



FAMILY BUSINESS IN INDIA: A SOCIAL CAPITAL PERSPECTIVE

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Abstract

Family business constitutes the dominant organizational form across most economies, and nowhere is this more evident than in India, where family-controlled enterprises account for a substantial share of the country's industrial output, employment, and market capitalization. This paper undertakes a comprehensive theoretical examination of family business as a distinct field of scholarly inquiry and situates the Indian family business within the analytical lens of social capital theory. Drawing upon a systematic and integrative review of foundational and contemporary literature, the paper traces the historical emergence of family business studies as an autonomous academic domain, critically evaluates the principal theories, models, and frameworks that have shaped the field, including the three-circle model, agency theory, stewardship theory, the resource-based and familiness perspectives, and the socioemotional wealth framework, and examines their points of convergence and divergence. The paper simultaneously charts the intellectual evolution of social capital theory from its sociological origins in the work of Bourdieu, Coleman, and Putnam through its structural, relational, and cognitive dimensions as articulated by Nahapiet and Ghoshal, and considers how social capital in the Indian context, shaped by caste, kinship, community, and religious affiliation, diverges from social capital as conceptualized in Western industrial societies. Building on this dual foundation, the paper develops an integrative conceptual framework linking family business in India with social capital, and analyses the nature and directionality of this relationship, including the reciprocal impact of family enterprise on the accumulation, erosion, and transformation of social capital within Indian society. The paper concludes with implications for theory, policy, and practice, and identifies avenues for future empirical research.

Keywords: *Family Business; Social Capital; India; Socioemotional Wealth; Bonding and Bridging Capital; Business Groups; Caste and Entrepreneurship; Familiness; Organizational Trust; Emerging Markets.*

1. Introduction

Family-owned and family-controlled enterprises represent the oldest and most pervasive form of economic organization, predating the modern corporation by centuries and continuing to dominate the economic landscape of both developed and developing economies (Chandler, 1977; Colli, 2003). In India, family business is not a peripheral phenomenon but the structural backbone of the corporate economy, with family-controlled firms constituting a large majority of the companies listed on Indian stock exchanges and contributing disproportionately to national employment, output, and capital formation (Chakrabarty, 2009; Sarkar, 2010). From the mercantile houses of the colonial-era Chettiers and Marwaris to the diversified conglomerates of the Tata, Birla, Ambani, and Bajaj groups, family enterprise has historically been the principal vehicle through which Indian capitalism has expanded and consolidated (Damodaran, 2008; Piramal, 1996).

Despite its economic centrality, family business as an object of rigorous scholarly attention is a comparatively young field, having emerged as a recognizably autonomous domain only in the final quarter of the twentieth century (Sharma, 2004). Much of the early theorizing in the field borrowed



extensively from general management and organizational theory, applying frameworks developed for widely-held public corporations to the fundamentally different governance, ownership, and succession dynamics of family firms (Litz, 1995). It is only with the development of family-specific constructs, such as the three-circle model of family, ownership, and management overlap (Tagiuri & Davis, 1996), the resource-based notion of familiness (Habbershon & Williams, 1999), and the socioemotional wealth framework (Gomez-Mejia et al., 2007), that family business scholarship acquired a distinctive theoretical vocabulary of its own.

Parallel to, but largely independent of, this development, the concept of social capital emerged within sociology and political science as a means of theorizing the value embedded in social relationships, networks, and norms of reciprocity and trust (Bourdieu, 1986; Coleman, 1988; Putnam, 1993, 2000). Social capital theory has since migrated into management and organizational scholarship, where it has been used to explain phenomena as varied as knowledge transfer, entrepreneurial opportunity recognition, and interorganizational cooperation (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998). Family business scholars have increasingly recognised that the family firm, by virtue of the overlapping and enduring relationships among family members, employees, and external stakeholders, is an unusually rich site for the accumulation and deployment of social capital (Arregle et al., 2007; Pearson et al., 2008).

Yet the intersection of family business and social capital scholarship remains underdeveloped, especially with reference to non-Western institutional contexts such as India, where social capital is deeply inflected by caste, kinship, religious community, and regional identity in ways that depart substantially from the civic and associational forms of social capital theorized in the Euro-American literature (Krishna, 2002; Rudner, 1994).

This paper addresses that gap by undertaking an integrative theoretical examination of family business in India through the lens of social capital. Specifically, the paper pursues the following interrelated questions. How did family business originate, evolve, and develop as an independent domain of scholarly pursuit? What are the principal theories, models, and frameworks through which family business has been understood, and how do these differ from one another? How did social capital originate, evolve, and develop as an independent domain of scholarly pursuit, and what are its major theoretical variants? In what ways does social capital in the Indian context diverge from social capital as conventionally theorized? How may family business in India be conceptually linked with social capital, and what role has social capital historically played in the functioning of Indian family enterprise? What is the nature of the relationship between family business and social capital in India, and does the converse relationship, namely the impact of family business upon the stock and distribution of social capital, also hold true?

The remainder of the paper is organized as follows. Section two presents a comprehensive literature review addressing the historical development and theoretical architecture of both family business and social capital scholarship, culminating in a discussion of the distinctive character of Indian social capital. Section three develops an integrative conceptual framework linking the two domains within the Indian institutional context. Section four describes the methodological approach adopted for this conceptual and interpretive review. Section five presents the analysis organized around the role, the nature of the relationship, and the reciprocal impact of family business upon social capital. Section six



discusses the findings in relation to extant theory, and the paper concludes with implications for theory and practice and directions for future research.

2.1 The Origin and Evolution of Family Business as a Domain of Scholarly Inquiry

The scholarly study of family business as a distinct field can be traced to a confluence of practitioner interest and academic curiosity that began to crystallize in the United States during the mid-twentieth century, when researchers and consultants such as Christensen (1953) and later Levinson (1971) began documenting the peculiar interpersonal and succession difficulties that afflicted family-owned enterprises, difficulties that were largely invisible within the dominant Chandlerian narrative of managerial capitalism, in which ownership and control were assumed to separate steadily as firms grew in scale and complexity (Chandler, 1977). Chandler's account of the rise of the modern, professionally managed corporation implicitly treated family capitalism as a transitional or even retrograde form destined to be superseded by salaried, hierarchical management, a framing that Colli (2003) and subsequent family business historians substantially revised upon recognizing the persistence and adaptive resilience of family control even within the largest and most technologically advanced firms across both mature and emerging economies.

