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On Measurement & Sub-National Inequality of Social Capital in India: An Analysis Based on IHDS-II Survey Data

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Abstract

The objectives of the present article are twofold. First it attempts to measure social capital at household level and second it investigates the status of social capital inequality at sub-regional level of India. To measure the social capital, it develops a composite index at household level using the IHDS-II survey data. The Theil Index is used to measure inequality of social capital. The findings suggest a high levels of social capital across households in Indian states and UTs. The linking social capital is found to be the highest among the three dimensions of social capital (i.e., bridging, bonding and linking). The findings from inequality analysis suggest that household-level social capital inequality in India remains low on average. Large gaps still exist inside the local areas of specific states even when the national average looks small.

Keyword: Social capital; composite index; MCA; regional inequality; Theil Index; IHDS-II data; India

Introduction

For centuries, classical and neoclassical economic models evaluated production and welfare through tangible inputs: physical capital (machinery and infrastructure), natural resources (land), and labour. By the mid-20th century, economists expanded this paradigm to include human capital the skills, education, and health embedded within individuals (Schultz, 1961; Becker, 1964). However, this model fails to account for how deeply economic outcomes are embedded in social relations. Social capital bridges this gap, providing a theoretical and empirical framework to explain how social networks, trust, and shared norms generate measurable economic value. Social capital is the undistinguishable value that grows when people connect and work together. It is built on trust, cooperation, and shared values. When people support each other and follow common norms, they create strong relationships. These connections help build a sense of belonging and make communities stronger and more caring (Karmakar & Dasgupta, 2025). Social capital significantly impacts individual opportunities,

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resource access, and overall life quality. Strong social connections lead to very good collaboration of sharing information and resources and support during times of need. This leads to increased efficiency, innovation, productivity, and a stronger sense of belonging. In the presence of social capital, achieving many development outcomes becomes easier.

Social capital tends to form gradually over time. As people, groups and institutions continually interact with one another, trust is established among those people within various social environments (Coleman, 1988; Putnam, 2000). Such interactions take place within families, workplaces, neighbourhoods, communities of religious settlers, etc. (Bourdieu, 1986). Such interactions allow people to develop knowledge and belonging within these communities, which are the building blocks for trust to emerge between people (Coleman, 1988). Trust is a basic component of the establishment of social capital within communities; as a result, people are more likely to cooperate with one another if they trust their fellow community members (Fukuyama, 1995). As the level of trust increases within a community, people begin to develop shared norms and values within that community (Putnam, 1993). Eventually, through the repeated cooperation between people, social networks form (Lin, 2001). Social networks enable people to acquire support from others within that community, develop solutions to common problems within the community and even undertake collective actions (Coleman, 1990). Also, various cultural rituals and practices within the community contribute to the justification of cooperation between community members and the strengthening of the individual's sense of belonging to that community (Bourdieu, 1986). Finally, active participation of an individual within their community's civic and community life increases his sense of ownership over the community and enables that community to exhibit greater efficacy (Krishna, 2002). Also, people who exhibit strong social capital are able to respond to crises more effectively, resolve conflicts more effectively and contribute to local economic development within their communities (Narayan, 1999).

Within India, specific social structures such as the caste system, religion and gender roles, as well as institutions such as Panchayati Raj and Self-Help Groups have contributed to the formation of social capital within various regions of the country (Krishna, 2002; Jha & Kelley, 2023). So, social capital can be considered as a living, changing entity that grows when relationships are nurtured and declines when relationships are based upon distrust or conflict. Overall, then, social capital develops when people regularly interact with one another, form trust within those interactions and perform tasks together for the benefit of all members of that community (Putnam, 2000; Woolcock, 2001).

The objectives of the present article are twofold. First, to measure social capital at household level and second, to investigate the status of social capital inequality at sub-regional level of India. The rest of the paper unfolds as follows. Section 2 defines the concept of social capital. Section 3 narrates the methodology part following which empirical findings are discussed in section 4. We draw the conclusion in section 5.

