Colonial rule, Social Capital and Households in Kerala

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February 2021

Abstract

This paper tries to identify the importance of social capital on the way households behave in different districts of Kerala. Organizational memberships and acquaintances of households are used as measures of social capital for all districts. This study also looks at the impact of direct vs. indirect colonial rule on present-day household behaviour. The results suggest that local organisations and acquaintances have a significant effect on household behaviour while previous colonial experiences seem to have no effect on household behaviour today.

1   Introduction

The impact of colonialism in shaping various aspects of modern-day societies have been a broadly researched topic. Several studies have argued that institutions in contemporary society have been greatly influenced by past events (Acemoglu, Johnson, and Robinson, 2001; Sokoloff and Engerman, 2000). Acemoglu et.al explain how differences in settler mortality rates among Europeans influenced the formation of good or bad institutions in the colonies. Engerman and Sokoloff argue that differences in certain factor endowments generated inequality in wealth, human capital and political power which in turn influenced quality of institutions. Research and ideas on similar lines have explored the impact of British rule in India. Banerjee and Iyer (2005) describe how colonial land revenue systems affect the post-independence economic outcomes of Indian districts. One interesting aspect of colonial rule in India was that certain districts were under direct British administration while others were indirectly managed with the help of native rulers. Areas that were under direct rule had lower availability

of public goods and low productivity (Iyer, 2010). During colonial rule the northern districts of Kerala were a part of the Madras presidency while the rest of the state was divided between the Kingdom of Cochin and the Kingdom of Travancore (See Figure 1). Unlike the southern districts which were relatively more peaceful under the native rulers, the northern districts witnessed conquests and rebellions. If directly ruled areas had lower productivity, then it is also plausible that these areas had lower social capital levels. Knack and Keefer (1997) shows how social capital positively affects growth rate of a country. Political scientists like Robert D. Putnam explore the correlation between past events and the social capital of a region. He argues that the lack of social capital in Southern Italy can be traced back to the Norman conquest of the region which resulted in a society that lacked trust and the ability to cooperate (Putnam, 1993, p. 103). Likewise, Putnam (2001) explains how slavery in nineteenth century and the post-slavery reconstruction period can be the cause for low social capital in American states. There has been no consensus among researchers when it comes to defining social capital or its measurement. While Bourdieu (1986, p. 21) refers to social capital as aggregate resources available to members of a group, Putnam (1994, p. 6-7) defines it as networks, norms, and trust –that enable participants to act together more effectively to pursue shared objectives. Putnam (1995) looked at declining memberships in groups like bowling leagues, PTA, Elk's clubs as evidence for social capital deterioration in American civic society. Following a similar approach, I use a sample of 1568 households from India Human Development Survey 2012 (IHDS) to obtain a measure of household membership in various local organisations and their acquaintances within the community. This is used as a measure of social capital for households across all the districts in Kerala. The literature on colonial rule in India also highlights its other impacts. Lee (2019) shows how the colonial state had lower state capacity in landlord dominated regions. Weak state capacity resulting from indirect rule also creates conditions for insurgency (Mukherjee, 2018). In this paper I look at two effects. First, I

study the effect of organizational memberships and acquaintances on household behaviour. For this I use a binary dependent variable which is equal to one if household's response was 'bond together to solve local problems' and equal to zero if the response was 'each household solves individually'. The idea is that probability of bonding is affected by household memberships and acquaintances. Second, I include a dummy for direct vs. indirect British rule to see if the mode of colonial administration had any effect on the way households behave today. After controlling for variables like highest adult education, religion, caste and confidence in the court system, I find that organizational memberships and acquaintances within the community have a significant positive effect on household behaviour. However, I do not find any significant effect of differences in British rule on present-day household behaviour in Kerala. I also find that households belonging to marginalised sections are more likely to cooperate than others. I try to provide evidence and possible explanations for these results in the later sections of this paper.

The paper proceeds as follows. Section 2 provides a background of colonial rule in Kerala. Section 3 describes the data and predicted outcomes. Section 4 contains the empirical analysis and Section 5 presents the regression results. Section 6 includes some robustness checks. Section 7 discusses the implications of the results and section 8 concludes.