The institutional consolidation of family business as an autonomous field of inquiry is generally dated to the 1980s, marked by the founding of the Family Firm Institute in 1986 and the launch of Family Business Review in 1988, the first dedicated scholarly journal in the domain (Sharma, 2004). These institutional developments coincided with a wave of foundational conceptual work that sought to define the family firm as an analytically distinct organizational category rather than merely a variant of the generic firm. Early definitional efforts proved contentious, since some scholars emphasized ownership concentration, others emphasized the active managerial involvement of family members, and still others emphasized the intention to transfer the enterprise across successive generations (Chua et al., 1999; Litz, 1995). The behavioural definition advanced by Chua, Chrisman, and Sharma (1999), which characterized the family business as one whose vision and strategic direction are shaped by a dominant coalition controlled by members of the same family or a small number of families, and which is intended to be sustained across generations, has since become one of the most widely cited formulations, though rival definitions premised on structural ownership thresholds and on the subjective self-identification of the firm's leadership continue to coexist within the literature (Astrachan et al., 2002).

Through the 1990s and 2000s the field matured rapidly, moving from largely prescriptive, consultancy-oriented writing toward theoretically grounded and increasingly empirical scholarship (Sharma, 2004). This maturation was accompanied by the field's gradual absorption of, and contribution to, mainstream organizational and strategic management theory, including agency theory, stewardship theory, resource-based theory, and institutional theory, each of which was adapted to accommodate the distinctive features of family involvement in ownership, governance, and succession (Chrisman et al., 2005). By the early twenty-first century, family business studies had achieved recognition as a legitimate and productive subfield of management scholarship, evidenced by dedicated conferences, a growing number of specialized journals, and the proliferation of endowed academic centres devoted to family enterprise research and education across North America, Europe, and increasingly Asia (Debicki et al., 2009).

In India specifically, sustained academic attention to family business as a subject of systematic inquiry developed somewhat later, gaining momentum from the 1990s onward alongside the liberalisation of



the Indian economy, which exposed India's traditionally insulated family-controlled business groups to global competition and corporate governance scrutiny for the first time (Khanna & Palepu, 2000). Indian scholarship on family business has drawn heavily on the international theoretical apparatus while simultaneously seeking to account for institutional peculiarities specific to the Indian context, including the diversified business group structure, the historical role of caste and community networks in capital formation, and the interplay between family control and the country's evolving regulatory and capital market institutions (Chakrabarty, 2009; Manikutty, 2000; Sarkar, 2010).

2.2 Theories, Models, and Frameworks of Family Business

The single most influential organizing device in family business scholarship is the three-circle model developed by Tagiuri and Davis (1996), which conceptualizes the family firm as the intersection of three overlapping but analytically distinct subsystems, namely family, ownership, and management. Individuals may occupy one, two, or all three circles simultaneously, and the model demonstrates that the interests, obligations, and time horizons associated with each subsystem frequently diverge, generating the characteristic tensions of role conflict, boundary ambiguity, and competing rationalities that distinguish family enterprise from the widely-held public corporation. Gersick, Davis, Hampton, and Lansberg (1997) extended this framework into a three-dimensional developmental model by adding a temporal axis to each subsystem, namely the family life cycle, the ownership life cycle, and the business life cycle, thereby allowing scholars to map how the configuration of overlapping interests evolves as a firm passes from founder control through sibling partnership to cousin consortium.

A second major theoretical strand applies agency theory to the family firm, though with substantially revised predictions relative to the canonical Jensen and Meckling formulation developed for the manager-controlled public corporation. Because family ownership concentrates residual claims and control rights in the hands of the same individuals, classical principal-agent conflicts between owners and managers are often attenuated in family firms (Schulze et al., 2001). However, family business scholars have identified a distinct set of agency problems specific to family ownership, including parental altruism that can shield underperforming family managers from accountability, asymmetric altruism among siblings, and the entrenchment of controlling family shareholders at the expense of minority shareholders, a concern of particular salience in the pyramidal and cross-holding structures characteristic of Indian business groups (Chrisman et al., 2005; Schulze et al., 2001).

A contrasting behavioural assumption underlies stewardship theory, which posits that family managers, unlike the self-interested agents of classical agency theory, are frequently motivated by collectivist identification with the firm, a long-term orientation toward organizational flourishing, and intrinsic satisfaction derived from responsible custodianship of an enterprise bearing the family name (Davis et al., 1997). Miller and Le Breton-Miller (2005) operationalized this stewardship orientation empirically, demonstrating that long-run oriented family firms often outperform their non-family counterparts precisely because family stewardship encourages patient capital, investment in employee relationships, and a conservative approach to risk that favours durability over short-term maximization.

A third influential strand derives from the resource-based view of the firm and centres on the construct of familiness, defined by Habbershon and Williams (1999) as the idiosyncratic bundle of resources and capabilities arising from the interaction between the family and the business systems. Familiness may be a source of competitive advantage, insofar as family involvement generates trust-based, tacit, and difficult-to-imitate resources, but it may equally constitute a source of competitive disadvantage where dysfunctional family dynamics contaminate business decision-making, a duality later systematized by



Habbershon, Williams, and MacMillan (2003) in their unified systems model distinguishing distinctive familiness from constrictive familiness. Astrachan, Klein, and Smyrnios (2002) subsequently developed the F-PEC scale, an instrument measuring family influence along the dimensions of power, experience, and culture, in an effort to operationalize family involvement as a continuous variable rather than a binary categorization, thereby enabling more nuanced empirical comparison across firms with varying degrees of family control.

