

## Entrepreneurship in India: Is There a Level Playing Field?

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Students of a private college in Coimbatore, Tamil Nadu, stand in formation to mark Entrepreneurship Week celebrations. File photo: M. Periasamy.

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*Some sections of millennial India, not too familiar with the country's recent past as a left-of-centre planned economy, see themselves as potential entrepreneurs. The government, for its part, encourages people to take the plunge into either manufacturing or start-up enterprises. Yet, taking a step back and looking at the setting of a much-talked about enterprising India is revealing. **M.A. Kalam** and **A. Xavier Raj**, faculty members at the C.K. Prahalad Centre for Emerging India at Loyola Institute of Business Administration (LIBA), Chennai, flag two important issues: correcting the academic exclusion of the discipline of Entrepreneurship, and making enterprise more socially inclusive.*

**I**t is generally held that conventional economics does not engage with entrepreneurship to the extent it ought to. In what way does this neglect, bordering on elision, affect the discipline of entrepreneurship at various planes, including at the research level? Has this neglect impacted the overall growth of entrepreneurship as an academic discipline in its own right?

H.A. Romijn (1989), while delving in the realm of entrepreneurship and dealing with the discipline, has remarked that from the economists' point of view, "the concept is difficult to handle precisely because it is so closely interconnected with psychological and sociological elements such as personality traits of individuals and their socio-cultural environment" (p. M-8). So, do we have to take it that there is something lacking in the way an economist is trained? Further, is it necessary that instead of a hard-boiled economist trained in mainstream Economics with

blinkers on, at least a smattering of psychology and sociology will go some way in preparing an economist? Has the lack of exposure to psychology and sociology affected the way the discipline of Entrepreneurship has been dealt with all along by economists as well as others? And will this flaw continue to affect the way entrepreneurship is dealt with academically in future too?

As far back as 1971 Dwijendra Tripathi had expressed doubts about the way economic historians approached the entrepreneur: "Although, in theory, the entrepreneur as the organiser of the factors of production has been recognised as the central figure in economic development, scholars of Indian economic history have tended to ignore this element in their studies" (p. M-59).

Romijn and Tripathi have raised important concerns which, needless to say, have to be addressed by economists particularly because in the contemporary context too these concerns have not been tackled in the discipline of economics. It seems the issue has just been relegated to the backburner. Hence it is pertinent to draw attention to a recent paper in which Dan Johansson and Arvid Malm argue that "thinking about entrepreneurship mostly takes place outside of mainstream economics" (2017, p. 196). Though the accent of the above paper, and the allusions made thereby, is on Sweden and the U.S., we believe they are not too far off the mark when we examine the Indian context too. Well, it is an important issue to be flagged and discussed as to why economists have not thought about bringing entrepreneurship centre stage, but we feel, for the present, it is outside the purview of this paper.

The concerns raised above are crucial as the way a discipline or subdiscipline is treated or accorded importance does impact the way it is taught and researched. While we do need to tackle this issue at length, and it has its own significance, as elucidated above, the overall emphasis of this paper is on whether all those who aspire to be entrepreneurs get unstinted backing from the state and its various wings and machinery in all respects, and do all other public and private enterprises that claim to be supporting entrepreneurs and startups surely, and in reality, actually do so. To put it succinctly, **is there a level playing field for all the would-be entrepreneurs and start-up aspirants in India?** [Emphasis by authors.]

While there is a gradually burgeoning literature on entrepreneurship in India, our endeavour here is to explore relevant works to decipher how supportive the environment is for budding entrepreneurs and for those who go in for startups. Do gender, caste, class, religion, region, and other related ethnic features, among other factors, influence the degree to which a person (or a group of people) could succeed as an entrepreneur? Since entrepreneurship is closely bound with and impinges the fiscal arena, in an ideal setting, the financial backing and pecuniary capacity of an individual is expected to influence the success or otherwise of an enterprise. But as idealism often does not hold any light to actual occurring, and as to how actual situations unfold, we examine here the body of studies and data on entrepreneurship and startups, to understand the complex phenomena that play a role in the way an entrepreneurial initiative rolls out.

