UNDERSTANDING LOW-INCOME HOUSEHOLDS FROM A SOCIAL CAPITAL PERSPECTIVE

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Abstract

The objective of this paper is to draw attention to those aspects of the lives of Low-Income Households (LIHs) that aren't related to their income. In doing so, the paper characterises LIHs from a social capital perspective, highlighting the maintenance and strengthening of social capital as a deep-rooted cultural trait that is central to meaning-making in the lives of LIHs. We use a heuristics-based approach to nuance the differences between LIHs versus non-LIHs based on different sources of social capital that households possess. We operationalise the heuristic in the context of measuring the social capital of Indian households using primary datasets from two diverse contexts. The paper concludes by applying the learnings to the domain of financial inclusion policy and practice.

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Section 1: Introduction

In the Indian policy discourse, 'Low-Income Households' (LIHs) is a catch-all phrase used to characterise households that are poor, vulnerable, marginalised, or economically weak. Most commonly, though, LIHs, as the term indicates is an income-based definition of households, i.e., households earning below a specified income threshold are classified as 'low-income'. What that income threshold should be, however, remains contested among policymakers and regulators.[2] Be that as it may, relying on a single, typically annual, income threshold to classify households as low-income disregards the economic reality of LIHs. It assumes that the income of a LIH remains unchanged throughout the year. We know, however, from existing research that this is not entirely true. The financial lives of LIHs are characterised by insufficient, unstable, and illiquid incomes (Collins et al., 2009). For such households, income uncertainty directly translates into episodic poverty, meaning that LIHs enter and exit poverty multiple times during a year. The uncertainty that manifests in the lives of LIHs, therefore, cannot be captured using a single annual income threshold. To tackle this caveat, scholars have proposed a complementary framework that takes into account the combined conditions of insufficiency, instability, and illiquidity of incomes to measure the experience of poverty (Merfeld and Morduch, 2024). A second approach to characterise LIHs that has gained significant traction in the last decade is to measure the standard of living that LIHs experience. This approach goes beyond the levels and patterns of household income and instead examines the depravation households face in dimensions such as access to health, education, and other basic infrastructure such as cooking fuel, sanitation, drinking water, housing, electricity, and financial accounts. The Multi-Dimensional Poverty Index developed by the Oxford Poverty and Human Development Initiative is a prominent example of this approach.

In this paper, we present a case for going beyond materialist perspectives in characterising LIHs and offer an alternate approach that applies a socio-cultural lens to understanding the lives of LIHs. Both income-based classifications and multidimensional approaches are useful ways of studying the lives of LIHs. However, when we view LIHs only from an economic or a resource-based perspective, it limits our understanding of who they are, what they value, and the forces that shape them. Studying the lives of LIHs from a socio-cultural perspective allows for a deeper appreciation of the relational and cultural aspects that shape them. This entails studying the social contexts and the structures they are embedded in, the shared beliefs and values they hold, the norms and behaviours they practice, and the aspirations and worldviews that guide their lives. Such a perspective offers a crucial vantage point for understanding the deep determinants of their behaviour, core to public policymaking.

The objective of this paper is to offer a qualitative understanding of the everyday realities of LIHs through a cultural lens. To narrow our focus, we examine the context of Indian LIHs from a social capital perspective, i.e., we aim to enquire about the nature and composition of social capital Indian LIHs possess. We believe that studying LIHs through this lens is particularly useful because, unlike non-LIHs, LIHs belong to tight-knit, enduring webs of connection, mutual support, and obligations. These support networks help individuals cope with resource scarcity and uncertainty, while also providing access to valuable information and opportunities. In such contexts, their idea of success and well-being, does not necessarily stem from intrapersonal factors such as personal motivation and drive but rather from relational factors such as social harmony, respect of others, and good social connections (Thomas et al., 2025). Given the central role that social capital plays

[2] For example, The Reserve Bank of India in the context of the microfinance guidelines defines a LIH as one whose annual household income is equal to or below Rs. 3,00,000. The Pradhan Mantri Awas Yojana, on the other hand, defines a LIH as one whose annual household income falls between Rs. 3,00,001 and Rs. 6,00,000.

in the lives of LIHs, we believe that studying this dimension is a good starting point to begin understanding the cultural context of LIHs. It must be noted, though, that while *capital* is commonly understood as serving instrumental purposes, social capital emerges naturally from the human tendency to connect with one another.

The contribution of this paper is threefold. First, we propose an alternative way of characterising the lives of LIHs from a perspective other than income. We do so by relying on social capital theory to classify income-based household types into different groups as per their composition of social capital. This allows us to distinguish how the social capital of LIHs differs from those belonging to other income groups, such as poor, middle-income, and high-income households. Second, we demonstrate the applicability of this conceptual construct using primary data from two diverse contexts. The purpose of undertaking this exercise is to find preliminary evidence in support of our characterisation of social capital among LIHs and underscore the central role that social capital plays in shaping their lived realities. Third, we apply the learnings emerging from this paper to examine fault lines in financial inclusion policy and practice and offer alternate ways of framing problem statements that take into account the ultimate (and not just the proximate) causes of human behaviour.

The rest of the paper is structured as follows. Section 2 provides a conceptual overview of the theory of social capital and traces the literature's evolution. Section 3 summarises empirical evidence on the relationship between social capital and household welfare. Section 4 introduces a heuristic that characterises LIHs from a social capital perspective. Section 5 illustrates two case studies, showing how social capital can be measured in the Indian context using structured surveys and qualitative interviews. Finally, Section 6 concludes by situating this paper in the context of financial inclusion policy and lays out a research agenda.

Section 2: Theories of Social Capital

There is no single, universally accepted definition of social capital. However, most scholars agree that social capital involves connections among people and the resources, trust, and norms arising from these connections that facilitate cooperative action. Below, we summarise key features of social capital that emerge from definitions proposed by various scholars.

