

# Economic Disparities and Its Relationship with Caste System in Contemporary India

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## **Abstract**

Caste plays an essential role in the Indian's economic life. Every caste in the caste system has a distinct position and social standing. Economic position and economic disparity in society are intimately and rigorously linked to the caste system. A person's profession, social standing, and access to resources were traditionally dictated by their caste, and the system had a significant impact on economic development and mobility. The caste system has important economic ramifications because it has historically restricted lower castes to low-skilled and menial labour while giving higher castes control over income, land, and resources, reinforcing social disparities. For people of lower castes, this separation restricted their access to healthcare, education, and other economic possibilities, thus perpetuating a cycle of poverty.

## **Introduction:**

In contemporary India, caste continues to be a factor of poverty, economic disparity, and power. It plays an essential role in the Indian's economic life. Every caste in the caste system has a distinct position and social standing. Economic position and economic disparity in society are intimately and rigorously linked to the caste system. A person's profession, social standing, and access to resources were traditionally dictated by their caste, and the system had a significant impact on economic development and mobility. The caste system has important economic ramifications because it has historically restricted lower castes to low-skilled and menial labour while giving higher castes control over income, land, and resources, reinforcing social disparities. For people of lower castes, this separation restricted their access to healthcare, education, and other economic possibilities, thus perpetuating a cycle of poverty.

The caste system is a complex social structure that has deeply influenced Indian society for centuries. It divides people into various hereditary groupings according to their place of birth and has its roots in old religious writings and social customs. The caste system is characterized by a hierarchical framework, where each caste has a specific place with prescribed social, economic, and ritual functions. The system broadly categorises individuals into four categories: priests (Brahmins), warriors (Kshatriyas), traders (Vaishyas), and cleaners (Shudras). The so-called Untouchables (Dalits) and Adivasis (Tribal people) are considered to be at the very bottom of the system. For centuries, the caste system has been a regulator of economic life in India. However, a number of laws and policies have been implemented to close the economic gap between the upper and lower caste groups since India gained its independence from British rule in 1947. In an effort to address historical injustices against lower caste groups, one of the most notable of these was the extension of reserved categories in the 1990s (Thorat and Newman, 2017).

Members of the lower castes and socio-economically poor sections of society also known as Other Backward Classes (OBCs) are granted seats in public educational institutions, government employment

and legislative bodies under the reservation policy. The untouchables are termed as Scheduled Castes (SCs), whereas tribal people (Adivasis) are referred to as Scheduled Tribes (STs) under the reservation policy. Moreover, India has also experienced rapid economic growth since the 2000s, but caste-based discrimination is still prominent in the socio economic landscape of the country. This leads to the research question of this study that is after decades of the implementation of the reservation policy and economic growth, does caste still affect one's income in contemporary India? If so, what are the most disadvantaged castes and what variables contribute to or lessen the caste-based income disparity?

India's economy has been growing quickly since the 2000s. Approximately 16% of the world's population lives in India, while 80% of people identify as Hindu. Moreover, around 70% of the Hindu population is categorised as OBCs, Dalits, or Adivasis (Kramer, 2021). Therefore, the impact of the caste system is widespread making it crucial to study the relationship between one's caste and income in contemporary India. Besides, if there is evidence of caste affecting one's income in contemporary India, then it is also worth investigating what factors aggravate the caste-based income disparity and what measures the Indian government might take to lessen, if not completely eliminate, it.

### **Objectives:**

The primary objectives of the research paper are:

- To analyse the relationship between wealth and caste and its disparities.
- To suggest legal measures like affirmative action and reservations have aimed to reduce caste-based economic disparities.

### **Methodology:**

The study based on the qualitative research method. To examine the objectives stated above, this paper is entirely based on existing literature, which includes articles, research papers, books, magazines, journals and various websites.

### **Literature Review:**

The question of disparities and their consequences have been a major area of research in developmental economics and sociology not only in India but across the globe. It is widely acknowledged that caste is proved to be a central determinant for deciding the individual's economic and social status which is also associated with polity and power in society.

Vaid (2012) finds evidence of a weakening of caste-income association over time, especially in the middle of the caste hierarchy. In addition, according to Vaid (2012), individuals belonging to higher castes, who do not qualify for the government's reservation or affirmative action programs, tend to be heavily represented in the upper echelons of society. This includes professions such as doctors, lawyers, large business owners, farmers, and those employed in white-collar jobs. In contrast, SC (Scheduled Castes) communities who are eligible for reservations are under-represented in stable white-collar or business and farm ownership classes and remarkably over-represented in "lower income, less stable, temporary employment in the manual work categories, and lower agriculture as labourers." Such a caste-class association can lead to income differences between the upper and lower-caste populations.