The most recent and arguably most distinctive theoretical contribution to the field is the socioemotional wealth framework, introduced by Gomez-Mejia and colleagues (2007) and subsequently elaborated by Berrone, Cruz, and Gomez-Mejia (2012). Socioemotional wealth refers to the non-financial affective endowments that family owners derive from their controlling position, including family identity, the ability to exercise authority, the perpetuation of family values across generations, and social approval within the broader community. The central behavioural proposition of the framework is that family firms evaluate major strategic decisions, including risk-taking, diversification, and succession choices, not solely against financial criteria but against the reference point of preserving socioemotional wealth, such that family owners may accept financially suboptimal outcomes in order to protect the non-economic value embedded in family control. This framework has proven especially generative because it explicitly incorporates social and relational considerations, including reputation and community standing, into the strategic calculus of the family firm, thereby providing a natural theoretical bridge to social capital considerations that later sections of this paper develop at length.

2.3 Convergence and Divergence Among Family Business Theories

Although the three-circle model, agency theory, stewardship theory, the resource-based and familiness perspectives, and the socioemotional wealth framework are frequently deployed in combination within contemporary scholarship, they rest upon distinguishable, and at points contradictory, behavioural and analytical premises. The three-circle and developmental models are primarily descriptive and structural, offering a taxonomy of overlapping roles and their evolution over time without specifying the motivational drivers of family member behaviour, whereas agency theory, stewardship theory, and the socioemotional wealth framework are explicitly behavioural, each advancing competing assumptions about whether family actors are self-interested, altruistically bonded, or affectively attached to non-economic ends (Chrisman et al., 2005). Agency theory and stewardship theory stand in particularly sharp tension, since the former assumes that family involvement generates distinctive costs arising from altruism-induced monitoring failures, while the latter assumes that family involvement generates distinctive benefits arising from intrinsic identification and long-term commitment; empirical work has generally found that both dynamics can coexist within the same firm depending on the quality of family relationships and governance structures (Miller & Le Breton-Miller, 2005; Schulze et al., 2001).

The resource-based and familiness perspective differs from both agency and stewardship theory in its unit and level of analysis, shifting attention away from individual motivation and toward the bundle of resources and capabilities generated by the family-business interaction, a shift that renders it more compatible with strategic management's traditional concern for sustainable competitive advantage (Habbershon & Williams, 1999). The socioemotional wealth framework, meanwhile, occupies a distinctive position by explicitly rejecting the assumption of pure economic rationality that underlies both agency and resource-based reasoning, instead proposing a behavioural agency model in which family firms are risk-willing to protect socioemotional endowments even when doing so entails accepting greater financial risk, a proposition that inverts the risk-averse, wealth-preserving family firm portrayed in earlier stewardship-oriented accounts (Berrone et al., 2012; Gomez-Mejia et al., 2007).



Taken together, these differences suggest that no single theory offers a complete account of family business behaviour, and that contemporary scholarship increasingly favours integrative or contingency-based approaches that specify the conditions under which agency, stewardship, resource-based, or socioemotional logics are likely to dominate a given family firm's strategic conduct.

2.4 The Origin and Evolution of Social Capital as a Domain of Scholarly Inquiry

The term social capital, though occasionally employed in earlier scattered usages such as that of Hanifan (1916) in discussions of rural community engagement and school reform, entered sustained scholarly circulation only in the latter decades of the twentieth century. Jane Jacobs's (1961) observations on the informal social networks sustaining urban neighbourhoods are frequently credited as an important precursor, but the systematic theoretical elaboration of the concept is generally attributed to three principal architects: Pierre Bourdieu, James Coleman, and Robert Putnam, each of whom approached the construct from a distinct disciplinary vantage point (Portes, 1998).

Bourdieu (1986) situated social capital within a broader theory of capital forms alongside economic and cultural capital, defining it as the aggregate of actual or potential resources linked to possession of a durable network of institutionalized relationships of mutual acquaintance and recognition. For Bourdieu, social capital was fundamentally an instrument of social reproduction, convertible into economic advantage and deployed strategically by individuals and families to preserve or enhance their position within a stratified social order, an emphasis on power, class, and convertibility that distinguishes his formulation from the more communitarian accounts that followed. Coleman (1988), writing from a rational-choice sociological tradition, offered a more functionalist definition, characterizing social capital as a resource inhering in the structure of relations between and among actors, valuable because it facilitates certain actions, including the creation of human capital, that would otherwise be unattainable or more costly. Coleman's analysis of network closure, whereby dense, overlapping relationships enable effective norms and sanctions, proved particularly influential in subsequent organizational applications of the concept.

It was, however, Robert Putnam's work on Italian regional government (1993) and, still more influentially, his account of declining American civic engagement in *Bowling Alone* (2000), that propelled social capital into mainstream public and policy discourse. Putnam defined social capital at the aggregate, societal level as features of social organization, including networks, norms, and generalized trust, that facilitate coordination and cooperation for mutual benefit, and he documented a marked decline in American associational membership and civic participation across the second half of the twentieth century. Putnam's work, alongside Fukuyama's (1995) parallel argument that generalized societal trust underpins the capacity of an economy to develop large-scale, professionally managed enterprises, catalyzed a substantial policy-oriented literature, prominently including the World Bank's adoption of social capital as an analytical tool for understanding economic development, poverty, and institutional performance (Woolcock & Narayan, 2000).

The concept subsequently migrated into organizational and management scholarship during the late 1990s, most influentially through Nahapiet and Ghoshal's (1998) integration of social capital theory with the resource-based view of the firm, and through Adler and Kwon's (2002) comprehensive review, which sought to reconcile the diverse Bourdieusian, Colemanian, and Putnamian strands into a coherent framework applicable at the level of individuals, groups, and organizations. This migration positioned social capital as a natural analytical resource for understanding phenomena within family firms, where dense, multiplex, and long-tenured relationships among family members, employees, and external



stakeholders generate precisely the kind of network structure that social capital theory identifies as productive of trust, cooperation, and resource access (Arregle et al., 2007).

2.5 Theories, Models, and Frameworks of Social Capital

Contemporary social capital scholarship encompasses several distinguishable theoretical strands that, while sharing a common concern with the productive value of social relationships, differ substantially in their unit of analysis, their causal mechanisms, and their normative implications. The structural strand, associated with Coleman (1988) and with Burt's (1992) theory of structural holes, treats social capital as a property of network configuration. Coleman emphasized closure, the extent to which an individual's contacts are themselves connected to one another, as the structural condition that enables trust, information sharing, and enforceable norms. Burt (1992) inverted this logic, arguing that brokerage across structural holes, meaning gaps between otherwise unconnected clusters of contacts, generates informational and control advantages for actors who bridge such gaps, a formulation that highlights sparse rather than dense networks as the more valuable configuration for individual entrepreneurial advantage.