Social capital is defined as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectivity-owned capital" (Bourdieu 1983). While Bourdieu acknowledges social capital as one of the forms of capital alongside economic and human capital, social capital is not individually owned or possessed, unlike the other two; instead, it is embedded within social structures. It is inherently relational, distinguishing it from other forms of capital (Portes, 1998). Coleman (1988) defines social capital by its function, focusing on social structures, obligations and expectations, and norms. Putnam (1995) frames it as the trust that facilitates cooperation among individuals. Building on this, Krishna (2000) states that trust and cooperation form the 'core of social capital' and articulates social capital as a means by which coordinated or cooperative action can potentially be undertaken. Social capital has also been compared to a 'public good', wherein multiple people can leverage social capital to their benefit. One person's ability to access and benefit from social capital does not preclude others from benefiting from it. In fact, the value of social capital stems from the active participation of multiple individuals (Coleman, 1990; Narayan 1997).

Bonds & Bridges

In this section, we briefly trace the development of the discourse on social capital through significant contributions made by multiple scholars. Many of these scholars, like Putnam, Gittell, Granovetter, and Vidal, contribute to the discourse based on research conducted across the United States, while Woolcock, Narayan, and Krishna build on these theories with evidence rooted in the Indian context.[3]

In the context of social capital, earlier scholars explored 'bonds' and the primacy of kinship and other close-knit networks. Granovetter's (1973) work remains among the first to empirically explore the strength of weak ties and loosely knit networks when engaging with the concept of a 'bridge'. He made a substantial contribution to the discourse when he argued that interpersonal networks facilitate the translation of small-scale interactions into large-scale patterns, which then, in turn, feed back into small groups.[4] He built his theory on the concept of a 'bridge', which is a 'line in a network that provides the *only* path between two points' through which information or influence may flow. Such bridging ties tend to be weak ties, often *between* individuals from different primary groups or segments of social structure. This contrasts with strong ties that refer to dense, tightly knit networks that are concentrated within groups. While strong ties breed local cohesion, weak or bridging ties help in the diffusion of information and influence, which is pivotal to accessing new opportunities for growth and development.

Along the same lines, Putnam (1995) refers to two main types of social capital: 'bonding capital,' which brings people who know each other closer together, and 'bridging capital,' which brings together people who did not know each other previously. Bonding capital may be understood as that which supports households in sustaining day-to-day survival ('getting by'), whereas bridging capital is instrumental in facilitating upward mobility and broader opportunities ('getting ahead'). In his work studying communities in the USA, Putnam states that bonding capital helps 'mobilise solidarity' within the community, while bridging capital is more suited for 'linkage to external assets' and 'information diffusion'.

Gittell and Vidal (1998) build upon Putnam's articulation of bridging capital by incorporating the role of formal organisations within its scope. They argue that such organisations possess the potential to facilitate the formation of 'bridges' across diverse social groups. Apart from this contribution, Gittell and Vidal's view of bonding and bridging capital resembles that of Putnam, in that bridging social capital can be thought of as social ties with dissimilar others, while bonding social capital can be thought of as social ties with similar others. Bonding social capital includes local context and refers to ties between those from the same neighbourhood, or those belonging to the same race or class, or those from similar socioeconomic conditions. Bridging social capital spans across social divides based on religion, ethnicity, class, etc. While studying low-income communities and neighborhoods in the United States, Gittell and Vidal state that both fostering 'bonds' and building 'bridges' are beneficial for such communities as well as the 'social and economic system as a whole'.

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[3] It is clarified that while some of Woolcock, Narayan and Krishna's works are built on the Indian context, their work also spans other Asian and African nations unlike Putnam, Vidal and others. Narayan's work draws on multiple countries, including Tanzania and Sri Lanka, as well as India. Woolcock's work with Narayan examines cases from Brazil, India, Mexico, the Republic of Korea, and Russia. Krishna's work not only draws upon instances from the Indian context but also African nations such as Kenya, Zimbabwe etc.

[4] In 'The Strength of Weak Ties', Granovetter stated that studies till then focused on interactions within a small group and did not seek to uncover the way in which such interactions within smaller groups translate into patterns observable at the macro-level across groups.

Building on this work and laying emphasis on the networks view[5], Woolcock and Narayan (2000) further refine and clarify the concepts of 'bonding' as intra-community ties and 'bridging' as extra-community networks. Intra-community ties refer to close-knit, intensive ties among primary social groups that are based on caste and creed. Notably, Woolcock & Narayan also state that such ties are observed among the poor. Extra-community networks, on the other hand, are voluntary, weak connections. Further, they theorise that different levels of bonding and bridging capital lead to different outcomes that may be attributed to social capital. Communities may be distinguished by their respective endowments in terms of bridging and bonding capital, with certain combinations of the two types of social capital leading to more desirable outcomes than others (Woolcock and Narayan 2000).

Another work by Narayan (1999) focuses on bridging ties and the interaction between formal and informal institutions. While Gittell and Vidal (1998) introduce the role of formal organisations in bridging capital, Narayan (1999) delineates between formal and informal organisations. She argues that informal institutions are social structures or systems that emerge organically within communities and are governed by unwritten norms, traditions, and shared values rather than codified rules. In contrast, formal institutions are deliberately constructed and codified, governed by explicit rules, regulations, roles, and procedures that are often state-recognised or legally enforceable.[6] This view of formal organisations is also supported by Krishna (2000), who speaks of 'institutional capital' wherein rules, procedures, roles, and sanctions form the source of motivation for collective action. He takes a transactional view of the role of formal organisations in building social capital, similar to that of Narayan (1999). He contrasts this with relational capital, which is capital based on relationships, wherein beliefs, values, and ideologies form the source of motivation for collective action. While he acknowledges that institutional and relational capital coexist in households, he argues that reliance on relational capital is higher among low-income households, as the basis of support they receive often lacks an institutional foundation. LIHs rely on ties based on family, ethnicity, and religion rather than markets or a legal framework for meeting their different needs, be it for credit, childcare, information, etc. While high-income households may be able to rely on high levels of institutional and relational capital, low-income households cannot place a similar reliance on institutional capital (Krishna 2000).

Together, these theories further our understanding of the sources of social capital, their diverging features, and the significance they hold in the lives of households and communities.