2   Background

In the aftermath of the Anglo-Mysore wars, the British East India company annexed the Malabar region and South Canara district from the Kingdom of Mysore (Mann, 2001, p. 404; Swai, 1978, p. 50). The earlier Mysorean invasions and subsequent wars dismantled the political fabric of the Malabar region in the north. Prior to annexation

by British, the land system in Malabar was based on landlord-tenant relations. This created a divide in society between the upper-class Hindu Brahmin landlords and the peasants who mostly belonged to the Mappila Muslim[1] community. However, under the hegemony of the Mysorean rulers , these muslim peasants were able to exercise control over the land they cultivated and establish trade networks. Many of the landlords lost control of their lands and were driven out of the region. But the transfer of control to the East India Company only aggravated the problems in the region. The British wanted to restore the previous landlord-tenant system thereby creating an opportunity for the former Hindu elites to reclaim their lost control. This instilled fear among the peasant community and eventually led to a series of violent protests between the Mappila muslims and the British rulers. Such small-scale but violent rebellions were a recurring activity in the north of Kerala. (Wood, 1976, Abraham, 2014).

In contrast to the unstable situation in the north, the internal political conditions in Travancore and Cochin were relatively more peaceful (Nair, 1976, p. 29). By early 19th century the British had formed an alliance with the two princely states which had granted them access to the crops and land in return for military protection of these states. The benevolent native rulers also agreed to British demands for modernizing the socio-economic structure of their kingdoms. "The policies were aimed as much at streamlining wasteful financial practices and stimulating economic productivity as they were at avoiding political turmoil- all of which were considered grounds for annexation by the British." (Desai, 2005, p. 460). These state reforms improved the literacy rates, weakened landlordism and created labour demand in the south. But, the internal political and economic conditions in Malabar were not favourable for development. This north-south disparity is highlighted in the following statement by Nair. "The early attempts to create an India in the British image came to be concentrated in Travancore and Cochin where the endeavour seemed to them to be easy." (Nair, 1976, p. 29). De-

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1. Mappila or Moplah is a community that arose as a result of the interactions and engagements between the Islamic Arab traders and coastal communities of western coast of India.

velopment in the northern districts of Kerala lagged far behind their counterparts in the southern native states. Very little was done for the upliftment of the lower social classes in the Malabar region before the end of British rule. While British policies created conditions of intense poverty, socio-economic stagnation, distrust and hatred in the north, it ushered in modernization in the south (Nair, 1976). After independence in 1947, the two princely states merged to form a single Travancore-Cochin state while the Malabar region formed a part of the newly created Madras state. Later in 1956, Malabar district and the Kasargod region of South Canara merged with Travancore-Cochin to form the present-day state of Kerala.

3   Data

As noted earlier, I use household data from the India Human Development Survey 2012(IHDS). IHDS is a nationally representative, multi-topic survey of 42,152 households in 384 districts across India. From this dataset I obtain a sample of 1568 households covering rural and urban areas of 12 districts[2] in Kerala. The survey contains answers about the groups and organisations that a household has membership in. For example, whether someone in the household is a member of the Youth club, political party or women's association (*Mahila Mandal*). The survey also asks households about their acquaintance with persons who work in different occupations ranging from doctors to military officials within their community. I sum up these responses to obtain my primary independent variables measuring social capital. This way I obtain a count for the different types of organisations a household has membership in. Similarly, I obtain a count for the acquaintances of each household within their community. Organizational membership and social network are just two among the many indicators that represent the broader concept of social capital. Hence, this may not be the most accurate mea-

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2. Kerala is divided into 14 districts. But IHDS does not include districts of Kasargod and Wayanad.
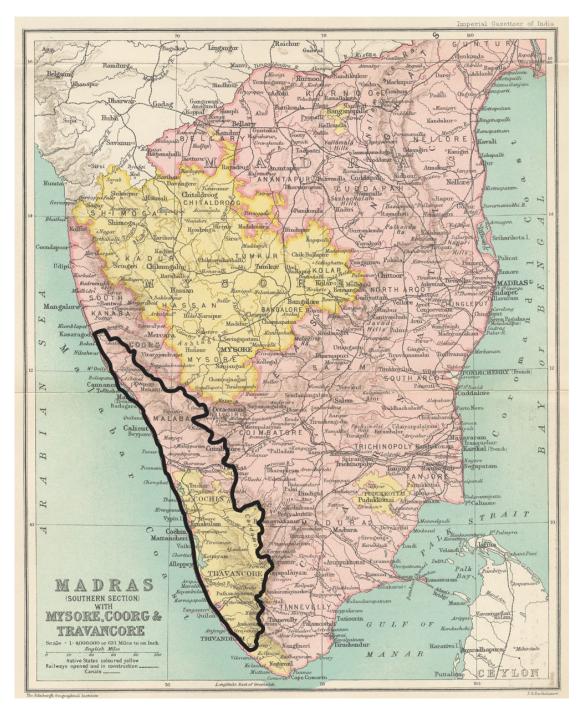
Figure 1:   Kingdom of Cochin and Kingdom of Travancore (in yellow), Malabar and Kasargod (in pink) that were part of Madras presidency. Present-day state boundary of Kerala (in black, added exclusively for this study and not part of the original).
Source: Imperial gazetteer of India. Oxford: Clarendon Press, 1907-1909, Volume 18.