A second strand, most systematically developed by Nahapiet and Ghoshal (1998) for organizational contexts, decomposes social capital into three interrelated dimensions. The structural dimension refers to the overall pattern of connections among actors, including network ties, configuration, and appropriable organization. The relational dimension refers to the character of the personal relationships that actors have developed with each other through a history of interaction, encompassing trust, norms, obligations, and identification. The cognitive dimension refers to shared representations, interpretations, and systems of meaning among parties, including shared language, codes, and narratives. This tripartite framework has become one of the most widely applied organizing devices in management applications of social capital, precisely because it allows scholars to distinguish between the mere existence of network ties and the qualitatively distinct trust-based and cognitive resources that such ties may or may not generate.

A third strand, associated with Lin (2001), adopts an explicitly resource-based network theory of social capital, defining it as resources embedded in a social network that are accessed and mobilized through purposive action, thereby foregrounding the instrumental returns that accrue to individuals occupying advantageous network positions, a formulation closely allied with, but analytically distinct from, Bourdieu's more structurally deterministic account. A fourth and highly consequential strand, developed by Woolcock (1998, 2001), introduces a typology distinguishing bonding social capital, which describes strong ties among relatively homogeneous group members such as family or ethnic community, from bridging social capital, which describes weaker ties that cut across heterogeneous social divisions, and further from linking social capital, which describes vertical ties connecting individuals or groups to formal institutions and positions of authority. This bonding, bridging, and linking typology has proven exceptionally useful for comparative and cross-cultural analysis, since societies and communities may possess abundant bonding capital while remaining comparatively deficient in bridging or linking capital, a distinction that becomes centrally important in the subsequent discussion of the Indian case.

Finally, Adler and Kwon (2002) proposed a useful cross-cutting distinction between internal and external social capital, the former referring to relations among the members of a collective, such as an organization or a family, and the latter referring to the relations that the collective as a whole maintains with external actors, a distinction that maps closely onto the bonding and bridging typology while



foregrounding the organizational, rather than purely individual or societal, unit of analysis that is most relevant to the study of the family firm.

2.6 Indian Social Capital and Its Divergence from General Social Capital Theory

While the foundational social capital literature was developed primarily with reference to Western industrial and post-industrial societies, principally the United States and Western Europe, its application to India requires substantial theoretical modification. Putnam's (2000) and Fukuyama's (1995) accounts privilege generalized trust, meaning trust extended to strangers and to abstract institutional actors beyond one's immediate community, as the hallmark of high social capital societies capable of sustaining large-scale, impersonally managed economic organizations. Indian social scientists and business historians have consistently observed that trust in the Indian context is predominantly particularised rather than generalized, meaning that it is extended reliably within, but rarely beyond, the boundaries of caste, kinship, sub-regional, linguistic, and religious community (Krishna, 2002; Uslaner, 2002).

This particularised character of Indian social capital has deep historical roots in the organization of pre-colonial and colonial commerce. Rudner's (1994) detailed historical study of the Nattukottai Chettiers of colonial Tamil Nadu documents how an entire system of indigenous banking, encompassing deposit-taking, trade credit, and long-distance capital transfer across South and Southeast Asia, was organized almost entirely through caste-based institutions, kinship obligation, and community-enforced reputational sanction rather than through formal contract or state-backed institutions of the kind that Western social capital theory typically presumes. Timberg's (1978) parallel study of the Marwari trading and industrial community documents a structurally similar phenomenon, in which caste and sub-caste affiliation, marriage networks, and community associational bodies functioned as the principal mechanisms of capital pooling, credit assessment, and business information transfer that sustained the emergence of large-scale Marwari industrial houses. Damodaran's (2008) more recent account extends this analysis into the post-independence and post-liberalisation periods, demonstrating that caste continues to function as a durable form of social capital shaping access to capital, apprenticeship, and market information among newer entrepreneurial communities entering Indian industry.

Applying Woolcock's (1998, 2001) bonding, bridging, and linking typology to this evidence suggests that Indian social capital has historically been characterized by an unusually dense stock of bonding capital, concentrated within caste, sub-caste, kin, and religious community boundaries, combined with comparatively underdeveloped bridging capital connecting members across these boundaries, and with linking capital to formal state institutions that has often been mediated informally through the same particularistic community networks rather than through impersonal bureaucratic or legal channels (Krishna, 2002). This configuration differs markedly from Putnam's (1993) account of civic Italy, where associational bridging capital, embodied in choral societies, sports clubs, and cooperative associations that cut across kinship lines, was identified as the crucial explanatory variable for regional institutional performance. Krishna's (2002) empirical work on rural North Indian villages similarly finds that active bridging social capital, mediated through elected local leadership and functioning village institutions, correlates strongly with development outcomes, while bonding capital alone, however dense, does not reliably translate into broader economic or civic development.

This distinctive configuration carries important implications for understanding Indian family business. On the one hand, dense bonding social capital within caste and kinship networks historically substituted



for absent or weak formal financial and legal institutions, enabling indigenous bankers and trading communities to extend credit, enforce contracts, and share market information at low transaction cost through reputational and community-based sanctioning mechanisms (Rudner, 1994; Timberg, 1978). On the other hand, the same particularistic bonding capital, when it fails to be complemented by bridging capital extending across communal boundaries, risks entrenching in-group favouritism, restricting access to capital and opportunity for those outside the relevant kinship or caste network, and constraining the meritocratic, arm's length forms of trust that generalized social capital theory associates with mature market economies (Adler & Kwon, 2002; Portes, 1998). It is precisely this dual character, both enabling and potentially constraining, that the remainder of this paper examines in relation to the specific case of family business in India.