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[5] The Networks view 'stresses the importance of vertical as well as horizontal associations between people and of relations within and among such organisational entities as community groups and firms'. If associations between people and entities was solely horizontal, there are two propositions to bear in mind: Firstly, social capital can provide a range of 'valuable services' for community members, but it also involves considerable costs that are non-economic but may bear economic consequences. For example, a job referral may involve a sense of obligation. Secondly, the sources of social capital, such as norms, trust, etc., need to be differentiated from the consequences derived from them, such as cooperative behaviour. Further, the benefits to a particular group may be obtained at the expense of another group, and the net benefit for society at large may be insignificant. Hence, the existence of both vertical (bridging) and horizontal (bonding) associations are required for the efficacy of social capital.

[6] Formal institutions are (a) based on transactions, roles, and rule-based interactions, (b) are structured and hierarchical, (c) often require documentation, eligibility criteria, or formal membership, and (d) enforce accountability through written contracts, laws, or institutional sanctions. Formal institutions emerge when decision-makers clarify and standardise the informal institutions generated by social norms, often by translating them into written rules.

Section 3: Empirical Evidence on the Relationship between Social Capital and Household Welfare

Across diverse contexts, empirical research underscores the strong positive association between social capital and economic outcomes. The following section reviews this literature, drawing on evidence from both advanced and emerging economies.

In the United States, access to social capital in the form of bridging and bonding capital can improve economic returns for professionals, low-income individuals, and the community as a whole. For instance, Kim (2009) finds that professional ties that offer timely and high-quality information as well as connections with high-status 'alters' lead to higher economic returns and increased prestige for urban lawyers in Chicago. Similarly, Engbers et al., (2017a) find that bridging social capital improves the economic well-being of American metropolitan communities, specifically with respect to job creation. Chetty et al., (2022), using big data from Facebook in the United States, show that cross-class connections are a strong predictor of economic mobility and that low-income people living in areas with more high-income friends have better chances of escaping poverty.

Outside the United States, evidence from China and Africa further reinforces the economic significance of social capital, though through distinct mechanisms. In China, Lie et al., (2022) find that bonding social capital, measured through social spending on maintaining and developing social interactions, improves access to informal financing channels for farmers with low educational attainment, in turn allowing them to alleviate credit constraints. Another study from China by Cao et al., (2022) find that by enabling collective action against excessive government procurement, household social capital, measured using the density of family clans, helped reduce mortality rates during China's great famine. Examining the role of social capital as a determinant of household income in rural Tanzania, Narayan and Pritchett (1999) measure social capital using a composite index comprising the number of group memberships, group characteristics in terms of kin and income heterogeneity, group functioning features, levels of trust in various institutions and people, and finally perceptions of social cohesion in the village/community. They find that a one standard deviation increase in a village's social capital index is associated with a 20% increase in consumption expenditures for each household. Notably, this impact is significantly larger than the marginal effect of an increase in education and comparable to the effect of an increase in non-farm physical assets. They also find that the positive effect of social capital on household welfare is stronger when groups are more heterogeneous. Grootaert et al. (2002) deploy a similar composite social capital index in the context of Burkina Faso and find that a 5% increase in a household's social capital endowment corresponds to a 2.7% increase in household consumption. By comparison, a 5% increase in human capital endowment is associated with a mere 0.2% increase in consumption. Using quantile regression, the authors find that returns to social capital are highest at the lowest levels of income.

Turning our attention to evidence from India, we find that the endowment of social capital is positively associated with a range of developmental outcomes. Access to social networks helps explain households' participation in microcredit programs (Langer, 2009), the decision to vote in a national election (Borooah and Bros, 2012), schooling outcomes for rural children (Iyengar, 2011), business profitability (Jaikumar and Kumari, 2021), and collective action (Deshpande and

Khanna, 2021). The Indian Human Development Survey (IHDS)[7] is a particularly prominent source for studying and measuring the types of social capital Indian households possess. Several scholars have used the IHDS dataset to categorise social connections into bridging and bonding capital and examined their distinct implications for household welfare. Using this classification, scholars have found that bridging capital measured through connections within the formal sector, i.e., relatives, acquaintances, and community members working in government institutions, education, and health services, is positively associated with education outcomes (Myroniuk et al., 2017) and household consumption expenditure (Arun et al., 2016). Story and Carpiano (2017) study the relationship between social capital and child health outcomes. To assess the extent of bonding and bridging social capital, household members are asked to identify the groups or organisations to which they are affiliated. Bonding ties are categorised as membership in any religious, caste, or festival organisation. In contrast, bridging ties are categorised as membership in development groups, such as women's groups, SHGs, credit or savings groups, NGOs, etc. Linking social capital are measured through non-familial connections in formal institutions, as ties to influential individuals in positions of power and authority can provide avenues for individuals to derive benefits and overcome their socioeconomic constraints. The authors find that greater household wealth is associated with all three types of social capital and that linking ties is associated with lower odds of child malnutrition. Jha and Kelley (2023) find that both bridging capital in the form of memberships in local community organisations (such as membership in self-help group, credit or savings group/cooperative society, agriculture or dairy cooperative/FPO, development group/NGO-sponsored group) and bonding capital measured through social network connections to influential community members that are from within (rather than outside) the household's 'in-group', improves economic outcomes such as per capita consumption expenditure and perceptions of economic wellbeing, and reduces the probability of living in poverty.

Scholars in the Indian context have also examined the relationship between changing levels of economic inequality and households' social capital. Petrikova (2022) finds that as local economic inequality rises, households' bridging social capital, measured through participation in efforts to resolve broader communal issues, declines whilst their bonding social capital, measured through membership in relatively demographically and socio-economically homogeneous voluntary associations, increases. Maya and Kumar (2025) find similar results. They show that as the economic gap among individuals widens, their inclination to join formal and informal groups diminishes and increases, respectively.[8] Moreover, when income inequality increases, individuals who are socially and economically disadvantaged experience decline in both formal and informal social capital. The authors argue that this is likely because higher inequality provides fewer economic resources and less power for poor households to engage with social organisations, and,

[7] The India Human Development Survey (IHDS) is a nationally representative, multi-topic household survey designed to capture the social and economic transformation of India. Conducted jointly by the University of Maryland and the National Council of Applied Economic Research (NCAER), it consists of two major rounds: IHDS-I (2004–05) and IHDS-II (2011–12), with most households re-interviewed, creating one of India's few large-scale panel datasets. Covering over 41,000 households across all states and union territories, the IHDS collects detailed information on income, employment, consumption, education, health, fertility, gender relations, marriage, social capital, and village-level infrastructure.