sure of overall social capital in the region. A similar approach using IHDS(2005) was undertaken for measuring social networks in Desai and Dubey (2012). Household level weights are used for all survey estimates. Table 1 shows that on average each household has membership in more than two different types of local organisations. Also, on average each household has acquaintance with persons working in more than three different types of occupations within the community. I control for various household characteristics like highest adult education, number of household members, household income per capita and place of residence. The efficiency of law enforcement can also affect the social capital measures. Hence, the confidence of households in the court system to deliver justice is used as control. This is under the assumption that household confidence levels would be reflecting the efficiency of the institutions. Confidence in courts range between a great deal of confidence, only some confidence and hardly any confidence.

Table 1: Summary Statistics

	Mean	SD	Min	Max	Count
Membership	2.55676	1.901692	0	9	1568
Acquaintance	3.283801	2.493989	0	11	1568
British	.2959184	.4566001	0	1	1568
Number of household members	4.316327	2.016382	1	18	1568
Education	11.28125	3.239333	0	16	1568
Religion	1.658163	.8204375	1	3	1568
Scheduled caste	.0950255	.2933437	0	1	1568
Confidence in courts	1.391555	.52976	1	3	1563
Place of residence (urban/rural)	.5389031	.4986433	0	1	1568

Note: Religion includes Hindu, Muslim, Christian households. Scheduled caste are households belonging to the lowest castes who are subjected to the practice of untouchability.

The main dependent variable measures how households solve local problems. To check if social capital measures produce consistent results, I also include dependent variables that indicate whether the household has borrowed from banks in the last five years and

if they made any investments in securities. The inclusion of financial variables follow the strategy adopted in Guiso, Sapienza, and Zingales (2004). I also use controls for religion and caste. The dataset containing details of directly and indirectly ruled British districts were obtained from Iyer (2010). I create a dummy for British rule where a value of one indicates that the district was directly ruled by British and a value of zero indicates districts under native rule. All the 12 districts in the IHDS 2012 data are matched with their respective mode of colonial administration[3]. If parts of a district were under direct rule and indirect rule, then the British dummy is coded as 1 if major parts of it fell under direct rule (Iyer, 2010).

3.1 Theoretical Predictions

If local organizations and acquaintances are good proxies for social capital of a region, we would observe a positive effect of these variables on various aspects of household behaviour. Households with more memberships and acquaintances would likely exhibit better civic behaviour on account of being more connected and active in the community. They are more likely to bond together to solve local problems. More connected households would indicate districts with higher levels of social capital. Hence, supply of bank loans to households in such districts should be higher since lending is positively affected by social capital levels. Similarly, households with higher social capital are more likely to make investments in securities. The idea of using a dummy variable for british rule is to see whether the lagged development in the north during colonial rule has any effect on household behaviour today. This bears resemblance to Guiso, Sapienza, and Zingales (2004) where they identify variations in use of financial instruments between north and south of Italy. Here, I try to identify variations in household behaviour between directly ruled north and indirectly ruled south of Kerala. If lagged development had any persistent effect on social capital, then households in the north

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3. Due to lack of data, directly ruled distrcits of Kasargod and Wayanad are not included in this study.

should be less likely to solve problems together, obtain bank loans or make investments in securities.