According to Murphy, Schleifer, and Vishny:

"Which activities the most talented people choose can have significant effects on the allocation of resources. When talented people become entrepreneurs, they improve the technology in the line of business they pursue, and as a result, productivity and income grow. In contrast, when they become rent seekers, most of their private returns come from redistribution of wealth from others and not from wealth

creation. As a result, talented people do not improve technological opportunities, and the economy stagnates.” (1991, p. 505)

As can be readily seen, in the contention of Murphy, Schleifer, and Vishny, the inherent assumption is of an arrangement where all things are equal and anyone talented has access to resources and there is a level playing field, as their argument is that “talented people choose”. While this general observation is fine in theory (and probably in many countries other than India), in concrete situations when we consider empirical contexts, we may, and we do believe and hope to show from the Indian examples, the proposition falls short of the expectations. Murphy, Schleifer, and Vishny later say, “Of course, discrimination against minorities in entrepreneurship hurts both of them [the minorities] and the majority” (1991, p. 521). This observation is something that is highly significant and very much germane in the Indian context.

Pulin B. Nayak (2017) in his obituarial tribute to Baumol discusses the latter’s work on entrepreneurship in the light of what he has drawn from Schumpeter and says Baumol ‘had been attracted to the notion of the magnificent dynamics contained in the notion of the “entrepreneur,” which Schumpeter (1911) had expounded in his classic work, *The Theory of Economic Development*. Nayak says:

“For Schumpeter, the entrepreneur was a heroic and visionary figure who obtained credit from the modern capitalistic banking system and used his innovative skills to combine factors in novel ways to produce and market new goods that use new methods of production. Schumpeter had coined the famous term, “creative destruction,” to describe this entrepreneurial process.” (p. 29)

According to William J Baumol (1990),

“When conjectures are offered to explain historic slowdowns or great leaps in economic growth, there is the group of usual suspects that is regularly rounded up -- prominent among them, the entrepreneur. Where growth has slowed, it is implied that a decline in entrepreneurship was partly to blame (perhaps because the culture's "need for achievement" has atrophied). At another time and place, it is said, the flowering of entrepreneurship accounts for unprecedented expansion.” (pp. 893-894)

Baumol (1990), examining Schumpeter’s work, says the mechanism, the way entrepreneurship works, that is towards innovations (“the carrying out of new combinations”), can take many forms and is not confined to just improvements in technology:

This concept covers the following five cases:

1. The introduction of a new good -- that is one with which consumers are not yet familiar-- or of a new quality of a good.
2. The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.
3. The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
4. The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.

5. The carrying out of the new organization of any industry, like the creation of a monopoly position.” (p. 896)

As can be readily seen from what has been delineated and discussed above, the dynamics involved in entrepreneurship are quite diverse, varied, as well as complex. Let us examine the Indian scenario pertaining to entrepreneurship and startups, given that India is so different from any of the western societies that Schumpeter and Baumol allude to, and were most familiar with and based their work on. Here we are drawing attention to India's pluralism, diversity, and complexity as regards religion, caste, region, language, and myriad other factors.

In an interesting paper on micro, small, and medium enterprises (MSMEs), Ashwini Deshpande and Smriti Sharma (2013) claim that besides disparities in terms of caste and gender,

“SCs and STs [Scheduled Castes and Scheduled Tribes] are under-represented compared to their population shares, OBCs [Other Backward Classes] are roughly equal to their population share, and “Others” and Hindu upper castes (non-SC-ST-OBC Hindus) are over-represented. Caste disparities have increased marginally over 2001-02 and 2006-07, whereas gender disparities have marginally decreased. The proportions of SC, ST, OBC and female ownership are higher in rural areas. Based on descriptive evidence as well as rigorous growth regressions, we find that SC-ST enterprises are more survivalist than entrepreneurial. We find that female ownership is much higher among SC-STs than among the upper-caste firms. In contrast to other literature on female small business ownership, we find that female-owned and managed firms grow faster than those owned and managed by men, after controlling for other factors. Matching the caste groups of the owners with their employees, we find that proportions of SC-ST employees are highest in SC-ST owned enterprises, and significantly lower in enterprises owned by other caste groups, indicating that a rise in SC-ST ownership might be key to increasing SC-ST employment in the registered manufacturing MSME sector.” (pp. 39-40)

Lakshmi Iyer, Tarun Khanna, and Ashutosh Varshney (2013) too hold similar views. They say that despite rapid economic growth between 1990 and 2005, firm ownership of SCs and STs increased but meagrely. Overall, they agree almost entirely with Deshpande and Sharma and emphasise that “SC and ST entrepreneurs face significant obstacles in entering entrepreneurship, and in expanding the scale of their enterprises” (p. 53). Quite cautiously they further say that “perhaps SC and ST entrepreneurs lack access to capital to set up and grow or a particular quality of education, which we are not able to measure accurately.” (p. 55).