[8] The authors connect these findings to the relative power theory and resource mobilisation theory. According to the relative power theory, people's tendency to associate with formal social groups of different strata is likely to decline as social gaps between individuals widens due to increased inequality. Simultaneously, it is reasonable to anticipate the formation of more informal social groups, made up of familiar people like friends, family, and co-workers. According to the resource mobilisation theory, poor people have fewer resources to devote to non-essential activities, so they have less of both types of social capital.

therefore, the decline in both formal and informal social networks is more pronounced among poor individuals than those who are not.

Two key takeaways emerge from this review. First, social capital matters a great deal for household wellbeing and helps households navigate various aspects of their lives- risk and information sharing, political participation, access to job markets, infrastructure, finance, health and education services- and enables cooperative behaviour through social cohesion and trust. Households that lack social capital of any kind are more likely to experience material deprivation. Second, the nature and quality of social interactions differ by the type of social capital, therefore generating different types of monetary and non-monetary gains. In societies where social capital inheres mainly in primary social groups disconnected from one another, bonding capital plays the crucial role of substituting for services ordinarily provided by formal institutions, helping households, especially LIHs, survive and get by (Narayan, 1999).

Section 4: Understanding the Social Capital of Low-Income Households using a Heuristics-Based Approach

The norm of strong intra-community ties among LIHs can be understood as an adaptive strategy that evolved because it improves survival and well-being under conditions of radical uncertainty.[9] In such contexts, individual survival (or fitness) depends less on personal resources and more on group fitness or the collective capacity of the group to pool resources, share risks, and support one another. Hence, norms that emphasize loyalty, reciprocity, and obligation to the group get selected for, both culturally and biologically.

In the Indian context, kin-based institutions[10] play a major role in how people organise their lives. Examples of kin-based institutions in the Indian setting are the joint family system, kin-based business networks, and other kinds of community-based networks (formed on the basis of similar socio-economic and cultural characteristics) that function as extended kinship systems. Henrich and Muthukrishna (2021), in their paper on the origins and psychology of human cooperation, discuss kinship as a key mechanism explaining human cooperation. The authors note that kin-based institutions are "..formed by a constellation of norms that regulate and influence the treatment of large extended networks of relatives, marriage-related preferences and taboos, inheritance of social identity, cultural prescriptions on way of living, and economic interdependence. Kin-based institutions therefore effectively shape the social network within which people operate". They further review the literature on human cooperation to highlight that while strong kinship-based institutions reinforce cooperation at lower levels, they nevertheless impede cooperation at the larger level, thereby weakening formal institutions. In turn, in the absence of strong formal institutions, the reliance on kinship-based institutions further solidifies, thereby creating a feedback loop.

Taking this context into consideration, strong intra-community ties, i.e., strong dense ties that exist within one's own 'in-group' such as friends, neighbours, kin, jati[11], region, linguistic, and religious

[9] Radical uncertainty is the kind of uncertainty that cannot be described in probabilistic language. Radical uncertainty in the lives of LIHs manifests in various forms (illness or health shocks, loss of income, crop failure, and several other unknown possibilities that households might find hard to imagine).

[10] Kin-based institutions are systems of social organisation where cooperation, risk-sharing, and enforcement of norms are governed through personal and family ties rather than impersonal or state-based mechanisms.

[11] Jati denotes professional, regional, linguistic, religious, only locally recognisable, and gender communities. For example, in vernacular literature, we come across the Lohar and the Sonar jati (professional communities), the Maratha and the Bangla jati (linguistic or cultural communities), the Hindu and the Mussalman jati (putatively, religious communities), the Munda and the Oraon jati (communities presently registered in the government documents as

groups, characterise the social capital of a typical Indian LIH. Given the quality of these intra-community ties, the nature of collective action is primarily relational and is shaped by shared beliefs, values, norms, and interpersonal relationships. This manifests in the way LIHs navigate various aspects of their lives. In navigating domains such as childcare, financial services, market information, and managing dispute resolution, LIHs rely more heavily on informal institutions than on formal ones. On the other hand, weak extra-community networks, i.e, relationships extending beyond familiar networks, characterise the social capital of non-LIHs. These relationships are anchored by formal institutions, and the nature of collective action is primarily transactional in the form of rules, procedures, roles, and sanctions.[12] This distinction, however, does not imply that LIHs completely lack engagement with formal institutions, or that non-LIHs are disconnected from informal ones.

Below, we rely on the heuristic proposed by Woolcock and Narayan (2009) to arrive at a generalised characterisation of LIHs from a social capital perspective. The heuristic captures varying levels (high and low) of social capital across two key dimensions- intra-community ties (or bonding capital) and extra-community networks (or bridging capital). Since we are interested in characterising how social capital differs for LIHs versus non-LIHs, we use four household prototypes for the purpose of this exercise: Below Poverty Line (BPL) Households, Low-Income Households, Middle to High-Income Households, and finally, Ultra High-Income Households.

Table 1: Dimensions of Social Capital at the Household Level

Dimensions of social capital		**Extra-community networks (Bridging)**	
		Low	**High**
Intra-community ties (Bonding)	**Low**	**Below Poverty Line Households** (Migrant households, Homeless households)	**Middle to High-Income Households** (Salaried households, Self-employed professional households)
	High	**Low-Income Households** (Rural-agri households, Urban nano entrepreneur households)	**Ultra High-Income Households** (Family-owned legacy business households, Households with C-Suite executives)

tribes), the Vaidya and the Bhumihar jati (communities which are endogamous), *mardon ki jat* and *aurat* jat (community of men and community of women), etc. The connotation of Jati is far from homogeneous. The only thing uniform that a Jati signifies is the idea of a community (Samarendra, 2011). In the book Castes of Mind: Colonialism and the Making of Modern India (2001), Nicholas B. Dirks argues that 'caste' as a broad label does not exhaust the totality of Indian social forms and is just one way of organizing and representing identity. Moreover, the problem with the word 'caste' is that it does not even have a single logic of categorisation. He notes '..In pre-colonial India, the units of social identity had been multiple, and their respective relations and trajectories were part of a complex conjunctural, constantly changing, political world. The referents of social identity were not only heterogeneous; they were also determined by context. Temple communities, territorial groups, lineage segments, family units, royal retinues, warrior subcastes, agricultural or trading associations, devotionally conceived networks and sectarian communities, were just some of the significant units of identification, all of them at various times far more significant than any uniform metonymy of endogamous 'caste' groupings...' Given this background, we use the word 'Jati' in our paper to describe the multiple units of social identity that characterise Indian society.