Subramanian and Jayaraj (2006) finds that wealth disparities (as opposed to consumption or income disparities) within and among caste groups and how these disparities contribute to the overall inequality in India. Wealth disparity is an integral aspect of economic disparity among persons at a given point in

time, as well as across generations. Disparities in wealth can also translate into disparities in economic security. For a substantial portion of the Indian population that is dependent on agriculture, land is the major source of livelihood. Disparities in the quantity and fertility of land among households are a significant determinant of economic disparity. Quality and quantity of schooling accessible to the children in urban and semi urban areas can vary positively with household wealth.

Deshpande (2000) examines the role of caste affiliation as a descriptor of intergroup disparity. Deshpande and Newman (2007) show that Dalits are less likely than non-Dalits to use family resources to pursue employment, in addition to having lower occupational expectations. A longer job search duration is also anticipated by Dalits (9.6 months on average for Dalit students against 5.25 months for non-Dalits). They also conclude that although the language of the hiring process is said to be based on merit, the interview practice appears to be biased in favour of upper caste students. For instance, upper caste students perceive the questions on the family background as being generally neutral, whereas Dalit students feel the same questions to be adversely structured against them.

Thorat and Newman (2017) elaborate on the prevalence of caste-based social and economic exclusion. Lower caste groups, notably the Dalits, have faced significant challenges engaging in free market interactions, including entering labour markets, and are essentially denied basic human rights like equality before the law and freedom of expression. Moreover, restrictions on the movement of labour between occupations due to caste become a source of voluntary unemployment for higher-caste individuals and involuntary unemployment for their lower caste counterparts. Higher caste Hindus typically prefer to choose a temporary exit from the market over entering a profession they view as "beneath them" or "polluting." Lower caste untouchables, on the other hand, are restricted from claiming more prestigious occupations, which pushes them towards involuntary unemployment. Furthermore, Dalits are forced to take up jobs that are regarded as socially degrading, such as scavenging and cleaning sewers. Such a system of social and economic exclusion results in a disproportionate number of individuals at the bottom of the caste system suffering from poverty.

### **Relationship between Caste and Economy:**

Over the past few decades, structural and economic developments have brought with them both new opportunities and difficulties. The trade and the policies of liberalization, privatization and globalization have given India a major boost to be one of the strongest economies in the world. The caste-based Varna system was the basis for ancient India's occupation. People of a specific caste performed a specific job. The jobs are not interchanged between the people of other castes. In a hierarchical society, a caste is a small group of people featured by endogamy, hereditary membership, and a certain way of living that frequently involves the custom of adhering to a specific occupation and is typically linked to a more or less distinct ritual position. Social roles like profession became inherited in the Indian caste system, resulting in limited social mobility and fixed ranking hierarchies. According to a number of studies, this system has existed for thousands of years. Only after independence in 1947 did this network become economically significant, as India became increasingly open to international trade but with the parallel existence of historical inequalities of the existing caste system.

Despite the efforts of numerous reformers in India, the caste system still persists and influences people's mind-set. The reforms to eliminate caste discrimination failed as the internal cooperation of the people was inadequate and the dominant caste was not submissive to the Varna system. Over the decades after independence, there has been convergence in education, income, and access to public resources across

caste groups. Economic opportunities are exploited and dominated by the caste-based society. It is absolutely true that the lower caste from the very beginning remained sealed with low-paying jobs with low or no skill occupation for many decades. Thus, the significance of caste-based disparities lies in the fact that it involves the narrowing down of entitlement to economic and social rights from the top to the bottom. These economic and social disparities abound with historically denied opportunities to lower caste groups which are deeply rooted in the caste system in India for generation (Deaton, 1997; Newman & Throat, 2007; Shah & Jodhka, 2010).

In a number of areas, including the labour market, the rural economy, the educational system, business and profession, etc., caste and economic discrimination can be linked. Therefore we can say caste is associated in various ways with influencing the economic conditions of the individual. Studies have proved that lower caste men and women with limited finance and weaker networks experience being persistently identified with their caste background and, consequently, have an understandable preference for the scarce public sector jobs. Exclusion of lower caste individuals from the market can cause a severe and adverse effect on the economy as only one sector of the nation is dominant while the other sector will still be dependent, this can give a boost to poverty, discrimination, inequality etc. Caste discrimination can also lead to intergroup conflict which can be related to economics as the gap between rich and poor widens. The more the gap the more it will lead to the destruction of the economy.