3. Conceptual Framework: Linking Family Business in India with Social Capital

The theoretical foundations reviewed above suggest three principal points of conceptual articulation between family business and social capital, each of which is developed further in the analysis that follows. The first point of articulation concerns the family firm as an inherently social capital rich organizational form. Arregle, Hitt, Sirmon, and Very (2007) demonstrate that family involvement in ownership and management systematically increases an organization's stock of both internal and external social capital, because family relationships are characterized by stability, longevity of interaction, interdependence of welfare, and a shared history that generates precisely the trust, shared cognition, and dense network closure that Nahapiet and Ghoshal (1998) identify as the structural, relational, and cognitive dimensions of social capital. Pearson, Carr, and Shaw (2008) extend this insight by explicitly recasting the familiness construct of Habbershon and Williams (1999) as fundamentally a social capital phenomenon, arguing that the distinctive resources and capabilities attributed to family involvement in the resource-based literature are, upon closer inspection, largely social capital effects operating through structural, cognitive, and relational mechanisms internal to the family system.

The second point of articulation concerns the Indian business group as an institutional mechanism through which family-based social capital is converted into economy-wide organizational advantage. Khanna and Palepu's (2000) influential analysis of Indian business groups demonstrates that diversified, family-controlled group structures function as internal capital, labour, and product markets that compensate for the institutional voids, meaning the absence or weakness of external market-supporting institutions such as venture capital markets, executive search firms, and reliable contract enforcement, that characterize emerging economies including India. Carney and Gedajlovic (2002) similarly show that the coupling of family ownership and control across group-affiliated firms allows resources, including capital and managerial talent, to be reallocated internally on the basis of family trust rather than arm's length market transactions. From a social capital perspective, the Indian business group can therefore be understood as an institutionalized structure for exploiting bonding social capital among family and community-linked firms in order to substitute functionally for missing bridging and linking capital at the level of the wider market and state institutional environment.

The third point of articulation concerns the socioemotional wealth framework's explicit incorporation of social approval and community standing as objects that family firms actively seek to preserve (Berrone et al., 2012; Gomez-Mejia et al., 2007). Because family reputation within caste, community, and broader society constitutes a core dimension of socioemotional wealth, and because reputation is simultaneously a primary currency of social capital in the sense elaborated by Bourdieu (1986) and



Coleman (1988), family firms in India have strong socioemotional incentives to invest in the maintenance and expansion of social capital, whether through philanthropic endowment, community patronage, or careful cultivation of intergenerational reputation, quite apart from any narrowly financial return on such investment.

Integrating these three points of articulation, this paper proposes that family business in India and social capital stand in a recursive, mutually constitutive relationship. Family-based social capital, particularly bonding capital rooted in caste, kinship, and community, has historically been a foundational resource enabling the emergence, financing, and expansion of Indian family enterprise, substituting for weak formal institutions in the manner documented by Rudner (1994) and Timberg (1978) for the colonial period and by Khanna and Palepu (2000) for the contemporary business group. Simultaneously, the conduct of family business, through employment generation, community philanthropy, trade association formation, and the socioemotional imperative to preserve reputation, actively reproduces, and at times erodes or transforms, the very stock of social capital upon which it depends. This recursive relationship, elaborated more fully in the analysis section below, positions social capital not merely as an antecedent resource explaining family business performance but as an outcome variable shaped by the ongoing conduct of family enterprise itself.

4. Methodology

This paper adopts the methodology of an integrative, conceptual literature review, an approach appropriate for topics, such as the intersection of family business and social capital theory in the Indian context, that have not yet been synthesized within a single coherent theoretical framework and for which the primary scholarly contribution lies in critical synthesis and conceptual integration rather than in the generation of new empirical data (Snyder, 2019; Torraco, 2005). Unlike a systematic review, which aims at procedural replicability and typically restricts itself to empirical studies meeting predefined inclusion criteria, an integrative review deliberately draws upon a heterogeneous body of literature, including foundational theoretical works, empirical studies, historical scholarship, and policy-oriented analysis, in order to construct a more comprehensive and internally coherent conceptual account (Torraco, 2005).

The literature underpinning this paper was purposively identified across four overlapping bodies of scholarship. The first comprises the foundational and contemporary family business literature, including canonical contributions published in *Family Business Review*, *Entrepreneurship Theory and Practice*, and *Journal of Business Venturing*, addressing definitional debates, governance theory, and the socioemotional wealth framework. The second comprises the foundational sociological and management literature on social capital, spanning Bourdieu, Coleman, Putnam, Fukuyama, Nahapiet and Ghoshal, Lin, Woolcock, and Adler and Kwon, together with subsequent critical commentary, including Portes's (1998) influential discussion of the potential downsides of social capital. The third comprises India-specific business history and management scholarship addressing the historical evolution of indigenous banking, trading communities, and business groups, including the work of Rudner, Timberg, Piramal, Damodaran, Khanna and Palepu, Carney and Gedajlovic, Chakrabarty, Manikutty, and Sarkar. The fourth comprises Indian social capital and rural development scholarship, principally the work of Krishna (2002), addressing the specific configuration of bonding, bridging, and linking capital within Indian society.

Consistent with integrative review methodology, the material drawn from these four bodies of literature was organized thematically rather than chronologically, first to reconstruct the independent historical



development and theoretical architecture of family business studies and social capital theory respectively, and subsequently to identify explicit and implicit points of conceptual articulation between the two domains as applied to the Indian institutional context. The resulting conceptual framework and analysis presented in the following sections should accordingly be understood as an interpretive theoretical synthesis rather than as a report of new primary empirical findings, and the paper's limitations and implications for future empirical research are discussed explicitly in a later section.

5. Analysis

5.1 The Role of Social Capital in Indian Family Business

The historical record of Indian commerce provides substantial evidence that social capital, and particularly bonding social capital organized around caste, kinship, and community, has played a foundational role in the emergence and expansion of Indian family enterprise. Rudner's (1994) study of the Nattukottai Chettiers demonstrates how community-based deposit mobilization and credit extension, underwritten by caste-enforced reputational sanction rather than formal collateral, enabled this trading community to construct an extensive indigenous banking network spanning South India and Southeast Asia during the colonial period, in the near total absence of formal banking infrastructure reaching most Indian traders. Timberg's (1978) account of the Marwari community documents a structurally analogous role for kinship-based capital pooling and community reputational monitoring in facilitating the Marwari transition from long-distance grain and commodity trading into large-scale industrial ownership during the late nineteenth and early twentieth centuries, a transition that included the founding of what would become several of India's largest contemporary business houses.