4 Empirics

As the dependent variables are binary, I run probit regression models and estimate the average marginal effect of the independent variables on the probability of the outcome. The probit regressions are of the form:

$$Y = \alpha + \beta_1 membership + \beta_2 acquaintance + \gamma british + X_i + u_i$$

Here, Y is the dependent variable with a value equal to one if households bond together to solve local problems and equals zero if they solve them individually. The beta coefficients estimate the effect of social capital on the probability of households bonding to solve problems while gamma tells us if the type of colonial administration of the district has any impact on household behaviour. X_i is a vector of control variables. u_i represents the error term. For all estimations, probability weights are used according to the survey design specification. Also, standard errors are clustered at the district level to account for unobserved district-level characteristics across the state. Average marginal effect calculations hold other covariates at their sample values. Also, average marginal effects provide better estimates by accounting for all the data and not just the means. The intuition behind using marginal effects is that they show the change in probability when the predictor or independent variable increases by one unit. For continuous variables this represents the instantaneous change given that the 'unit' may be very small. For binary variables, the change is from 0 to 1, so one 'unit' as it is usually thought (Reyna, 2014).

5 Results

Table 2 reports the average marginal effects after running the probit model. The baseline specification in column (1) only includes the main variables of interest. The results show that the two social capital variables i.e. membership and acquaintance have a significant positive effect on the probability that a household bonds together to solve local problems. For a very small increase in organizational membership, the probability of bonding increases by 3.1 percentage points. Likewise, if the household's acquaintances within the community increases by a small amount, the probability of bonding increases by 3.4 percentage points. A one unit change in dummy variable 'british' i.e. if we move from indirecty ruled to directly ruled district, the probability of bonding increases by 11.2 percentage points. All the estimates are significant at the 1 percent level. In column (2) after controlling for household characteristics, religion and caste,

Table 2: Effect of Social capital on household cooperation

	(1)	(2)	(3)
Membership	0.031***	0.035***	0.030***
	(0.007)	(0.007)	(0.006)
Acquaintance	0.034***	0.036***	0.032***
	(0.007)	(0.007)	(0.006)
British	0.112***	0.095***	0.047
	(0.032)	(0.033)	(0.034)
Education		-0.007**	-0.005*
		(0.003)	(0.003)
Scheduled caste		0.044	0.036
		(0.029)	(0.030)
Muslim		0.106***	0.102***
		(0.029)	(0.028)
N	1558	1521	1518

Note: The dependent variable equals one if household responds positively to the question "In some villages or neighbourhoods, when there is a community problem such as water supply problem, people bond together to solve the problem. In other communities people take care of their own families individually.What is your community like?"Column(2) includes number of household members,log income per capita,place of residence as controls.Column(3) additionally controls for confidence in courts. One, two and three stars indicate significance at the 10%, 5% and 1% levels respectively.

membership and acquaintance still have a positive and statistically significant effect on household behaviour. The variable for british rule remains positive and statistically significant as well. This finding is contrary to our prediction that households in directly ruled districts that had lower economic development should be less likely to bond together. In column(3) after controlling for confidence in courts, the effect of british rule reduces and loses significance but remains positive. Also, education has a negative effect on the probability of bonding. Less educated households have a higher probability of bonding together. This indicates that effect of social capital is higher among less educated households as they may not have the resources or connections to solve issues individually. This effect is more noticeable after controlling for caste. Scheduled castes(SC) have a higher marginal effect on the probability of bonding as compared to other castes. This is consistent with an earlier finding that the extent of civic participation is higher for SC households (Desai and Dubey, 2012). Historically marginalised sections with low educational status may have more reasons to bond together to solve their issues. But the variable for Scheduled Caste(SC), although positive, is not statistically significant.[4] The effect of social capital measures are positive and significant even after including all controls. However, the effect gets slightly smaller for both variables. Another important finding is that muslim households have a higher probability of bonding as compared to other religions.

6 Robustness Checks

I use two other dependent variables to see if organizational membership and acquaintances as measures of social capital produce consistent results. First, I use a binary dependent variable indicating whether the household has borrowed from banks in the last five years. Increase in memberships should have a positive effect on the probability

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4. Scheduled Tribes(ST) was not included because there are too few observations for this caste category.

that households borrowed from banks. The logic being that supply of loans is positively affected by social capital levels. Table 3 shows that membership and acquaintance have a positive effect on loans obtained by households, although acquaintance is not statistically significant. A very small increase in membership leads to 3.2 percentage points increase in the probability that households borrowed from banks.