[12] We can therefore conclude that extra-community networks or bridging capital are more instrumental in nature and serves as a means to an end, whereas intra-community ties or bonding capital, are an end in themselves, as they generate value for individuals through the relationships they share.

Households with low intra-community/bonding ties are those that exhibit low levels of attachment and cohesion with others of similar ethnic, social, economic, jati, and religious backgrounds. In contrast, households with high intra-community ties refer to the inverse, wherein close, strong ties and high levels of trust are prevalent between similar households. While intra-community ties are solely horizontal, extra-community networks could either be vertical or horizontal. Extra-community networks include both vertical and horizontal associations between people and relations within and among formal entities such as organisations and groups. (Woolcock and Narayan, 2000). Low levels of extra-community networks are characteristic of households that face challenges in establishing ties with individuals beyond their immediate socio-economic milieu, as well as with formal organisations or groups. Inversely, high levels of extra-community ties are prevalent among households that can access and rely on formal institutions to build their networks, and whose networks extend beyond their community. Households exhibit diverse social capital as seen in Table 1.

We classify BPL households as those with low levels of both bridging and bonding capital, since the likelihood of being BPL significantly increases for households with lower levels of social capital. Some common examples of this prototype are rural-to-urban migrant households, who, as a result of migration, may experience weakened bonding capital without a corresponding increase in bridging capital, or homeless households who have been outcast from their social groups.

LIHs, on the other hand, have high bonding capital but low bridging capital. Examples of this prototype are rural low-income households who rely on agriculture as their dominant source of income and urban nano entrepreneur households running small-scale businesses. These households are deeply embedded within their local communities and support networks and rely on each other for managing finances, finding employment opportunities, support with child and elderly care, seeking information, etc.

Next, we classify Middle to High-Income households as those with low bonding capital but with high bridging capital. A canonical example of this prototype is the urban middle-class salaried households. These households have stable sources of income and are far less vulnerable to contingencies compared to LIHs. They primarily rely on formal institutions to navigate various aspects of their lives. Although extra-community networks tend to be weak, greater diversity in these networks yields high economic returns for these households. Therefore, Middle to High-Income Households use bridging capital for upward mobility, or in other words, to 'get ahead'.

Finally, we classify Ultra High-Income Households as those with high levels of both bridging and bonding capital. Example of this prototype is a family-owned legacy business household. Unlike LIHs, these households use bonding capital not for survival but rather for strengthening their business networks, cementing their political influence, and building their legacy. At the same time, high levels of bridging capital mean greater diversity in their networks, allowing them to tap into these connections for material gains.

Overall, the heuristic offers a useful approach in understanding the differences between LIHs and non-LIHs from a social capital point of view. However, it must be noted that households differ markedly in their possession of social capital, which can be understood as lying along a continuum of both bonding and bridging capital. Moreover, the way these networks and relationships are relied on, and the meaning and emotions they evoke, differ drastically across household types. Finally, the social capital of a household doesn't remain constant. It expands or contracts both in density (the extent of interconnectedness within a social network) and diversity (types of social connections) as household contexts change. For example, we might encounter a LIH that displays weaker bonding ties than other LIHs or is actively developing bridging ties and therefore might have greater diversity in its networks. Similarly, we might encounter an Ultra High-Income Household, such as a CEO of a Unicorn Start-up with high bridging capital, but relatively weaker bonding capital compared to legacy business households. Therefore, the heuristic offers generalised examples for each prototype and is not necessarily meant to concretise their positions in those respective boxes.

Section 5: Measuring Social Capital: Two Complementary Approaches using Field-Based Surveys

Having described the nature of social capital that LIHs typically possess, and how it differs from that of non-LIHs, we now offer two concrete cases that illustrate potential frameworks for measuring social capital. The cases we highlight here move beyond standard approaches to measuring social capital and instead probe the intricate features and quality of social connections measured through the level of intimacy, frequency of interaction, and other characteristics that describe the nature of social connections, in question. Moreover, these cases demonstrate the ways in which Indian households rely on their social networks to navigate everyday life and the role these networks play in shaping their motivations, actions, and behaviour.

Case 1: Measuring social capital of rural households through structured surveys

The Network, Employment, Debt, Mobility, and Skills in South India Survey or NEEMSIS is a longitudinal data collection tool that aims at understanding the links between labour, skills, financial practices, social and migration dynamics, and social network formation in rural Tamil Nadu. NEEMSIS 2020-21[13] is the second wave of NEEMSIS and covers 632 households and 3647 individuals across 10 villages. The NEEMSIS facilitates an in-depth examination of the nature of social connections households have through its individual level module on social network administered to a maximum of 3 adult individuals within each household. In addition to standard questions on social capital measured via membership in associations[14], connections to acquaintances in associations or organisations[15], and trust and reliance that individuals hold in specified formal and informal institutions[16], the survey decomposes an individual‘s reliance on social connections into various categories- based on purpose - access to finance, business hiring, job-related opportunities, membership in various groups/associations, medical and other

