

# Fighting forces that shackle Dalit businesses

Building social capital outside the community and forming industry associations can help overcome endemic discrimination

PRATEEK RAJ / PANKAJ ANAND

Since the liberalisation of the Indian economy, Dalit entrepreneurship has been seen by the Dalit community and policymakers as a means to uplift the community. But despite the optimism, stories of systematic discrimination against Dalits abound.

In the Indian Human Development Survey (IHDS) 2011, around 20 per cent of Indian households reported practising untouchability, and a similar percentage of Dalits reported experiencing it. Dalit business owners may also be subjected to discrimination in such an environment. They come from disadvantaged socio-economic backgrounds, and may not have the resources (education, collateral, etc) to compete in industries dominated by entrepreneurs from privileged backgrounds.

In a recent research, we looked at the IHDS survey of 42,000 households in 2011 and found that even after accounting for socio-economic background and experiences of direct discrimination (facing untouchability in the last five years), a large 6 per cent gap in business ownership remained unex-

plained. We also found that Dalit business owners of similar socio-economic background to non-Dalits earned significantly less, by around 35 per cent, than other businesses. Probing further, we found that businesses that belonged to more stigmatised Dalit communities, earned still less, after accounting for their socio-economic background.

From detailed personal interviews of 36 Dalit business owners in the Delhi National Capital Region (NCR), who experienced success in their business, we learned that the challenges faced by historically marginalised communities were more nuanced than just explicit discrimination at work, and related to discrimination in social settings.

## Social capital factor

To understand the sources of such discrimination, we used the national survey data, to gauge the size of a business owners' social capital (in other words, relationships and networks). This includes within-community and beyond-community social capital. Using this measure, and other proxies of social capital, we also developed a measure of the level of socialisation



Many hurdles to overcome

(embeddedness) for industries.

We found that in industries where social capital (or embeddedness) matters more, Dalit businesses have done significantly worse than non-Dalit businesses. Moreover, the more stigmatised the community was, the worse it performed in more embedded industries.

Dalit business owners — due to their historical exclusion from business — do not have equally resourceful within-community social capital, compared to non-Dalit business owners. The benefit from social capital to Dalit business owners came primarily from the bey-

ond-community social capital they built outside of their communities.

However, the benefits from such beyond-community networks to Dalit business owners were not as large as for non-Dalits. Moreover, it was social capital built through higher-status acquaintances that was positively associated with higher business income, and not social capital through lower-status acquaintances. The more stigmatised the business's community was the less likely it was to benefit from within, beyond and high-status community networks.

How can Dalits overcome their disadvantages? The only long-term solution involves policy interventions that create inclusive spaces for socialisation for members from historically marginalised groups, which not only includes Dalits but also women. Here are some strategies that can help Dalit business-owners offset their disadvantage.

*Focus on traditional advantages:* In absence of access to resourceful social capital, business-owners from marginalised groups can rely on historical capabilities in their traditional occupations.

*Strengthen within-community so-*

*cial capital:* Dalit business-owners over the last few decades have been strengthening their own within-community social capital by forming industry associations.

*Perform in less embedded industries:* Given that Dalit business-owners are disadvantaged in industries where business is highly embedded (where networks matter), Dalits may do better if they strategically position themselves in less embedded industries.

*Build beyond-community social capital:* We also found that Dalit business-owners who took on apprenticeships (in non-Dalit enterprises) or developed larger beyond-community social capital partially overcame the historical disadvantages their community faced.

Some Dalit business-owners in the interview sample showed inhibition in expressing their Dalit identity. Such inhibition could not be explained by the anxiety of facing untouchability. Instead, the inhibition could be driven by the anxiety of being treated as outsiders in a business community, where social capital was critical for success.

Raj is an Assistant Professor, and Anand was a 2019 Pre-Doctoral fellow, at IIMB