In the post-independence and post-liberalization periods, this bonding social capital has been institutionalized at the organizational level primarily through the diversified business group structure. Khanna and Palepu (2000) demonstrate empirically that group affiliation confers performance advantages on Indian firms operating in industries characterized by significant institutional voids, precisely because the family-controlled group functions as an internal capital and labour market, allowing trusted family and community-linked managers to be redeployed across group firms, and allowing capital to be reallocated internally on terms that would be difficult to negotiate at arm's length in external markets characterized by weak minority shareholder protection and uneven contract enforcement. Carney and Gedajlovic (2002), examining a structurally comparable institutional setting, similarly find that the coupling of ownership and control across family-affiliated firms enables preferential internal resource allocation grounded in trust relationships that substitute for missing external market institutions, a dynamic Manikutty (2000) documents specifically for Indian family business groups as a resource-based competitive advantage rooted in the family's accumulated network of relationships with suppliers, distributors, bankers, and government officials.

Social capital in Indian family business also operates through mechanisms of succession, legitimacy, and intergenerational reputation. A family's accumulated reputation, often referred to colloquially as the standing of the khandan or peedhi, functions as a durable reputational asset that reduces transaction costs with suppliers, financiers, and customers across generations, a dynamic that resonates closely with Bourdieu's (1986) characterization of social capital as convertible into economic advantage through membership in a recognized and durably reproduced network. Piramal's (1996) historical account of leading Indian business houses documents how family reputation, cultivated over decades through consistent conduct, religious and community patronage, and visible philanthropic endowment, including temple building, educational trusts, and support for community institutions, has functioned as



a critical intangible asset underpinning access to capital, government licences during the pre-liberalization licence-permit era, and continued community trust across generational transitions.

Finally, diaspora and trans-regional trading networks constitute an additional and increasingly significant channel through which social capital has supported Indian family enterprise, as Gujarati, Sindhi, Marwari, and Punjabi trading communities have historically extended community-based trust networks across regional and national boundaries, and more recently across the Indian diaspora, to mobilize capital, market information, and business opportunity for family-controlled ventures operating simultaneously within India and in diaspora markets. This diaspora dimension of bonding social capital illustrates Lin's (2001) resource-based network theory particularly clearly, insofar as embedded community membership continues to function as a mobilizable resource accessed through purposive entrepreneurial action across considerable geographic distance.

5.2 The Nature of the Relationship between Family Business and Social Capital in India

The evidence reviewed above supports the characterization of the relationship between family business and social capital in India as fundamentally bidirectional and recursive rather than unidirectional. In its enabling direction, pre-existing bonding social capital, accumulated through caste, kinship, and community affiliation prior to and independent of any particular firm's founding, functions as an antecedent resource that lowers the transaction costs of founding, financing, and staffing a new family enterprise, consistent with Coleman's (1988) functionalist account of social capital as a resource that facilitates actions that would otherwise be unattainable or more costly. In its constitutive direction, however, the ongoing conduct of the family firm itself, including its employment practices, its patterns of community patronage, its participation in trade and caste associations, and its handling of succession, actively produces, reproduces, or in some circumstances depletes the stock of social capital available both to the firm and to the broader community within which it operates, a dynamic more consistent with Nahapiet and Ghoshal's (1998) treatment of social capital as an outcome of deliberate organizational investment in structural, relational, and cognitive ties.

This recursive relationship is not, however, uniformly benign, and literature on the potential downsides of social capital offers an important corrective to any purely functionalist reading. Portes (1998) identifies several negative consequences that can arise from dense, closed social networks of the kind characteristic of Indian caste and kinship-based bonding capital, including the exclusion of outsiders from opportunity, excess claims placed upon successful group members by less successful kin and community members, restrictions on individual autonomy imposed by group conformity norms, and downward-levelling norms that can penalize individual achievement perceived as threatening to group solidarity. Within the Indian family business context, these dynamics manifest in phenomena including nepotistic allocation of managerial positions to family members irrespective of competence, resistance among controlling families to the professionalization and external governance reforms increasingly demanded by capital markets and regulators, and, in the starkest cases, the public fracturing of family and business relationships when the bonding social capital that once sustained the enterprise breaks down, as documented extensively in Indian business history and press coverage of the division of the Reliance group between the Ambani brothers in 2005, an episode widely interpreted as illustrating both the constitutive power and the fragility of family-based social capital when generational succession is contested.

The nature of this relationship is further complicated by the interaction between bonding capital, which operates within the family and community, and the comparatively weaker bridging and linking capital



that connects the family firm to the wider market and institutional environment, in Woolcock's (1998, 2001) terms. Where family firms have historically relied heavily on bonding capital as a substitute for weak formal institutions, the same firms may find that this bonding capital becomes an active liability as the Indian economy matures, capital markets deepen, and external stakeholders, including institutional investors, regulators, and professional managers recruited from outside the family and community network, increasingly demand governance practices premised on generalized, impersonal, arm's length trust rather than particularistic, kinship-based trust (Chakrabarty, 2009). The relationship between family business and social capital in India can therefore best be characterized not as a static, uniformly positive resource endowment but as a dynamic and at times contested relationship whose net effect on firm performance and legitimacy depends heavily on the firm's capacity to complement inherited bonding capital with newly cultivated bridging and linking capital as institutional conditions evolve.

5.3 The Impact of Indian Family Business on Social Capital

The preceding subsections establish that social capital exerts a substantial influence upon the formation and functioning of Indian family business, but the reverse causal pathway, namely the impact of family business conduct upon the broader stock and distribution of social capital within Indian society, is equally significant and has received comparatively less scholarly attention. At the community level, Indian family businesses have historically functioned as significant generators of social capital through sustained investment in local employment, vocational training, and community infrastructure, and through the endowment of educational, healthcare, and religious institutions that has long characterized the philanthropic conduct of major Indian business houses, a pattern extensively documented in Piramal's (1996) history of the Tata, Birla, and other leading family enterprises and consistent with the Gandhian trusteeship ideal that shaped the ethical self-understanding of many pre-independence Indian industrialists. Such philanthropic investment can be understood, in Coleman's (1988) terms, as a direct contribution to the closure and density of community networks, and, in Putnam's (2000) terms, as an investment in precisely the kind of associational and institutional infrastructure, including schools, hospitals, and religious trusts, that sustains civic social capital at the community level.