[13] 2020-21 NEEMSIS-2 wave took place between July 2022 and September 2022.
[14] Question from NEEMSIS: To which associations do you belong to? Only you and not all family members - (i) Youth Union, (ii) SHG Group, (iii) Trade Union, (iv) Farmer Union, (v) Village council (panchayat), (vi) Political party, (vii) Professional (occupational) association, (viii) Market committee, (ix) Religious group, (x) Hobby club, sports group, cultural association, (xi) Alumni association, (xii) Other association
[15] Question from NEEMSIS: Pick people you know who occupy the following position and you can contact at any time - (i) Head of business in the same sector, (ii) Policeman, (iii) Civil servant, (iv) Formal bank employee or microcredit institution, (v) Village committee (panchayat), (vi) People council (caste-based), (vii) Recruiter for a firm or in employment office, (viii) Head of a trade union, (ix) None
[16] Question from NEEMSIS Household Survey to measure trust in institutions: How much do you trust the following - (i) Your community council, (ii) Tamil Nadu government, (iii) The police, (iv) Traditional leaders, (v) Religious leaders
Question from NEEMSIS Household Survey to measure reliance on institutions: In your opinion, who helped you the most during the COVID-19 lockdown? (i) Governmental institutions, (ii) Family, (iii) Community, (iv) Other caste groups

emergencies, and other social interactions, as described in Figure 1- and it also probes the quality of these relationships.

Figure 1: Social connections by purpose

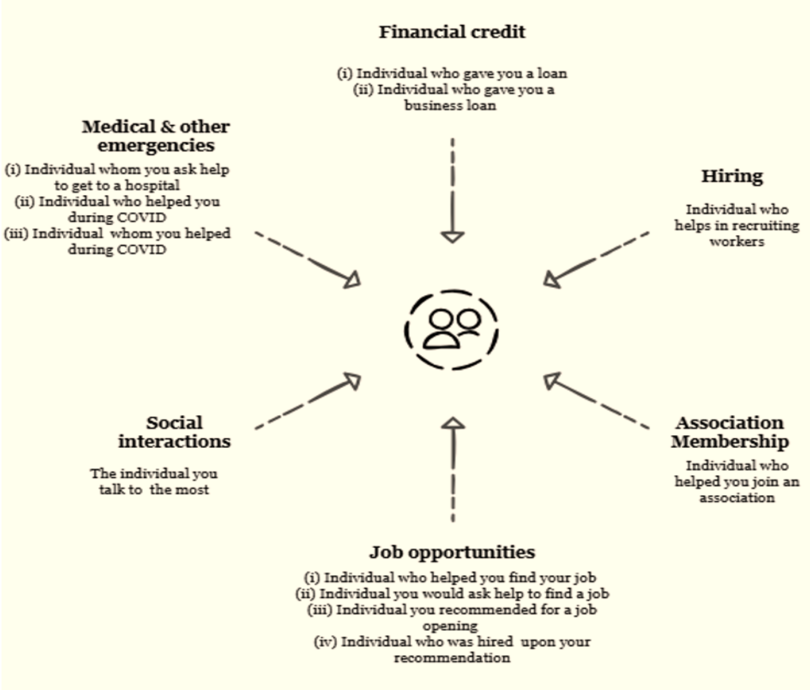

Table 2: Social connections by bonding versus bridging capital

Question	Element being captured	Bonding Capital	Bridging Capital
Is the person a family member (blood relation)?	Direct Kinship	Yes	
Is the person part of the household?	Direct Kinship	Yes	
What is the caste of the person?	*Extended Kinship via 'in-group' networks*	If both individuals belong to the same caste	If the individuals belong to different castes
Where does he/she live?	Geographical proximity of connections	Same neighbourhood (less than 2-3 km), In the same village	In the same district, In another place in Tamil Nadu, Elsewhere in India, Foreign country
Compared to your economic situation, do you think that he/she is	Financial status	In the same economic situation as you	In a better economic situation than you, In a worst economic situation than you
How did you meet him/her?	Mode of introduction	Neighbourhood relation	Labour relation, Through an association
How often do you meet or call him/her?	Frequency of communication	At least once a week, At least once a month	Every 2-3 months, Every 4-6 months, Once a year, Less than once a year
What is the level of intimacy you have with him/her?	Intimacy of connection	Intimate, Very intimate	Not intimate

Source : NEEMSIS Individual Questionnaire, 2020-21 Wave

For each type of connection, a set of structured follow-up questions is administered to elicit the nature of these relationships. These questions capture different dimensions of a connection, i.e., whether the connection is between similar or dissimilar individuals, whether it represents a loose or a strong tie, whether the connection can be described as a kin-based relationship or not, and so on. For example, locational proximity, in terms of individuals residing in the same neighbourhood, is likely indicative of bonding capital because individuals of similar socio-economic standing tend to live in proximity to each other and their interactions are therefore more likely to be frequent. Similarly, the circumstances under which two people meet speak to the nature of the connection- two people who meet through membership in the same association suggests a formal relationship that is mediated by the association's rules of engagement. Such a connection would constitute bridging capital, as membership in the association introduces a formal element to the relationship. This contrasts with a tie formed between neighbours, which is indicative of a bonding relationship. These dimensions, along with the question and mapping of responses to bonding or bridging capital, are given in Table 2.

The aggregated connections captured for individuals interviewed within each household are used to classify households into one of the three categories- Bonding Dominant, Bridging Dominant, Equal Bonding and Bridging.[17] Bonding Dominant refers to households that exhibit more bonding connections than bridging, and vice versa for Bridging Dominant. Equal Bonding and Bridging refer to households that exhibit both bonding and bridging connections in equal measure. It must be noted here that most households exhibit both bonding and bridging in some measure; hence, the capital that is dominant in a household and on which its members repeatedly place reliance speaks largely to the social, cultural, and economic context of the household. Moreover, the nature of their social capital is in constant flux. For instance, a connection that may have emerged as a bridging tie can, over time, turn into a bonding tie as individuals discover similarities, such as belonging to the same social group-through repeated interactions.

Using the NEEMSIS data, we find that households in rural Tamil Nadu rely predominantly on close ties within their primary social groups to navigate everyday life. Although households do access connections beyond their immediate and socially similar networks, they do so to a markedly lesser extent. Among the 631 households for which data was accessible, 66% fall into the Bonding Dominant category, while the remaining 34% exhibit a more balanced mix of bonding and bridging connections and fall into the Equal Bonding and Bridging category. Notably, none of the households in the sample are classified as Bridging Dominant, a finding that likely reflects broader patterns in how households in rural Tamil Nadu create and sustain their social relations.

