in two stages. First, only a fraction of all owners from marginalised identities become owners of commercial enterprises. And second, among those who do become owners of commercial enterprises, only a small fraction become owners of larger enterprises. Therefore, the total identity penalty for the marginalised identity groups can also be disaggregated into two parts—one that comes from under-representation of these groups in ownership of commercial enterprises in general and another which comes from their under-representation in the larger enterprises within all commercial enterprises.

Table 3 shows that the category of Other caste non-Muslims is the only identity group which earns an identity premium in ownership of enterprises. This is not surprising since this is a "doubly privileged" group both in terms of their caste and their non-Muslim religious identity. The total estimated premium accrued by this group due to their over-representation in commercial enterprises in general, and in larger commercial enterprises in particular, amounts to ₹271.7 billion (2010–11 prices). In our estimate, this is equal to 25.1% of the total proprietary manufacturing GVA produced in the non-subsistence sector.

All the other identity groups suffer a penalty. By construction, the identity premium accruing to the Other caste non-Muslims in absolute value is equivalent to the total penalty borne by entrepreneurs from the marginalised castes, that is, SCs, STs and OBCs (both Muslims and non-Muslims) as well as Other caste Muslims combined. This means that 25.1% of total proprietary manufacturing GVA in the purely commercial sector that is in the control of Other caste non-Muslim entrepreneurs, would have been controlled by entrepreneurs from marginalised identities if there was no identity-driven bias in the ownership of relatively larger enterprises.

As mentioned before, the total penalty borne by the marginalised identities comes from two sources. The marginalised identity groups as a whole, lose control of 10.6% of manufacturing GVA due to their under-representation in the ownership of

Table 3: Identity Penalty/Premiums in the Manufacturing Sector

Identity Group/ Penalty Premium	P1 (billions ₹)	P2 (billions ₹)	P = P1 + P2 (billions ₹)	P1 (% of Total P)	P2 (% of Total P)
OBC–Non-Muslims	-48.6	-70.7	-119.3	-18	-26
SC	-28.1	-30.6	-58.7	-10	-11
OBC–Muslim	-19.4	-20.4	-39.8	-7	-8
ST	-17	-12.4	-29.4	-6	-5
Others–Muslim	-2.5	-22.7	-25.2	-1	-8
Others–Non-Muslims	114.7	157	271.7	42	58
Share in GVA	10.60%	14.50%	25.10%		

Sources: Sixth Economic Census, 67th round of NSSO Unincorporated Enterprises Survey (2010–11), Annual Survey of Industries 2010–11. See the section on Data and Methodology for details on calculations.

commercial enterprises of any type. In addition, they also lose control over the remaining 14.5% of manufacturing GVA due to their under-representation in larger firms within the commercial enterprises. A comparison across identity groups between these two components—penalty from under-representation in commercial enterprises (*P1*) and under-representation in larger commercial enterprises which are also of relatively higher value (*P2*), shows that SCs, STs and OBC-Muslims lose out almost equally from both. (Table 3). However, non-Muslim OBCs and Other caste Muslims lose out more from their under-representation in larger commercial enterprises than from their under-representation in commercial enterprises in general.

One interesting point to note from Table 3 is about the interplay of caste and Muslim/non-Muslim identity in the context of the ownership of enterprises. Just as Other caste non-Muslims are "doubly privileged," we can say that the OBC-Muslims are "doubly marginalised." Hence, it is not surprising that they bear an identity penalty in ownership of enterprises. However, Table 3 shows that OBC-non-Muslims also bear an identity penalty despite not being disadvantaged along their religious identity in the context of entrepreneurship. This indicates that in the case of OBCs, marginalisation arising from their caste identity acts a dominant force in their exclusion from ownership of economically valuable enterprises. The reverse is observed in the case of Other caste Muslims who are relatively privileged in terms of their caste identity and yet bear an identity penalty due to their lack of representation in larger commercial enterprises. Here, disadvantages in entrepreneurship stemming from the Muslim identity override the advantages that would result from their caste privilege.

Discussion and Conclusions

The foregoing analysis documents the systemic under-representation of marginalised identities in the ownership of enterprises in India as of 2013. The soon-to-be-released Seventh Economic Census data will enable us to update these trends nearer to the present day. But, even without recent data, it is safe to say that caste-based stratification in the control of economic power is still severe in India. This is especially true of ownership of large enterprises.