Family businesses have also historically contributed to the development of bridging social capital through their role in founding and sustaining trade and industry associations that cut across narrow caste and community boundaries. Organizations such as the Federation of Indian Chambers of Commerce and Industry and the Confederation of Indian Industry, together with numerous regional and sectoral chambers of commerce, were substantially built through the leadership and patronage of prominent family business houses and have functioned, in Woolcock's (1998, 2001) terms, as bridging institutions connecting family firms across caste, community, and regional lines around shared commercial and policy interests, thereby providing an important complement to the more narrowly bonded caste and kinship networks documented in earlier sections. Industrial clusters, such as the textile manufacturing cluster of Tirupur or the diamond processing cluster of Surat, in which numerous family-owned small and medium enterprises operate in close geographic and relational proximity, further illustrate how the aggregation of family business activity can generate localized bridging capital in the form of shared technical knowledge, subcontracting networks, and collective reputation that benefits the cluster as a whole.

At the same time, the impact of Indian family business upon social capital has not been uniformly positive, and several countervailing dynamics deserve explicit recognition. The gradual formalization of the Indian banking and financial sector has progressively displaced the indigenous, community-



based banking systems described by Rudner (1994) and Timberg (1978), a development that, while generally beneficial for the deepening of impersonal, institutionally backed generalized trust in the financial system, has also eroded some of the localized bonding social capital that once bound trading communities together through mutual credit obligation. Similarly, where family business groups have historically cultivated close relationships with political and bureaucratic actors as a form of linking social capital, such relationships have at times shaded into practices more accurately characterized as crony capitalism, in which particularistic access to licences, land, and regulatory forbearance substitutes for, rather than complements, the development of impersonal rule-based institutions, a dynamic that a number of Indian corporate governance scholars have identified as a significant impediment to the broader development of generalized institutional trust within the Indian economy (Chakrabarty, 2009; Sarkar, 2010). More recently, the statutory corporate social responsibility mandate introduced under the Companies Act of 2013 can be understood as an attempt to institutionalize and regularize the historically voluntary philanthropic contribution of Indian family business to community social capital, converting what was previously a discretionary reputational investment, consistent with the socioemotional wealth framework's emphasis on social approval (Berrone et al., 2012), into a formal legal obligation applicable to qualifying firms irrespective of family control.

6. Discussion

The foregoing analysis suggests that the relationship between family business and social capital in India cannot be adequately captured by directly importing the theoretical apparatus developed within the Western, and predominantly American and Western European, social capital literature. Putnam's (2000) and Fukuyama's (1995) accounts, which treat generalized trust and cross-cutting civic associational life as the hallmark of high social capital societies capable of sustaining large-scale impersonal economic organization, describe a configuration of social capital that has historically been comparatively underdeveloped in India relative to the dense particularistic bonding capital organized around caste, kinship, and religious community documented by Krishna (2002), Rudner (1994), and Timberg (1978). Yet this same particularistic bonding capital has demonstrably enabled the emergence and sustained growth of Indian family enterprise across more than a century, from colonial-era indigenous banking through the post-independence business group to the contemporary diversified conglomerate, indicating that a bonding-capital-intensive configuration of social capital can support substantial economic organization and capital formation even in the comparative absence of the bridging and generalized trust that Western theory treats as the more developmentally consequential form.

This finding has an important implication for social capital theory more broadly, namely that Woolcock's (1998, 2001) tripartite bonding, bridging, and linking typology, while a considerable improvement upon undifferentiated treatments of social capital, may still understate the internal heterogeneity of bonding capital itself in societies, such as India, where kinship and community bonding capital is stratified along multiple, cross-cutting, and hierarchically ranked dimensions of caste, sub-caste, religion, language, and region. The Indian case suggests the analytical value of a further refined concept that might be termed kinship-community social capital, denoting a form of particularistic bonding capital that is simultaneously highly effective at sustaining intra-community economic cooperation, in the manner Coleman (1988) associates with network closure, and structurally resistant to conversion into the broader bridging and generalized forms of trust that Putnam (2000) and Fukuyama (1995) associate with mature, impersonally governed market economies, a resistance rooted in the historically hierarchical and exclusionary character of caste as a social institution rather than in the voluntary, horizontally organized associational life that constitutes bridging capital in the Western civic tradition.



The Indian case also illuminates a second theoretical refinement concerning the relationship between socioemotional wealth and social capital. Berrone, Cruz, and Gomez-Mejia's (2012) inclusion of social approval as a dimension of socioemotional wealth already gestures toward the connection between family firms' non-economic motivations and their embeddedness in community-based social capital, but the Indian evidence suggests that this connection operates with particular intensity in institutional contexts where community and caste-based reputation continues to mediate access to capital, labour, and market opportunity more directly than in institutionally thicker economies. Where formal institutions are comparatively weak or unevenly enforced, the socioemotional imperative to preserve family reputation and the instrumental imperative to preserve functioning bonding social capital converge and reinforce one another to an unusual degree, such that family firms in the Indian context may be expected to weight community reputational considerations even more heavily in strategic decision-making than the socioemotional wealth literature, developed primarily with reference to Western family firms, would predict.

Finally, the recursive and at times contested character of the relationship between Indian family business and social capital, evidenced by phenomena ranging from philanthropic endowment and trade association formation on the constructive side to nepotism, resistance to professionalization, and the erosion of indigenous banking networks on the more ambivalent side, underscores the need for a genuinely dynamic and contingent theoretical account rather than a static characterization of social capital as an unambiguously positive resource. Consistent with Portes's (1998) caution regarding the downsides of dense social capital, the Indian evidence indicates that the same bonding mechanisms that historically enabled Indian family enterprise to flourish in the absence of strong formal institutions may, as those formal institutions mature and as capital markets and regulatory scrutiny deepen, increasingly constrain the very firms that social capital once enabled, generating a structurally interesting tension between inherited social capital and the professionalization imperatives of a maturing market economy.