Case 2: Measuring social capital of women nano entrepreneurs through qualitative interviews

In this section, we apply a social capital perspective to characterise women nano entrepreneurs and explore its implications for their business pursuits, their roles within and outside the household, and their perceptions of success and wellbeing. Doing so is useful because the business

[17] Households are classified across the three categories through a two-step process. First, each individual's social connections are tagged as either bonding or bridging capital. If a connection meets the majority of criteria associated with bonding capital, it is coded as a bonding, and the same logic is followed for bridging connections. After all of an individual's connections have been classified, the connections of all interviewed household members are aggregated. The household is then assigned to a category—bonding-dominant, bridging-dominant, or equal bonding and bridging-based on whether the majority of aggregated connections are bonding, bridging, or evenly split.

aspirations, endeavours, and motivations of women nano entrepreneurs both shape and are shaped by the levels and types of social capital they maintain and create.

In July 2025, Dvara Research administered 15 qualitative interviews in rural Sangrur, Punjab, to understand the money management practices of women nano entrepreneurs. As part of these interviews, women nano entrepreneurs were asked about their life journeys, aspirations, roles within the household, motivations for pursuing their businesses, and their perceptions of how they are and wish to be seen in society. While the questionnaire did not include standard questions about their social networks, such as the number, sources, or quality of social connections, the qualitative interviews did allow the women respondents to speak about their relationships with immediate family members, relatives, neighbours, and extended groups, as well as the meaning and emotions that these social relations carried.

As part of synthesising learnings from our field work, we categorised women nano entrepreneurs into three groups- Gung-Ho, Rooted, and Tepid. This categorisation is based on three interrelated dimensions - psychological, behavioural, and capability-based markers.[18]

Our interviews revealed that Gung-Ho Entrepreneurs had wide and dense social circles, Rooted Entrepreneurs had limited yet dense circles, and Tepid Entrepreneurs had limited and sparse circles. Here, *wide* and *limited* refers to high versus low diversity in social connections, while *dense* and *sparse* describes how closely or loosely connected the members of a network are to one another.

Gung-Ho Entrepreneurs aimed to grow and expand their businesses. Despite being constrained by limited resources and opportunities, they were motivated to self-learn and adapt within a rapidly changing environment. To improve business performance, they actively forged connections with market wholesalers outside their villages to boost sales and sought connections beyond their immediate networks, such as, expert technicians (to machine maintenance and repair), business advisory groups, and digital contacts for upskilling opportunities. Gung-Ho Entrepreneurs also reported high levels of financial inclusion- they had access to formal loans, were part of government led Self-Help Group programme, and used formal record keeping tools to track business cashflows. All of this indicated high levels of bridging capital among Gung-Ho Entrepreneurs. Given that these entrepreneurs ran their businesses from rural and remote villages of Sangrur, which had high levels of social cohesion, Gung-Ho Entrepreneurs reported feeling obliged to sell goods to neighbours on credit. Their financial success likely placed an additional obligation on them to support members of their 'in-group'. Their ideas of success and wellbeing were, therefore, anchored as much in their business as in their role in nurturing bonding ties.

Rooted Entrepreneurs worked on their businesses with the objective of building a sustainable livelihood for themselves and their families. These entrepreneurs were looking to earn just enough to meet their household needs, rather than pursuing business growth. Rooted Entrepreneurs did not go out of their way to create new avenues or possibilities for their business. Their business was largely meant to serve their local neighbourhoods rather than cater to an expanded market base. Rooted Entrepreneurs, therefore, had little need for creating bridging networks. However, they did maintain strong ties within their own 'in-group', such as with people from the same village bearing similar socio-economic and cultural characteristics. These ties were also important for the sustainability of their businesses, as customers often belonged to the same 'in-group'. It was

[18] Psychological markers form the foundation of an individual's personality, shaping their motivations, attitudes, emotions, and perceptions. These psychological traits manifest in observable behaviours, which in tun influence the capabilities an individual develops over time. Together, these three dimensions interact with each other to form the overall persona of an individual.

therefore important for Rooted Entrepreneurs to cultivate and sustain these relationships and to be perceived as valuable, trustworthy, and reliable members of the group.

Tepid Entrepreneurs exhibited minimal interest and investment in their business and did not express sufficient passion, energy, motivation, or commitment to build or grow them. This had a direct bearing on the nature of social capital they created and maintained. Tepid Entrepreneurs had virtually no bridging capital. Their lives revolved around their village. Most had never lived outside Sangrur and relied primarily on informal mechanisms to navigate the financial and non-financial aspects of their lives. Tepid Entrepreneurs appeared somewhat secluded from their social groups. It could be hypothesised that their lack of motivation, clarity, and sense of belongingness stemmed, at least in part, from their limited and sparse social connections.

What we have attempted to demonstrate above is the usefulness of understanding the social construct within which women nano entrepreneurs operate. In the rural setting of Punjab, Gung-Ho Entrepreneurs are more likely to possess high levels of bridging capital, as access to such capital facilitates business expansion and growth. At the same time, relatively high levels of social cohesion in rural geographies compared to urban locations imply that Gung-Ho Entrepreneurs are likely to also hold strong bonding capital. Rooted Entrepreneurs are more likely to have low levels of bridging capital but high levels of bonding capital, consistent with their objective of sustaining a stable livelihood. Tepid Entrepreneurs, in contrast, are likely to possess low levels of both bridging and bonding capital.

Studying these differential levels and compositions of social capital thus offers a useful framework for classifying women nano entrepreneurs and making sense of why women nano entrepreneurs differ in their intrinsic motivations, business aspirations, and individual capabilities. Undoubtedly, these factors carry important implications for the design and effectiveness of development interventions targeted at women nano entrepreneurs.

