



The Currency of Connections: Social Capital, Caste, and Institutional Bypass in India

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Abstract.- This paper examines the socio-economic phenomenon of “connections” in India, analysing how kinship, caste, and professional networks operate as a form of unregulated informal currency that mediates access to employment, political influence, and business opportunity. Formal institutions govern much of India’s legal and financial architecture, yet a parallel system of social capital frequently determines who can convert ability into opportunity. Drawing on a systematic synthesis of peer-reviewed research, government statistics, and international governance indices, this study traces the dual character of these networks: a critical informal safety net in a labour market where the large majority of workers remain informally employed, and simultaneously a mechanism that entrenches nepotism and undermines meritocracy in the formal sector. Evidence from correspondence-based hiring audits, national employment surveys, and corruption indices indicates that reliance on relational networks produces measurable disparities in access, disadvantaging individuals without inherited or acquired social capital, particularly along caste lines. By conceptualising connections as a medium of exchange operating outside codified regulation, the paper argues that the institutional bypass and nepotism this creates warrant the same policy scrutiny typically reserved for unregulated financial instruments. The study concludes that strengthening institutional transparency, evidenced already by early digitisation efforts such as the Government e-Marketplace, is central to narrowing the exclusionary effects of this informal currency.

Keywords: social capital; nepotism; caste discrimination; informal economy; India; public procurement; corruption

I. INTRODUCTION

In the intricate socio-economic fabric of India, the concept of “connections” transcends mere social ties, often operating as an informal yet potent medium of exchange. These connections, frequently rooted in kinship, community, caste, or professional association, facilitate access to resources, opportunities, and influence that might otherwise be unattainable through formal channels (aviram, 2003; barry et al., 2024).

Defining “connections” in this context requires recognising their dual nature: they represent social capital that can foster collective welfare (jha and kelley, 2023; sánchez castillo, 2023) but can also embody relational inequalities that perpetuate power imbalances and inhibit equitable access (ghosh, 2023). This mechanism functions as a form of social currency, in which the value of a transaction is determined by the depth and status of one’s network rather than by standardised market rules.

The research question — “to what extent do ‘connections’ function as an unregulated currency in India?” — Addresses a significant aspect of India’s contemporary developmental trajectory. Understanding this phenomenon is crucial for comprehending disparities in economic opportunity, social mobility, and governance effectiveness within the nation

(ghosh, 2023). In an economy characterised by a vast informal sector (harriss-white, 2017), where formal institutions do not always reach or function optimally, informal networks often fill critical gaps, providing both support and avenues for circumvention (maiti and sen, 2010). This investigation holds relevance for policymakers seeking to foster inclusive growth, for businesses navigating complex markets, and for individuals striving for socio-economic advancement.

The reliance on such networks nonetheless creates a specific set of challenges for a developing economy. When connections become the primary mode of access, they effectively create an unregulated shadow market for opportunity — one that rewards those born into high-capital networks while disadvantaging those from marginalised backgrounds, regardless of individual merit or qualification. The persistence of this informal currency suggests that formal institutional growth in India has not yet displaced traditional relational structures; instead, the two systems coexist, with informal networks frequently acting as a bypass for slow-moving bureaucracy or rigid legal frameworks.

This paper analyses the mechanics of these exchanges, evaluating how they influence sectors such as employment, business, and political patronage. By framing connections as a currency, the paper aims to clarify the practical costs of



Figure 4: Conceptual Model – Connections as an Unregulated Currency

nepotism and the barriers to a more transparent, merit-based society, bridging the gap between the theoretical literature on social capital and the empirical reality of how resources and opportunities are distributed in contemporary india.

II. RESEARCH OBJECTIVES

This study seeks to deconstruct the operational mechanics of “connections” as a functional, albeit unregulated, currency in the indian context. To address the research question, the paper is organised around the following four objectives:

1. Mapping Relational Exchange: To Analyse The Specific Socio-cultural Pathways — Namely Kinship, Caste, And Profes-sional Patronage — through wHich social ties are “spent” or traded for institutional access.

2. Identifying Institutional Friction: To Pinpoint The Sectors, Such As Employment Screening And Public Procurement, In which informal networks systematically bypass formal meritocratic and legal frameworks.

3. Evaluating The Cost Of Exclusion: To Assess, Using Existing Empirical And Statistical Evidence, How “Relational Poverty” — The absence of high-value social networks — functions as a structural barrier to social mobility for marginalised groups.

4. Assessing Policy Implications: To Examine The Tension Between These Networks As A Survival Mechanism And Their Role as a barrier to Transparent, Digitalised Governance.

Figure 1 presents the conceptual model that ties these four objectives together, mapping the socio-cultural pathways iden-tified in objective 1 through the sectors of institutional friction identified in objective 2, toward the downstream outcome — reduced meritocracy and equity — that objectives 3 and 4 evaluate.