Deshpande and Sharma further say that Dalits face lots of barriers in expanding their business. They expound on Jodhka's study (2010) to point out that clear prejudice exists towards Dalit businesspersons who claimed that they are hated and the upper caste groups just do not like the Dalits being in business. Jodhka's Dalit respondents felt that “caste affected their business negatively, because of discrimination from both traditional business communities and from consumers” (2013: 47). Also, there is a 20 per cent gap in net income of SC/ST businesses, and Deshpande and Sharma, in another paper (2016), attribute this to “unexplained or the discriminatory component” perhaps pertaining to social and locational vulnerabilities and this extends to earnings through self-employment or small businesses (p. 326).

Overall, it is also widely felt that the stage of entrepreneurship in India is lower than in other countries that are about at the same economic levels (Lakshmi Iyer, et. al., 2013, p. 52).

Hein Streefkerk says, since entrepreneurship is a collective exercise,

“caste and kinship provide business people the social capital required for successful entrepreneurship. Primordial ties offer access to and control over skills, administration, markets, capital and labour. The ideas and structure of caste are, instead of being eroded, crucial in the mobilisation and monopolisation of resources, and the recruitment and control of labour” (1997, p. M-8).

How the deprived, in this context, the Dalits and the STs, have made attempts to combat deliberate and systematic exclusion from mainstream trade and commerce realms in India? It is pertinent to throw light on the genesis of an important development that came about early this millennium vis-à-vis Dalits.

On April 14, 2005, which happened to be the birth anniversary of B.R. Ambedkar, a significant event occurred; the day saw the establishment of the Dalit Indian Chamber of Commerce and Industry (DICCI). Though Ambedkar strived hard and eventually succeeded in constitutionally guaranteed positive discrimination for the Scheduled Castes and the Scheduled Tribes, the DICCI is vehemently opposed to group- and caste-based reservations. It has avowed to promote its dictum “be job givers, not job seekers”. In effect, the mission of DICCI is to fervidly promote entrepreneurship among Dalits and thereby go all out for the creation of “Dalit Capitalism”.

Creation of Dalit Capitalism is seen as an important goal to achieve; the contention of Chandra Bhan Prasad and Milind Kamble (2013) is that “capital is the surest means to fight caste. In dalits’ hands, capital becomes an anti-caste weapon...dalit capitalism is the answer to that regime of discrimination” [sic] [quoted in Ashwini Deshpande and Smriti Sharma (2013, p. 48)]. Undoubtedly this argument seems to hold good in theory at least; we need to test out this from actual empirical contexts.

Though it may sound rhetorical and a non-academic sort of cliché, we do have to give credence to the generally subscribed view that some castes/communities in India have traditionally enjoyed certain advantages in the realm of entrepreneurship and startups. These groups have had insider knowledge and the advantage of caste-and community-based networks besides access to capital through banking or non-banking channels (for more on this see Damodaran, 2008). Monsen, Mahagaonkar, and Dienes, while discussing disadvantages faced by SC/ST, also allude to the work of Nafziger and Terrell (1996) that the chances of survival of establishments is high if these are started by upper castes (Monsen et al, 2012, p. 365). The other way of looking at it is that certain castes/communities have been excluded from attempting to be entrepreneurs.

So, a cartel kind of situation may and does arise, and certain sections of people are left out due to exclusion and discrimination against them. If true, and at face value it seems to be so, such exclusion and discrimination hurts not just the communities/castes concerned, but also the entire economic growth and development scenario in a given country context. This phenomenon needs to be seen from Murphy and his associates’ argument that “discrimination against minorities in entrepreneurship hurts both of them [the minorities] and the majority”.

Moreover, neoliberal realities may continue to accentuate disadvantages arising out of social and economic discrimination. De Neve discusses structural uncertainties of neoliberalisation in India, which undermine entrepreneurial aspirations of lower strata of Indian Society (De Neve, 2014, p. 1333). SC/ST taking to entrepreneurship face major obstacles. Success seems to continue to elude these entrepreneurs. In effect entrepreneurs from lower castes/classes of India have limited options in aspiring to be entrepreneurs, participating in capitalist economy, and thereby limiting or negating substantiated mobility.

Further evidence for the above comes from the work of Damodaran (2008) alluded to above. D'Costa, while reviewing Damodaran's work, points out as to how Dalits and Muslims have remained "less successful among India's rising capitalist classes" (2012, p. 651).

K. Vaitheeswaran, one of the six founders of the very first e-commerce initiative in India which was kept alive and kicking for about twelve years – Fabmart/Fabmall/Indiaplaza – has an interesting observation on the entrepreneurship and start-up setting in India. According to him, "The Indian start-up scene is like the caste system" (2017, p. 164). The use of the term 'caste' here is a euphemism for a kind of cartel/clique that exists not just on the road to entrepreneurship but in most walks of life. He further adds: "The typical profile of an Indian technology entrepreneur is of a young person from a premier technology or management institute in India or abroad and with work experience in an MNC or overseas" (2017, p. 164). He is no doubt alluding to the advantage (which he did not have) an entrepreneur with the background of an IIT or IIM has in the Indian context.