7. Theoretical and Practical Implications

The analysis carries several implications for theory. First, it suggests that family business scholarship would benefit from more explicit and sustained engagement with the bonding, bridging, and linking typology of social capital, and, more specifically, from further disaggregating bonding capital in institutional contexts characterized by hierarchical and exclusionary community structures such as caste, since the Indian case demonstrates that not all bonding capital is functionally equivalent in its capacity to convert into bridging or linking forms. Second, it suggests that the socioemotional wealth framework could be productively extended by incorporating institutional context as a moderating variable governing the intensity with which family firms weight social approval and community reputation relative to other socioemotional dimensions such as family control and identity, with the Indian case suggesting that weak formal institutions intensify rather than diminish the salience of community-based reputational considerations.

For practice, the analysis suggests that Indian family business leaders and governance advisors would benefit from explicitly distinguishing between the bonding social capital inherited from family and community history, which remains a valuable and often underappreciated resource for trust-based cooperation, succession legitimacy, and community goodwill, and the bridging and linking social capital that must be more deliberately and consciously cultivated, through professional governance structures, external board representation, industry association participation, and transparent stakeholder engagement, in order to sustain legitimacy and access to capital as the Indian institutional environment



continues to mature. Family business advisory practice in India might usefully incorporate formal family council structures and codified family constitutions, mechanisms increasingly recommended in the international family business governance literature, specifically as instruments for preserving the benefits of bonding social capital, including trust, shared identity, and long-term orientation, while simultaneously building the professionalized governance architecture necessary to attract and retain the bridging and linking capital that institutional investors and professional managers require.

For policy, the analysis suggests that initiatives aimed at extending formal financial inclusion and institutional trust, including microfinance, digital payments infrastructure, and strengthened contract enforcement mechanisms, should be designed with sensitivity to the substantial pre-existing stock of community-based bonding social capital documented throughout Indian economic history, since policy interventions that displace indigenous trust networks without providing functionally equivalent bridging institutions risk generating transitional gaps in access to capital for smaller family enterprises that have historically relied upon community-based credit and cooperation mechanisms of the kind documented by Rudner (1994) and Timberg (1978).

8. Limitations and Directions for Future Research

As a conceptual and integrative theoretical review, this paper is subject to several important limitations that should guide future empirical inquiry. First, the paper does not present new primary empirical data, and its central claims regarding the recursive relationship between Indian family business and social capital, while grounded in a substantial body of historical and secondary scholarship, would benefit considerably from systematic empirical testing using primary data collected directly from Indian family firms. In particular, future research employing social network analysis methods could usefully map the structural, relational, and cognitive dimensions of social capital, in the sense specified by Nahapiet and Ghoshal (1998), within samples of Indian family firms, allowing researchers to quantify the relative contribution of bonding, bridging, and linking capital to firm performance, succession outcomes, and access to external finance.

Second, the paper's synthesis draws substantially upon historical scholarship concerning specific trading communities, including the Chettiars and Marwaris, and future research should examine whether the patterns identified generalize across India's considerable regional, linguistic, and community diversity, including comparative studies of family business social capital among South Indian, Gujarati, Punjabi, Bengali, and other major regional business communities, as well as among family firms outside the historically dominant trading castes. Third, longitudinal research tracing individual Indian family firms across multiple generational transitions would allow more direct empirical examination of the dynamic and recursive relationship this paper proposes between family business conduct and the accumulation, transformation, or erosion of social capital over time, including systematic study of how professionalization and external governance reform interact with inherited bonding social capital during succession events.

Fourth, comparative cross-national research examining family business and social capital across other emerging economies characterized by similarly particularistic, kinship, or community-based bonding capital, including other South Asian, Southeast Asian, Middle Eastern, and Latin American contexts, would help establish whether the kinship-community social capital construct proposed in this paper's discussion section represents a genuinely distinctive theoretical contribution or a special case of a more general phenomenon characteristic of emerging market family capitalism. Finally, mixed-method research combining qualitative case studies of prominent Indian family business houses with



quantitative survey instruments, potentially building upon the F-PEC scale (Astrachan et al., 2002) and existing social capital measurement instruments, would allow future scholars to test directly the propositions concerning the interaction between socioemotional wealth and social capital preservation that this paper has developed at the conceptual level.

9. Conclusion

This paper has undertaken a comprehensive theoretical examination of family business in India through the analytical lens of social capital, tracing the independent historical development and theoretical architecture of both fields before developing an integrative conceptual framework linking them within the specific institutional context of Indian family enterprise. The review has demonstrated that family business emerged as an autonomous scholarly domain over the final decades of the twentieth century, developing a distinctive theoretical vocabulary encompassing the three-circle model, agency and stewardship theory, the resource-based familiness perspective, and the socioemotional wealth framework, each resting on partially divergent behavioural assumptions. The review has similarly traced the parallel emergence of social capital theory from the sociological contributions of Bourdieu, Coleman, and Putnam through its structural, relational, and cognitive elaboration by Nahapiet and Ghoshal and its bonding, bridging, and linking typology developed by Woolcock, and has demonstrated that social capital in the Indian context is distinctively organized around particularistic caste, kinship, and community bonding rather than the generalized civic trust emphasized in the foundational Western literature.

Building on this foundation, the paper has argued that family business in India and social capital stand in a recursive, mutually constitutive relationship, in which historically accumulated bonding social capital has enabled the emergence and expansion of Indian family enterprise from the colonial indigenous banking systems through the contemporary diversified business group, while the ongoing conduct of family firms has simultaneously generated, reproduced, and at points eroded the community-based social capital upon which such enterprise depends. This relationship, while historically productive, is shown to carry significant ambivalence, since the same bonding mechanisms that once substituted effectively for weak formal institutions may increasingly constrain family firms as India's capital markets, regulatory institutions, and governance expectations continue to mature. The paper accordingly contributes to family business scholarship a more historically and institutionally grounded account of the social foundations of Indian enterprise, and contributes to social capital theory a refined understanding, through the proposed construct of kinship-community social capital, of how particularistic bonding capital can sustain substantial economic organization while remaining structurally resistant to conversion into the bridging and generalized trust more commonly associated with mature market economies. Future empirical research building upon this conceptual foundation promises to deepen understanding of one of the most economically consequential, yet still incompletely theorized, organizational forms in the Indian economy.

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