2.Defining social capital

Woolcock and Narayan (2000) social capital distinguished three major category bonding (within community), bridging (inter-community ties), and linking (relations with formal institutions) Bonding capital reinforces emotional security and social support within close-knit groups, while bridging capital promotes social inclusion, reduces prejudice, and expands opportunities by connecting different social categories. Linking capital is essential for accessing institutional resources, public services, and political influence, especially for marginalized groups (Szreter & Woolcock, 2004).

Bonding Social Capital

Bonding social capital refers to the dense, inward-looking networks formed between people who are highly similar to one another. The natural human tendency to associate with those who share our exact demographic, cultural, or socio-economic characteristics (mcpherson, Smith-Lovin, & Cook, 2001). These connections typically include family members, close friends, immediate neighbours, and members of the same caste, tribe, or religious group.

Putnam (2000) famously referred to bonding capital as sociological "superglue." Its primary purpose is to provide immediate, robust mutual support and psychological solidarity. When a household faces a sudden health crisis, or a farmer's crop fails, bonding networks kick in to provide informal loans, childcare, or shared meals. As Woolcock and Narayan (2000) describe it, bonding capital is the essential resource for "getting by."

In many developing contexts, bonding capital is a vital survival mechanism, yet it has a well-documented dark side (Portes, 1998). Because it is so inward-looking, it can become suffocating and deeply exclusionary. A tightly knit community with high bonding capital might fiercely protect its own members but actively distrust and exclude outsiders. Furthermore, if everyone in your bonding network is just as impoverished as you are, the network can only share the burden of poverty; it cannot pull you out of it.

Bridging Social Capital

If bonding capital is about people who are alike, bridging social capital is about connecting people who are fundamentally different. These are horizontal ties between individuals who share a similar economic or power status but belong to different demographic, geographic, or occupational groups (Szreter & Woolcock, 2004). These connections might manifest among members of a cross-community sports league, trade union members, colleagues from different departments, or participants in a diverse Self-Help Group that spans different castes or neighbourhoods.

Where bonding capital is "superglue," Putnam (2000) called bridging capital acts as a lubricant, reducing friction in a broader, diverse society. While bonding capital is for getting by, bridging capital is the resource necessary for "getting ahead" (Woolcock & Narayan, 2000).

The true value of bridging capital was best explained by sociologist Mark Granovetter (1973) in his seminal paper on the "strength of weak ties." Granovetter proved that when people look for a new job, they rarely find it through their close friends or family, who represent their dense bonding network. Instead, they find it through acquaintances, such as former colleagues or friends-of-friends. Because bridging ties connect you to people outside your immediate, insular circle, they act as conduits for new information, new opportunities, and new ideas that simply do not exist within your own group. In a rapidly urbanizing environment, the loss of traditional bonding capital is often the price a person pays to acquire the broader, more economically valuable bridging capital found in cities.

Linking Social Capital

Early theories of social capital were deeply criticized for ignoring the harsh realities of structural inequality. It is not enough to just look at horizontal ties where peoples at the same level of society interact with each other. To address this glaring blind spot, Woolcock (1998; 2001) formalized the concept of linking social capital.

Linking social capital describes the vertical relationships between individuals operating at completely different gradients of formal power, wealth, or institutional authority (Szreter & Woolcock, 2004). These connections exist when a rural farmer knows a local politician, a marginalized household builds a relationship with a government doctor, or a day labourer knows the local official in charge of public works. Linking capital is the mechanism through which regular citizens leverage formal institutional resources. It is how a community gets a road paved, secures a business license without paying a bribe, or ensures their local school is properly staffed.

This is the rarest and most valuable form of social capital, and it is usually where structural inequality is most visible. A deeply marginalized group might possess incredibly strong bonding capital to rely heavily on each other for survival, and moderate bridging capital to trade goods with neighbouring communities, but absolutely zero linking capital. Without ties to formal institutions, police, or political representatives, they remain completely locked out of state resources (Woolcock & Narayan, 2000). Conversely, elite groups tend to monopolize linking capital, using their connections to policymakers and bankers to compound their wealth and maintain their status (Bourdieu, 1986).