III. LITERATURE REVIEW

1. Definitions and Theoretical Perspectives: Social Capital, Nepotism, and Informal Networks

The academic discourse surrounding informal mechanisms of resource allocation frequently draws on the concept of social capital — the resources individuals or groups derive from their networks of relationships (jha and kelly, 2023). The concept has deep theoretical roots: bourdieu (1986) first framed social capital as a form of capital convertible, under certain conditions, into economic capital; coleman (1988) subsequently theorised it as a resource embedded in the structure of relations between actors

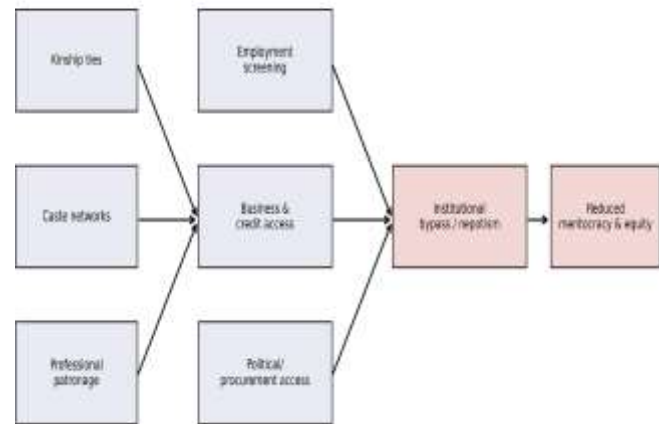


Figure 1: Conceptual model of connections as an unregulated currency, mapping kinship, caste, and professional-patronage pathways through sectors of Institutional friction to their downstream effect on meritocracy and equity.

That facilitates action which would otherwise be impossible; and putnam (2000) extended the concept to civic life, arguing that dense networks of reciprocity and trust underpin collective welfare at a societal scale. Building on this foundation, granovetter (1973) distinguished between the strength of ties within a network, showing that “weak” bridging ties often carry more novel information and opportunity than dense, “strong” bonding ties — a distinction that maps closely onto the bonding/bridging dichotomy used throughout the literature reviewed below.

Researchers commonly distinguish between “bonding” and “bridging” social capital. Bonding social capital refers to strong ties within homogeneous groups, providing internal support and risk mitigation, particularly where formal insurance and credit markets are limited; studies of rural economies indicate that bonding social capital can protect household assets against idiosyn-cratic shocks (mogues, 2018). Bridging social capital, by contrast, comprises weaker ties across diverse groups, facilitating access to external resources and new information. Both forms contribute to household welfare, asset ownership, and poverty reduction (jha and kelly, 2023).

The utility of social capital, however, is not uniformly positive. When social ties are leveraged primarily for personal or group advantage at the expense of meritocratic principles, they manifest as nepotism or cronyism — favouritism granted to relatives, friends, or affiliates in professional or personal dealings. Within informal networks, mechanisms such as repeated interaction and reputation often regulate opportunistic behaviour, fostering trust and cooperation (aviram, 2003). Yet in en-vironments



where formal institutions are weak, these same mechanisms can enable rent-seeking and corruption, effectively functioning as an unregulated currency (barry et al., 2024). The extent to which networks mitigate or enable opportunism de-pends heavily on market characteristics and the strength of formal governance structures (aviram, 2003). Relational inequalities, rooted in power imbalances, are similarly critical to understanding economic processes that a purely distributive lens might ob-scure (ghosh, 2023); in the indian context these imbalances, structured along lines such as gender and caste, sustain segmented labour markets and extractive patterns of accumulation (ghosh, 2023).

Deshpande (2011) situates this specifically within india's caste system, arguing that caste operates as an economic institution in its own right, allocating access to occupation, credit, and opportunity through ascriptive rather than market criteria, and that this allocative function has proven remarkably persistent de-spite decades of formal anti-discrimination policy.

Consistent with this, munshi and rosenzweig (2006) show empirically that caste-based networks in urban india continue to channel labour-market participation along traditional occupational lines even as the returns to non-traditional employment rise, illustrating how a network that once had insurance value can itself become a structural constraint.

2. Connections in Indian Society: Historical and Contemporary Contexts

India's socio-cultural history has long privileged community and familial ties, shaping a landscape in which informal networks hold considerable sway (barry et al., 2024). The economy, and particularly its vast informal sector, exemplifies this reliance on informal structures for both livelihood and growth (harriss-white, 2017). This sector, while infrastructurally underdeveloped, exhibits notable innovative dynamism through family businesses, business associations, and hybrid state-private institutions (harriss-white, 2017), offering a venue for entrepreneurial creativity that formal markets do not always provide (maiti and sen, 2010).

The interplay between informal networks and formal governance structures produces a complex environment. During the covid-19 pandemic, the prevalence of the informal economy demonstrably weakened community adherence to social-distancing measures, as informal establishments were less likely to suspend operations than formal ones (sinha and priyam, 2022).