Though it may overtly seem as if the reference is only to an institution and the actual caste/community background of an individual is not in question, and the reference is to the so-called **merit** that is usually bandied about, particularly by those who swear by merit and are instinctively and intuitively anti-reservationists. Not so. **Merit** is embedded and rooted, predominantly in the Indian context, in caste/community and class [for more on **merit** see Kalam (2007)]. Since a predominant majority of those who make it to premier higher educational institutions in India happen to be from the upper castes, which in the Indian context translates into upper class too, the almost inadvertent use of the term **caste** by Vaitheeswaran is totally justified given the context in which we are examining the term.

If being an entrepreneur or part of a startup establishment happens to be difficult from someone coming from a lower caste/class, things get more difficult on the road to entrepreneurship, and gets compounded with whammies all through as one of the most crucial events that must happen is investment. That is where Vaitheeswaran is quite critical and bitter in expounding the roadblocks that he had to face though in actual caste terms he was not one who was from a lower caste {his disclosure: "I come from a middle class Tambrahm [for Tamil Brahmin] family" (2017:1)}. Investors, as per the long experience of Vaitheeswaran look for pedigree of the IIT-IIM kind and MNC and overseas exposure; those falling short of these requirements rarely get taken seriously. As can be manifestly perceived, there is a vicious circle encompassing caste, class, institutional background, exposure, and the like on the journey towards startups. Researching in the Information Technology industry area Fuller and Narasimhan (2006) also underscore as to how caste, class, institutional background, and exposure are crucial for getting into the Information Technology industry. As we have seen above Lakshmi Iyer, Tarun Khanna, and Ashutosh Varshney (2013) too emphasise this when they say that SCs and STs are not able to make a headway perhaps because they lack a "particular quality of education" (p. 55).

As per the Sixth Economic Census (2016) there are 58.5 million establishments: 34.8 million establishments (59.5 per cent) are in rural areas and 23.7 million establishments (40.5 per cent) are in urban areas. Hindus own 73.7 per cent of the establishments, Muslims (13.8 per cent) Christians (2.6 per cent), and followers of other religions (9.90 per cent). The number of establishments owned by Other caste groups is 42.4 per cent. The OBCs own 40.8 per cent establishments. SCs own 11.4 per cent and the STs own 5.4 per cent of the establishments respectively. SCs and STs are at a disadvantage in urban areas as they own only 4.04 per cent and STs own 1.3 per cent of the establishments respectively. Upper castes have garnered business opportunities in urban areas (20.7 per cent) and dominate the non-agricultural segment (20.1 per cent). The OBCs, who historically owned agricultural land,

have substantial presence in agriculture based business (11.2 per cent) and hold a position of a clear dominance in rural areas (25.7 per cent).

We feel it is relevant to deal here with some schemes as envisaged by the Government of India and launched during 2015 as Make in India and Start up India, and in 2016 as Stand up India. Along with these came a host of other initiatives and measures to stimulate economic growth through entrepreneurship. One of the catchy slogans proffered goes as **from being job seekers to job providers**. By design Make in India will benefit, we feel, only those who have access to capital, including FDI.

Stand up India, focusing on women, SCs and STs should support at least three million ventures annually, providing loan between Rs. 10 lakhs to Rs. one crore through 1.25 lakh bank branches.

The schemes, though well intended, require a perspective, recognising the ubiquitous reality of discrimination, and create intervention options that reach out to these disadvantaged groups. Bureaucracy is ill-suited for such interventions. Therefore, these groups, more so in case of STs, will face locational disadvantage, lack of access to these schemes and much lower capacity to complete various formalities to become eligible for these initiatives. Studying the percolation effect of these initiatives on individuals who aspire to become entrepreneurs will, at the least, provide insights into how the inherent skew in access to entrepreneurship in India can be corrected.

## Conclusion

The thrust of this paper is to examine if all groups and segments of the society in India get equal opportunity to go in for entrepreneurship and to work towards startups. The data that we have, reflect clearly that SCs and STs face quite a few hurdles as well as discrimination in their endeavours. Hence, we conclude that the field is not even for all players: the upper castes/classes have distinct and significant advantages at the expense of the lower castes/classes. It is to be kept in mind, ubiquitously, that when we refer to upper castes (in India), we unarguably concomitantly refer to the upper classes too.

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