

Promoting SC/ST Entrepreneurs

What is the issue?

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Addressing the limitations in government measures to promote SC/ST entrepreneurs is essential to meet the intended objectives.

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Capital can break caste system

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What is the recent measure?

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- The government recently tried to ensure a market for MSMEs by reserving a fifth of all purchases of PSUs and ministries for them.

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- While doing so, it reserved a certain portion for Scheduled Castes and Scheduled Tribes (SC/ST) entrepreneurs.

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- At 4% of the total spending of around Rs 6 lakh crore, this means government departments and PSUs have to buy Rs 24,000 crore of goods and services from SC/ST enterprises every year.

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- There is no price preference; the enterprises have to agree to match the lowest bidder.

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- If their quality is up to the mark, they will get the order, subject to the 4% cap.

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What are the limitations?

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- **Capital** - Getting SC/ST enterprises to an adequate level of quality can often mean completely reorienting their business practices.
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- This, in turn, would mean entailing large investments which, often, they cannot make.
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- There is also a concern that the lack of capital is a consequence of casteist bank managers.
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- **Banking** - Besides the above, most banking is collateral-based.
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- But millions of poor youth, with no family history of business or sufficient collateral, find it difficult to raise bank loans.
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- So scaling up businesses is not easy irrespective of caste background.
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- **Others** - The above is compounded by red tapism in most firms, high costs of land, high electricity tariffs, impossible labour laws, etc.
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- Naturally, the burden is higher for smaller firms as unlike large ones, there are no agents to handle these issues.
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Source: Financial Express

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