Section 6: Application to Financial Inclusion Policy and Concluding Remarks

The objective of this paper is to draw attention to those aspects of the lives of LIHs that aren't related to their income. In doing so, the paper attempts to build an understanding of what it means to be a LIH from a socio-cultural lens. To narrow our focus, we rely on viewing LIHs from the prism of their social capital. We use a heuristics-based approach to nuance the differences between LIHs versus non-LIHs based on the different types of social capital households possess. Empirical research on the relationship between social capital and economic well-being supports our heuristic, showing that the types of social capital households own vary systematically with their income levels. We demonstrate the usefulness of the proposed heuristic by operationalising it in the context of measuring the social capital of Indian households and argue that a social capital perspective deepens our understanding of LIHs.

For LIHs, the idea of success and well-being stems from being able to demonstrate themselves as connected and trustworthy members of groups and collectives. Maintaining and strengthening social capital is, therefore, a deep-rooted cultural trait that may serve an evolutionary fitness purpose and is core to what gives meaning to the lives of LIHs. They do this by embedding themselves in social relations to manage and organise the multiple facets of their lives. This is true even in the domain of their financial lives. Research shows that LIHs rely heavily on their social networks to meet basic needs, manage contingencies, and secure their future by participating in an intricate web of obligations and counter-obligations that are both financial and non-financial in nature (Guerin, 2014; Mas & Murty, 2015). This means that for LIHs, financial and social relations are deeply intertwined, and it is hard to disentangle the one kind from the other.

When LIHs engage in financial transactions with members of their social group, they are doing so not merely to meet basic financial needs but to strengthen their sense of belonging to the group and maintain control over what they value. In doing so, LIHs aspire to respect, dignity, emotional care, and affection. Economic transactions are thus fundamentally social and emotional interactions, which aim to create, maintain, symbolize, and transform meaningful social relations (Guerin and Kumar, 2020). Therefore, LIHs use finance as a mediating tool to create and maintain social capital. Simultaneously, they lean on their social capital to build financial relations that support financial stability and well-being.

When we acknowledge the centrality of social capital in the lives of LIHs and recognise that financial transactions and tools are at the service of strengthening that capital, a more decisive answer emerges as to why formal finance faces resistance when offered to them. The social logic that governs much of the financial lives of LIHs is in complete contrast with the way the formal financial system views the 'LIH' as an individual entity bearing no social relation to other households. For formal finance to be relevant and meaningful to the lives of LIHs, it will have to deliberately incorporate the reality of the role that the social realm plays in the financial lives of LIHs. This requires a re-framing of the problem statement in the financial inclusion discourse. Instead of asking 'how can formal finance help households smooth consumption and manage emergencies?' or 'how can barriers pertaining to social norms be addressed to improve access to and uptake of formal finance?', it could ask 'how can formal finance help households create and maintain social capital?' or 'in what ways can formal finance ride on top of existing norms of mutual support and cooperation to help households achieve higher levels of financial wellbeing and greater social connectedness?'

It is certainly not that the formal financial sector is ignorant of this reality. India's microfinance story, especially the traditional forms of Joint Liability Group (JLG) and Self-Help Group (SHG) models, are a testament to the scale and success the idea can witness when formal finance relies on existing social norms to improve financial access and usage. But, for a variety of operational, regulatory, and business feasibility considerations, enough resources have not gone into piloting and scaling innovative models of formal finance for LIHs that incorporate this social logic into their design and delivery. There is a danger, though, that when norms are applied in ways that serve only the objectives of Financial Service Providers (FSPs), they may end up serving neither the customer nor the provider. An example of this is the JLG in the Indian microfinance industry, which in recent years has seen a watered-down application of the original JLG construct. What was once a model built on strong group solidarity and social cohesion now functions more as an operational construct with groups often comprising members whose ties are not strong enough for a meaningful sense of shared responsibility to develop among them. Over time, therefore, the mechanism of repayment enforcement, believed to work through social capital, has weakened, creating conditions of over-indebtedness for certain borrower segments and high default rates for exuberant providers (Ganesan et al., 2025). There is, however, good reason to believe that, if designed thoughtfully, a business model attuned to the social and economic realities of LIHs- one that facilitates transactions that are more meaningful and that speak to the deep-rooted beliefs and behaviours of LIH- can create positive customer engagement and retention, therefore enhancing business viability. The SHG construct, which begins first with a moral commitment to help one another and only then overlays it with an economic calculation, is a good case in point to demonstrate the positive outcomes[19] that can be achieved when existing norms are leveraged by FSPs to align with household goals and contexts (Ghosh & Raman, 2023). The significant rise of mobile money in Kenya is yet another example of how financial inclusion of the poor relies on the existing gender norm of relational work (the effort people, especially women, put into building, maintaining, and managing social relationships through financial exchanges), rather than the norm itself acting as a hindrance to women's financial inclusion (Kusimba, 2018).

We began this paper by asking how LIHs can be characterised in ways other than from the point of view of their income and material deprivation. Could characterising LIHs from a socio-cultural perspective facilitate a deeper understanding of their behaviour? The answer we arrive at gives us a new way of understanding and approaching LIHs in our work on financial inclusion policy, practice, and research. It points to the need for studying the qualitative perspectives of the lives of LIHs that can offer insights into their cultural traits. Such a line of enquiry can enhance the quality of problem solving in financial inclusion and open a whole new domain of research that can probe: (i) the world views, values, belief systems, and rituals that anchor the lives of LIHs (ii) the socio-cultural practices that LIHs rely on to manage their financial lives (iii) the informal financial practices embedded in community networks and their interaction with formal finance (iv) the meaning of status, privilege, and dignified survival for LIHs (v) women's notion of independence, agency, power, control, and wellbeing (since a significant part of financial inclusion efforts are directed towards low-income women). Eventually, our aim is for this kind of research to guide the development of financial products and processes that match the cultural reality of LIHs.

[19] Several studies have established a positive relationship between SHG membership and social capital. Deshpande and Khanna (2021) find that while SHG membership does not strongly affect immediate livelihood outcomes, it does lead to significant social capital gains among participants. Scholars have used IHDS dataset to study the relationship between bridging capital and household welfare. One variable (among several other variables), used for measuring bridging capital is membership in SHGs. There is more or less consistent evidence across studies regarding the positive correlation between SHG membership and economic wellbeing.

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