3. Methodology

3.1. Data

The present study based on India Human Development Survey (IHDS II), which was conducted by the National Council of Applied Economic Research during 2011-2012. The IHDS is a joint research project between NCAER, New Delhi and the University of Maryland. It is a large national survey that studies many topics and represents households across India. The survey was carried out in 1,503 villages and 971 urban neighbourhoods. Researchers did face-to-face interviews with people from 42,152 households.

3.2. Composite Social Capital Index

Social networks and organizational membership are considered as key dimensions for social capital. The composite index of social capital constructed based on three dimensions:

1. Network inside the community (Bonding social capital).
2. Network outside the community (Bridging social capital).
3. Membership (Linking social capital).

Each of the dimensions has several indicators. In the IHDS-II dataset, several questionnaire items capture different aspects of social capital formation. Hence, from it we have identified dimension wise indicators as shown in Table 1. After dropping the missing values in these 3 dimension the household size became 41606 from 42152. Since all the indicators of every dimension is binary in nature each of the dimension's index is constructed using Multiple Correspondence Analysis (MCA). Unlike a simple additive scoring approach, MCA assigns weights to each response category based on its relative frequency and its association with other variables in the dataset. Finally, the composite social capital index is constructed by taking arithmetic mean of 3 dimensions indices.

Table 1. Dimensions and indicators of Social Capital Index based on IHDS-II survey data

Dimensions	**Indicators**
Bonding Social capital	Household have personal acquaintance with someone who works in any of the following occupation among your relative /caste/ community a. Doctors; b. Other health workers; c. Teachers/Principal ; d. Other school workers; e. Officer and above; f. Other govt. employees; g. Elected members; h. Political party officials; i. Inspector & above; j. Other in police; k. Military.
Bridging Social capital	Household have personal acquaintance with someone who works in any of the following occupation Outside relative /caste/ community a. Doctors; b. Other health workers; c. Teachers/Principal; d. Other school workers; e. Officer and above; f. Other govt. employees; g. Elected members; h. Political party officials; i. Inspector & above; j. Other in police; k. Military.
Linking Social capital	Whether anybody in the household belong to a a. Member Mahila mandal b. Member Self Help Group c. Member Credit/Savings Group d. Member Religious Group

	e. Member Caste Association f. Member Social Group or festival society

Source: IHDS-II (2011-12), Questions 17.2 and 18

3.3. Household-level inequality of social capital

Quantifying social capital inequality includes measuring the uneven distribution of social networks, civic participation, reciprocity, and community engagement across smaller geographical areas. The Theil Index is a way to measure inequality in a population. It shows whether inequality comes more from differences within groups (like inside states) or between groups (like across states). When the Theil Index is analysed, most inequality is caused by variations inside states rather than gaps between states and UTs. Social capital differences are much more visible among household in the same region than among those found in different states and UTs. Because state boundaries account for only a tiny piece of total inequality, household social capital differences are driven by local neighbourhood factors, population characteristics, and the social and financial status of people within those borders.

4. Findings & Discussion

4.1. Household-level social capital

The descriptive results shown in Table 2 gives a picture of the social capital at household level. The average value of bonding social capital is 0.861 (86.1%), indicating a high level of bonding among the respondents. The relatively low standard deviation (0.191) suggests that most observations are clustered around the mean, with limited variation. The mean of bridging social capital is 0.794 (79.4%), indicating a moderately high level. The standard deviation (0.237) is the highest among the three variables, implying greater variability in respondents' bridging social capital.

Table 2. Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Bonding capital	0.861	0.191	0	1
Bridging capital	0.794	0.237	0	1
Linking capital	0.899	0.178	0	1
Social Capital Index	0.852	0.151	0	1

Source: Authors' calculation

The mean of linking social capital is 0.899 (89.9%), the highest among the three dimensions, suggesting that respondents generally report strong linking social capital. The standard deviation (0.178) is the lowest, indicating relatively consistent responses across the sample. The Social Capital Index ranges from 0 to 1, with a mean of 0.852 and standard deviation of 0.151 across 41,606 observations, indicating generally high levels of social capital in the sample.