Economic efficiency is also affected by reducing the job commitment and effort among workers who perceive themselves as victims of discrimination, and by reducing the magnitude of investment in human capital by discriminated groups because the return on their investment is weakened. Regarding India specifically, the country's policy aims to improve agricultural land, boost entrepreneurship, provide business capital, and achieve a zero jobless rate and more. The economic policy is an attempt to reduce discrimination and gain equality. These policies, in particular, are an effort to bring forward the depressed class who are in denial of equal economic status. Even after decades after independence, India is still in the stage of development. To change the nature of the country and to push itself from developing status to a developed country, social and economic measures are to be taken, which includes various government schemes for the depressed class, economic measures like subsidy and concessions are to be provided, and gender biases are to be reduced etc.

### **Relationship between Wealth and Caste and its Disparities:**

The caste system significantly influenced access to land, capital, and education, all of which are essential resources for economic prosperity. In the pre-modern period, access to land was a key determinant of wealth. Much of the land and financial resources were under the authority of upper castes, especially the Brahmins and Kshatriyas. The lower castes, particularly the Dalits, had limited access to land and were often forced into menial, labour-intensive occupations that were not remunerated well even in modern times, and the effects of historical landlessness persist. Despite legal frameworks aiming to eradicate caste-based discrimination, access to capital and land for individuals from lower castes remains a significant challenge. The concentration of wealth in upper castes has perpetuated a cycle of poverty and underdevelopment in certain regions and among certain communities. Economic disparities due to caste not only affects income distribution but also determines the quality of life for people from lower castes. This includes limited access to healthcare, education, and social services, which in turn perpetuate economic disadvantage for future generations.

Even in today's India, caste still plays a significant role in determining one's income. It is not surprising that achieving higher levels of education allows people from lower caste groups to be more productive, participate in the labour market with more valuable skills, and secure better jobs. People from the lower caste groups, however, also belong to the lowest income groups. But unfortunately, India's public education infrastructure, especially at the primary and secondary school levels, is inadequate (Tilak, 2018). On top of that, the Indian government has further cut spending on education in the last few years. Therefore, instead of curtailing spending on education, the government must invest more in public education infrastructure, such as public schools and universities, so that people from the lowest income groups can afford quality education.

### **The Role of Affirmative Action in Mitigating Caste-Based Economic Disparities:**

In post-independence India, several steps have been taken to dismantle the economic barriers created by the caste system. The Indian government introduced affirmative action policies, including reservations (quotas) in education and public sector employment, to provide opportunities for historically disadvantaged groups such as Dalits and Other Backward Classes (OBCs). These measures have contributed to some improvements in the socio-economic status of lower-caste communities, increasing their access to education, government jobs, and economic resources. However, the efficacy of these policies is debated, with critics arguing that reservations do not fully address the underlying social and economic disparities caused by the caste system.

The caste system has had a profound and lasting impact on the economy of India, influencing everything from labour division to wealth distribution, access to resources, and social mobility. Despite efforts to dismantle caste-based discrimination and promote equality, the legacy of the caste system continues to shape economic outcomes in the region. Addressing these deep-rooted economic disparities requires not only affirmative action policies but also a broader social transformation that promotes equality, mobility, and access to opportunity for all citizens, regardless of their caste background.

### **Conclusion:**

The caste system in India has a profound historical and social impact, with significant economic implications. Traditionally, caste determined individuals' roles in society, influencing access to resources, education, and employment. The economic consequences of this system have been complex, with certain castes, particularly those in the lower strata, historically being marginalized and denied economic opportunities. Economically, the caste system reinforced a rigid division of labour, often trapping individuals in occupations related to their caste, limiting social mobility, and perpetuating inequality. This system hindered the economic development of individuals in lower castes, restricting their access to wealth, education, and better employment opportunities. In contemporary India, while legal measures like affirmative action and reservations have aimed to reduce caste-based economic disparities, the effects of the caste system continue to shape economic disparities. Discrimination in the workplace, unequal access to resources, and socio-economic divisions remain challenges.

In conclusion, the caste system has had a lasting impact on the economic structure of Indian society. While progress has been made, addressing the systemic economic disparities tied to caste requires continued reforms, societal change, and efforts to ensure equal opportunities for all, regardless of caste. Modern efforts, such as affirmative action policies and social reforms, aim to dismantle the economic barriers

posed by the caste system. Despite advancements, caste-based economic disparities still influence India's economic landscape, necessitating continued efforts to promote social and economic equality.

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