Table 3: Effect of Social capital on availability of loans

	(1)	(2)	(3)
Membership	0.035***	0.034***	0.032***
	(0.007)	(0.008)	(0.008)
Acquaintance	0.011*	0.006	0.005
	(0.006)	(0.007)	(0.006)
British	0.026	0.025	0.005
	(0.036)	(0.039)	(0.041)
Education		0.015***	0.016***
		(0.003)	(0.003)
Scheduled caste		-0.008	-0.008
		(0.050)	(0.050)
Muslim		-0.005	-0.005
		(0.046)	(0.047)
N	1557	1521	1518

Note: The dependent variable equals one if household responds positively to the question "In the last five years, has the household borrowed from Bank,Govt. Program or Other Credit Program?"Column(2) includes number of household members,log income per capita,place of residence as controls.Column(3) additionally controls for confidence in courts. One, two and three stars indicate significance at the 10%, 5% and 1% levels respectively.

The second dependent variable indicates whether the households have made any investments in securities over the last five years. Both the social capital variables in table 4 have a positive and statistically significant effect on the probability that households invested in securities. A very small increase in membership leads to 1.3 percentage points increase in probability of having bought securities. A similar change in acquaintance leads to 1.7 percentage points increase in probability of having bought securities. These findings show that increases in social capital measures positively affect borrowing and investment behaviour of households.

Table 4: Effect of Social capital on investment in securities

	(1)	(2)	(3)
Membership	0.013***	0.015***	0.013***
	(0.004)	(0.004)	(0.004)
Acquaintance	0.022***	0.017***	0.017***
	(0.004)	(0.004)	(0.004)
British	-0.019	-0.021	-0.034
	(0.017)	(0.020)	(0.021)
Education		0.007***	0.007***
		(0.002)	(0.002)
Scheduled caste		-0.038**	-0.041***
		(0.015)	(0.015)
Muslim		-0.005	-0.002
		(0.022)	(0.022)
N	1553	1517	1514

Note: The dependent variable equals one if household responds positively to the question "Over the last five years has anyone in your household invested in Mutual Fund,Unit Trust,Share Market,Bond?"Column(2) includes number of household members,log income per capita,place of residence as controls.Column(3) additionally controls for confidence in courts. One, two and three stars indicate significance at the 10%, 5% and 1% levels respectively.

While households in directly ruled districts have a higher chance of obtaining bank loans they invest less in securities. In all regressions but one, the social capital measures membership and acquaintance are positive and statistically significant. The results remain the same even after using standardised values for both social capital measures. The results also make it clear how minority sections have a lower probability of obtaining loans and investing in securities. To check what type of organisations have more impact on household behaviour, I construct a new variable excluding memberships in business groups, employee unions and political parties. The results show that cultural and recreational associations have a higher effect on the probability of households bonding together. Similarly, these associations have a higher effect on probability of households investing in securities. But they have a lower effect on the probability of households obtaining loans (see table 5 in appendix).

7 Discussion

Membership in local organisations and acquaintances within the community have a positive effect on household behaviour. These findings are consistent with Putnam's theory of using membership in organisations as an indicator for social capital. As memberships and acquaintances increase i.e. an increase in social capital of households, it is more likely that they help one another in solving problems, obtain more loans from banks and invest more in securities. These outcomes characterise a society with higher levels of social capital. Being part of organisations like credit societies, women's associations, NGO's and co-operatives help in improving the social capital of a district. Similarly, acquaintance with people working in health, education and government services lead to increase in social capital levels. As noted earlier, this is only one among the many indicators used by researchers to measure social capital. Hence, this is no conclusive evidence to prove that membership and acquaintances alone can dictate household behaviour and other outcomes. Moreover, the results show that direct colonial rule does not have any negative effect on household behaviour today. Rather, households in the north have a higher probability of bonding and access to credit. This may suggest that effective post-colonial policies could have helped mitigate the disparities that existed earlier between the north and south of Kerala. Iyer (2010) also finds that the impact of colonial rule gets muted over time under post-colonial policies which equalizes access to public goods. The social reform movements and peasant uprisings could have impacted the social capital of the state. During colonial rule there was an interaction between state formation and social resistance movements in Kerala. This unique and crucial interaction destroyed status and caste privileges in Kerala paving way for the first communist government. Again, the land reform policies adopted by the Communist government in Kerala after independence could have helped mitigate to a great extent the differences in society (Desai, 2005, p. 464-484). Another important finding is

