

# Caste Systems in India: Its Effects and Limitation on Economic Mobility and Affirmative

Action

Ivan Ruan

Over the past decade, India has become the fastest growing economy in the world, averaging around 5.5 percent gross domestic product growth a year (“India’s Economic Boom”). Currently, India is the fifth largest economy in the world, but according to a research report by Morgan Stanley, it is on track to become the world’s third largest economy, surpassing both Japan and Germany, by 2025. This proliferation of growth has been primarily driven by private consumption and foreign investments along with growing stability in agriculture, industry, and the service sectors. Despite India’s resounding growth story, its economic expansion is one sided due to its inability to distribute wealth equally. In “Trends in Economic Inequality in India”, Ghatak, Raghaven, and Xu write, “the share of the national income of the bottom 50% has decreased by around 40%...In contrast, the share of the national income of the top 10% has increased by around 80% [,]and the share of the top 1% has increased by around 180% since 1980” (The India Forum). Even comparatively, when ranking India against economies such as China, the United States, the United Kingdom, and France—and against its emerging peers, Brazil and South Africa—India has the largest increase in the share of the national income in both the top one percent and top 10 percent of earners.

Although there are many factors that contribute to the widening economic gap between the wealthy and the poor in India, the Caste System is the most significant and crucial contributor in explaining the disparity between economic growth as a country and non-uniform

economic gain among individuals precisely because of discriminatory impact it plays on social class. Or as Kaivan Munshi so beautifully put, “Caste plays a role at every stage of an Indian's economic life, in school, university, the labor market, and into old age” (Munshi 781). In this essay, I will explore India's Caste systems and its impact on economic mobility, the benefits and limitations of caste-networks, and relevant policies such as affirmative action. Understanding the symptoms of India's Caste System as well as current actions to prevent it, might lead us to several insights in which we can improve/develop frameworks that combat discrimination, reduce income inequality, and increase upward mobility, even in countries that do not have traditional hierarchical structures. Moreover, a thorough understanding of this topic might foster a necessary call for change.

First, in order to understand the impacts of the caste system, we must first dive into its pecking order. Typically, the caste, also called the Jati, is separated into four different hierarchical classes (varnas), with thousands of sub-classes within each group. Starting from the top to bottom, we have the Brahmin (traditionally priests), Kshatriya (traditionally warriors), Vaishya (traditionally merchants and landowners), and Sudra (traditionally commoners and peasants). Excluded from this system are the untouchables or the Dalits (traditionally street sweepers and latrine cleaners), considered to be less than human (Asia Society). The Dalits also have thousands of sub-groups as well, but the primary ones are what the Indian Government calls: Scheduled Castes and Scheduled Tribes (SC/ST): classified groups that are socially and economically disadvantaged.

These caste-based hierarchies play a discriminatory role in the labor market and limits opportunities to those who want forward economic mobility. In *Caste and Economic Discrimination: Causes, Consequences and Remedies*, Thorat and Newman write, “the economic

organization of the caste system is based on the division of the population into a hierarchical order of social groups that determine the economic rights of members...[these] fixed economic rights defined by caste, with rigid barriers against change, leads to 'forced exclusion'...of one caste from the economic rights of another" (4122). These exclusions led by hierarchical laddering restricts one's ability, particularly those in the bottom, to access education, credit, capital, and employment. In addition, social stratification contributes (significantly) to differences in wages between upper castes and SC/ST. Using India's National Survey Sample Data, Madheswaran and Attewell find that, "compared to forward caste employees, SC/ST workers earned 5.0 percent less in 1983, 8.4 percent less in 1993-94, and 8.9 percent less in 1999-2000. OBCs earned 10.9 percent less than forward caste employees in 1999-2000." (4150). Moreover, out of this wage difference, 56.3 percent (20.9 percent by wage discrimination and 35.4 percent by occupational discrimination) can be explained by discrimination alone (4153). The statistics above show the damning power of discrimination caused by differing echelons. It's important to note that some argue that employers have used caste as a way to distinguish and separate out certain social-economic characteristics and traits in order to find the most suitable employee for their workplace. However, the nature of class structure in and of itself is an explicit demonstration of indirect discrimination through its subconscious influence in changing the perception of how others are viewed.

Astonishingly, caste systems can actually become beneficiaries in creating group-level mobility through the formation of an intergenerational network. Those who can start their own business are then able support their own children and peers, and over time, create an inter-relational network that brings hundreds and thousands of caste-related members. One prominent example of this is the expansion of the Kathiawari (a group of agriculture laborers) in

the diamond industry in the late 1970s. A substantial increase in the world's diamond supply allowed them to leverage their labor connections to enter the diamond export industry, and subsequently hundreds of Kathiawari entered the business because of the established network. Munshi writes, "There is evidently an underlying community-level force that is giving a boost to the Kathiawari firms, resulting in a dramatic shift from farming to business over the course of a single generation" (798). This generational shift would have not been made possible without the supportive caste-based network and is a testament to its exponential growth.

At the same time, income smoothing (with caste loans and insurance) through caste-based networks can be a factor in limiting permanent mobility from rural to urban areas for socially-economically disadvantaged groups. Again, as Munshi explains, "A household with migrants...cannot credibly commit to reciprocate at the same level as households based entirely in the village because social sanctions against it will be less effective...The urban component of its income is also unobserved by the rural network. If the consequent loss in insurance is sufficiently large, then rural households could forego substantial gains in income from migration and keep all their members in the village" (Mint). In other words, the reliance on caste base-networks as insurance and its benefits might outweigh the advantages of migrating to an urban area with remarkably higher wages and could very well be a factor in explaining low migration rates. This duality of caste network effects is clear—its benefits in creating group mobility and its detriment in limiting migration (however, the net effect either positive or negative is unclear).

While India still suffers from discrimination, affirmative action in India has broadened the scope of opportunities and has eliminated exclusion to a certain extent. Affirmative action affects three caste groups—SC/ST and Other Backward Classes—and exists to provide political

representation through electoral quotas, employee positions in the government, and seat reservations in educational institutions as well as financial aid, meals, etc. Such intervention<sup>22</sup> has benefited those who are disadvantaged in numerous ways. Just by the numbers in a policy brief published in February 2006 by the Overseas development institute, employment for SC in government position rose from 218,000 in 1950 to 641,000 in 1991, while employment of ST rose from 38,000 in 1960 to 211,000 in 2003. For education, total graduates from ST and SC have risen from 3.3 percent and 0.8 percent in 1981 to 7.8 percent and 2.7 percent in the 1990s (Overseas Development Institute). More recently, a study published in 2016, found that affirmative action has increased college attendance for targeted groups and having an increased college choice priority has a positive impact on academic achievement (Badge, Epple, and Taylor, 1520). Even in the realm of electoral politics, discrimination has been offset and weakened by political representation. Amit Ahuja writes, “there is substantial support for candidates of fair skin tone across all subsets within our sample. But this expected preference is matched, at least among some groups, by relatively strong support for candidates with dark complexion” (Amit et al, 224). In other words, although discrimination for fair complexion still exists, it can be counteracted by the effects/support of large population of Dalits—who associate dark skin color with their socioeconomic status or identity.

Discrimination and social stratification are an enduring and well-known issues around the world, but they are especially prominent in India by the virtue of the fundamental tensions that arise out of more than 2000 culturally and ethnically diverse groups. In exploring the socioeconomic issues that plague India’s caste system today, we can improve on India’s current framework or come up with further solutions to lessen discrimination and economic mobility.

Perhaps, affirmative action and increased political representation could be applied and implemented for countries with similar hierarchical structures such as Nepal and Sri Lanka.

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