We find that exclusion of marginalised identities in the ownership of economically valuable enterprises takes place in three distinct stages. First, the share of these identity groups in ownership of any enterprise is less than their share in the workforce. This indicates that among all the people who are engaged in some economic activity in India, a lower proportion of those from the marginalised identities venture into entrepreneurship of any kind. Second, among those who do engage in entrepreneurial activities, a disproportionately higher share of entrepreneurs from the marginalised identity groups are engaged in enterprises which are commercial-cum-residential and are likely to be subsistence-oriented. As a result, marginalised identity groups remain under-represented in purely commercial enterprises which are likely to be market-oriented in their mode of production. And finally, even within the owners of commercial enterprises, those from marginalised identity groups tend to be concentrated in the smaller enterprises and are severely under-represented in larger and more productive commercial enterprises.

In the manufacturing sector, the economic power of the marginalised identities lost from their under-representation in commercial enterprises in general and larger commercial enterprises in particular, when quantified, amounts to about one-fourth of the total GVA of the private proprietary commercial manufacturing sector in India. This marginalised identity penalty is not only borne by the disadvantaged caste categories of SCs, STs and OBCs but also by the Other caste (non-OBC, non-SC) Muslims.

These findings underscore the necessity of policies designed to correct the lack of representation. Indeed, with the declining relative importance of public sector employment in the post-reform period, the scope of caste politics in India had already started widening beyond affirmative action to creating a class of entrepreneurs of and for disadvantaged social groups. The Bhopal Declaration of 2002 adopted at the conference of Dalit intellectuals and activists under the sponsorship of the Madhya Pradesh government in January 2002, sought redistribution of land and democratisation of capital, to enable the community to claim its fair share in the country's resources and assets (Nigam 2002). Soon after, the Dalit Indian Chamber of Commerce and Industry (DICCI) was founded in April 2005.

At the level of policy, one can point to efforts such as the Government of India's Public Procurement Policy of 2012 under which "Central Government Ministries, Departments, and Public Sector Undertakings shall procure a minimum of 25% of their total annual value of goods or services from Micro and Small Enterprises, including 4% of total procurement of goods and services from Micro and Small Enterprises owned by SC and ST entrepreneurs." Though actual procurement has fallen short of the policy target (just over 2% rather than 4%), the approach is an important one.[4] While supporting micro and small entrepreneurs from socially disadvantaged groups is necessary, it is not sufficient. We also need a policy vision explicitly focused on enabling entrepreneurs from such groups to grow in scale so that the severity of under-representation at the higher end of the firm size distribution reduces.

More sustained and comprehensive efforts are required to address the multiple forms of exclusion in factor as well as product markets that restrict the entry of individuals from disadvantaged social groups into entrepreneurial activities as well as prevent them from expanding in scale and becoming more productive. Apart from their intrinsic value from the perspective of social justice, these efforts should be seen as part and parcel of India's policy focus on economic growth and structural change, since neither of the two can be sustained for long without the participation of the majority.

NOTES

1 Indeed, the systematic under-representation of Muslims in decent jobs even as compared to Hindus from marginalised castes was one of the main findings of the landmark Sachar Committee report of 2006 (https://www.minorityaffairs.gov.in/WriteReadData/RTF1984/7830578798.pdf). The post-Sachar Kundu Committee report also showed that, disaggregated by caste, Muslims are less likely to be wage workers (regular or casual) and more likely to be self-employed, in every caste category (https://www.sabrangindia.in/sites/default/files/audio_listing_images/kundu_commission_report_0.pdf). Das (2008) shows that Muslims are more likely to form minority labour market enclaves as compared to Dalits.

2 Two caveats are important here. First, we do not disaggregate SCs or STs on the basis of religion because the vast majority of owners from these communities are recorded as Hindu. Muslims from the SC/ST community account for less than 1% of entrepreneurs and the workforce. Second, the religion field in the Economic Census contains a large proportion of "Others," that is, owners who do not report their religion. Among the commercial private proprietary entrepreneurs in the non-agricultural sector, 83% of the non-Muslims are Hindus and another 10.9% do not have their religion specified. The remaining 6.1% comprises of Christians (2.5%), Sikhs (2%), Jains (1.3%), and Buddhists (0.3%). It is possible that most of those in the "Other" category are Hindus, but to be conservative, we only distinguish between Muslims and non-Muslims.

3 Note that there is a discontinuity observed around the eight worker mark. A similar discontinuity is observed in the 2005 Economic Census data at the 10 worker mark (Figure 1 in Amirapu and Gechter 2020). This discontinuity appears to be a result of the fact that the census operations required the collection of additional information (specifically the address of the enterprise) once the enterprise crossed the 10-worker threshold. The fall in proportion of enterprises above the threshold could be a result of enumerators avoiding the entering of extra information for enterprises just around the threshold (see Appendix B5 in Amirapu and Gechter 2020). This threshold was moved to eight workers in 2013 (Amrit Amirapu, personal communication).

4 https://www.scsthub.in/public-procurement-policy, https://thewire.in/business/msme-procurement-women-scheduled-castes-tribes.

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