that after controlling for household income per capita and level of education, it is the minority sections like the scheduled castes and muslims that show a higher probability of bonding to solve problems. We can infer that the demands of these sections may still be left unanswered and hence they have a higher tendency to organize in groups and collectively voice their concerns. This could be a reason why membership in caste and religious associations have a higher effect on cooperation of households. It is not clear whether marginalised households end up living in more homogeneous neighbourhoods as a consequence of residential segregation. This could be another reason for higher effect of social capital among these groups. Both the social capital measures only provide a count of memberships and acquaintances of the household. Hence, we cannot infer the size of the household's social network. For example, a household may have membership in more than one NGO's, self-help groups or credit societies. Likewise, a household may have connections with more doctors and few teachers while it may vary for another household. This in turn makes it difficult to accurately estimate which organisations or acquaintances are causing the effects. However, there is some evidence that cultural and recreational associations have more impact on the outcomes than business and political groups. Development of principles of trust and cooperation may be more likely to happen in cultural and recreational associations as their primary focus is not on any economic or political goals (Serra, 1999).

8   Conclusion

This paper aimed at exploring the effects of social capital on different aspects of household behaviour across 12 districts of Kerala. It also contributed to the literature on persistent effects of colonial rule by estimating whether differences in british rule in Kerala had any effect on household behaviour today. The main idea was to use household memberships and acquaintances as measures of social capital to see how it affected

the way households solve local problems, the supply of bank loans to households and their investment behaviour. Probit regression was used to estimate the relationship between these variables. The findings reveal that households with higher organizational membership and acquaintances within the community have a higher probability to co-operate in solving issues, obtain more loans and invest more in securities. This highlights the importance of community participation in improving the civic nature of a society. Moreover, social capital has a higher effect among minority sections like Muslims and Scheduled castes in Kerala. We see that cultural and recreational associations have a relatively higher effect on household behaviour than business and political organisations. Hence, for such underprivileged households these associations can be a means to exert pressure on the government and to establish an effective government-citizen relationship. Also, differences in colonial administration seems to have no persistent effect on the way households in Kerala behave today. This may indicate the effectiveness of post-colonial policies that aimed at equalizing access to public goods across all districts in Kerala. But this is not enough evidence to say that social capital measures have little variation across the state of Kerala. Further research should include a lot more measurable aspects of social capital in accounting for household behaviour as well as effects of colonial rule across India. Kerala might be a special case where post-colonial policies were instrumental in mitigating differences and this may not be the case across other states in a multi-cultural country like India. Besides intra-community relations, future work can also focus on the effects of inter-community relations on various aspects of household behaviour. Policies can aim at increasing the presence of voluntary, cultural and recreational organisations which may help in connecting different sections of society and help in building a common identity. A more homogenous identity may help in better communication and collective action.

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Appendix

Table 5: Effect of Social capital after excluding unions, political and business groups

	(1)	(2)	(3)
Cultural membership	0.033***	0.030***	0.020***
	(0.007)	(0.010)	(0.005)
Acquaintance	0.032***	0.006	0.016***
	(0.006)	(0.006)	(0.004)
British	0.047	0.002	-0.029
	(0.034)	(0.042)	(0.021)
Education	-0.006**	0.016***	0.007***
	(0.003)	(0.003)	(0.002)
Scheduled Caste	0.037	-0.006	-0.040***
	(0.030)	(0.050)	(0.015)
Muslim	0.103***	-0.008	0.002
	(0.028)	(0.047)	(0.023)
N	1518	1518	1514

Note: Columns(1),(2),(3) report effect of social capital on how households solve local problems,if they obtained loans from banks and if they invested in securities respectively. All regressions include number of household members,log income per capita,place of residence and confidence in courts as controls. One, two and three stars indicate significance at the 10%, 5% and 1% levels respectively.

Survey Questionnaire

Membership in Organisations

Does anybody in the household belong to a:
a) Mahila mandal
b)Youth club, sports group, or reading room
c)Employee union, business or professional group
d)Self Help Groups
e)Credit or savings group, committee, chit fund
f)Religious group
g)Social group or festival society
h)Caste association
i)Development group or NGO
j)Agricultural, milk or other co-operation
k)Political Party
l)Lions or Rotary club, other similar clubs.

Acquaintances

Do you or any members of your household have personal acquaintance with someone who works in any of the following occupation:
a)Doctors, other health workers
b)Teachers, Principal, other school workers
c)Government officers, other government employees
d)Elected members, political party officials
e)Police inspector and above, others in police, military.