4.2. Status of household-level social capital inequality across states

Theil Index of household-level social capital inequality across the states and UTs of India is calculated as 0.01732. This shows that social capital inequality exists at a limited level within the national boundaries. Because the allocation of social capital is spread quite evenly across the country, a low level of disparity was observed in the study.

No sharp regional divide characterizes the distribution of household social capital in India; rather Intra-state heterogeneity is the dominant feature. Approximately 82.5% of total inequality in household social capital is generated within states, whereas only 17.5% is attributable to differences between state averages.

Table 3. With-in states vs. Between States Inequality in Social capital (Household level)

Component	Theil Value$^{\#}$	Share of Total (%)
Total	0.01732	100
Within States	0.01429	82.5
Between States	0.00304	17.5

Note: $^{\#}$ implies GE(1)

Source: Authors' calculation

The state and UT wise social capital inequality is presented in the Table 4, where rank 1 implies lowest social capital inequality Among the states and UTs of India, Jharkhand shows the most minimal amount of household social capital inequality. Suggesting that social capital is shared in a very similar way among the living units of Jharkhand. Even though the total amount of social capital might change in different areas, Jharkhand shows that families have nearly the same levels of social networks, and community engagement. This equal sharing pattern is caused by shared socioeconomic conditions and cultural cohesion that are found within the state territory. These patterns of social interaction are supported by the similar ways communities live together.

Mizoram shows the highest household-level social capital inequality when compared to other States and UTs in the data. This finding means that a large difference in the allocation of social capital is present in Mizoram. Engagement in community activities is not equal for every household because Mizoram has distinct social gaps that affect daily life.

These findings suggest that household-level social capital inequality in India remains low on average. Large gaps still exist inside the local areas of specific states even when the national average looks small. For this reason, social capital must be made more powerful by government strategies that look at the differences within the states. Community development initiatives should be started so that institutional access and civic participation are improved for every person. Inclusion in social policies is required by the government so that social capital inequality is reduced at the local level.

Table 4. Ranking States & UTs based on household-level social capital inequality

State/UT	Theil Index [)]	Rank
Jharkhand	0.00663	1.
Pondicherry	0.00771	2.
Rajasthan	0.00824	3.
Orissa	0.00831	4.
Bihar	0.00856	5.
Madhya Pradesh	0.00882	6.
Chhattisgarh	0.00956	7.
Uttar Pradesh	0.00978	8.
Uttarakhand	0.01005	9.
Delhi	0.01019	10.
Dadra & Nagar Haveli	0.01049	11.
Tripura	0.01096	12.
Daman & Diu	0.01109	13.
Haryana	0.01110	14.
Tamil Nadu	0.01143	15.
Andhra Pradesh	0.01150	16.
Punjab	0.01153	17.
Karnataka	0.01260	18.
Gujarat	0.01469	19.
Himachal Pradesh	0.01495	20.
West Bengal	0.01503	21.
Meghalaya	0.01611	22.
Jammu & Kashmir	0.02179	23.
Assam	0.02528	24.
Chandigarh	0.02764	25.
Kerala	0.03141	26.

Manipur	0.03887	27.
Maharashtra	0.03971	28.
Arunachal Pradesh	0.04213	29.
Goa	0.04962	30.
Sikkim	0.05644	31.
Nagaland	0.07066	32.
Mizoram	0.10577	33.

Source: Authors' calculation

5.Conclusion

The findings suggest a high levels of social capital across households in Indian states and UTs. The linking social capital is found to be the highest among the three dimensions of social capital (i.e., bridging, bonding and linking). State-level differences explain only a small portion of the observed variation in social capital across Indian households. The majority of inequality exists among households living within the same state. Consequently, social capital inequality appears to be shaped more by household and community-level factors than by broad state-level contexts. Because most variation occurs within states, localized interventions may be required, focusing on disadvantaged households and communities within states.

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