This underlines the practical importance of informal economic institutions in public governance, even absent direct state regulation (harriss-white, 2017). Sinha and

priyam (2022) also show that social interaction shapes the diffusion of political ideology within micro-public spheres in india, illustrating how embedded social networks influence trends well beyond the economic sphere. These findings indicate that "connections" are not static; they evolve with social, economic, and political change.

3. Empirical Evidence on Network-Mediated Access to Employment

A distinct body of correspondence and audit-study research provides some of the most direct empirical evidence that personal identity and relational proximity, rather than qualifications alone, shape access to india's formal labour market. This tradition dates back to banerjee and knight (1985), whose early analysis of the indian urban labour market documented systematic caste-linked wage and employment disparities that could not be explained by human-capital differences alone.

In a later and influential field experiment, thorat and attewell (2007) sent matched fictitious applications signalling upper-caste hindu, dalit, and muslim identities to job advertisements in major english-language newspapers, finding that discriminatory screening Curred at the very first stage of the hiring process.

Building on this, attewell and thorat (2010) show that highly educated candidates continue to face differential treatment in india's modern private sector, including multinational firms, and that re-cruiters frequently treat a candidate's family background as a proxy for "cultural fit." Siddique (2011) quantifies the scale of this friction, finding that lower-caste applicants had to submit roughly 20 per cent more applications than higher-caste applicants to secure an equivalent number of callbacks.

A related audit of software and call-centre hiring in delhi, however, complicates any simple summary: banerjee et al. (2009) Found no significant caste-based callback gap for software roles, but a significant gap favouring upper-caste applicants over other backward class and scheduled caste applicants specifically in call-centre hiring, with no discrimination detected against muslim applicants in either sector. Table 1 summarises these findings alongside one another. oc-

Study Sector / Method Groups Compared Key Finding

Taken together, this literature indicates that formal hiring processes in india — ostensibly governed by qualifications — remain substantially mediated by ascriptive identity and, by extension, by the networks and reputational signals attached to it.



Table 1: Summary of caste-based hiring discrimination audit studie

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Study	Sector / Method	Groups Compared	Key Finding
Thorat and Attewell (2007) job ads; matched applications Software job openings, Delhi	Newspaper fictitious (corresponde nce audit) Banerjee et al. (2009) openings, Delhi (corresponde nce audit)	Upper-caste Hindu vs. Dalit vs. Muslim Upper-caste vs. OBC/SC applicants Upper-caste vs. OBC/SC applicants	Discriminatory screening occurs at the first stage of hiring No significant caste-based callback gap Significant gap favouring upper-caste applicants; no gap by religion
Siddique (2011) Lower-caste vs. upper-caste	Multi-sector correspondence audit	Lower-caste applicants needed ~20% more applications for equal callbacks	
Attewell and Thorat (2010) Candidates by family	Private sector incl. multinational firms; qualitative + survey background / 'cultural fit'	Family background used as a proxy for 'cultural fit' in screening	

Table 2: Summary of literature reviewed

Author (Year)	Data / Method	Relevance to Paper
Bourdieu (1986)	Theoretical / sociological analysis	Foundational definition of social capital as convertible capital
Coleman (1988)	Theoretical / sociological analysis	Social capital as a structural resource facilitating action
Putnam (2000)	Theoretical / civic-sociology analysis	Social capital, trust, and collective bonding vs. bridging (strong vs. weak distinction)
Welfare Granovetter (1973) tie)	Theoretical / network analysis	Networks as informal regulatory mechanism B2B
Aviram (2003)	Theoretical / legal analysis of regulation	trust/reciprocity vs. contractual governance
Barry et al. (2024)	Qualitative empirical survey, networking	
Jha and Kelley (2023)	Household survey data, India	Social capital → household welfare outcomes
Ghosh (2023)	Conceptual / political-economy analysis	Relational inequality framework (caste, gender)
Deshpande (2011)	Qualitative economic analysis, national datasets	Caste as a persistent economic institution
Munshi and Rosenzweig (2006)	Household survey, Mumbai	Caste networks channelling participation
Harris-White (2017)	Ethnographic case study, South India	Informal-sector innovation via family/local networks
Maiti and Sen (2010)	Secondary review, informal sector India	MSMEs' reliance on informal capital
Mogues (2018)	Household panel data, rural social capital	Bonding capital as informal insurance
Banerjee and Knight (1985)	Urban labour-market wage data	Early evidence of caste-linked labour-market disparity
Thorat and Attewell (2007)	Correspondence field experiment (job ads)	Caste/religion-based hiring discrimination
Attewell and Thorat (2010)	Qualitative + survey, private sector hiring	Family background as 'cultural fit' proxy
Siddique (2011)	Correspondence audit, multi-sector	Quantifies caste-based application gap
Banerjee et al. (2009)	Correspondence audit, Delhi software/call-centre	Sinha and Priyam (2022) Qualitative / ethnographic,

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George et al. (2021)	political diffusion	Sector-specific (software vs. call-centre) nuance
Gyanetsbo et al. (2024)	Qualitative interviews, Kerala	Networks and political-ideology diffusion
Ferreira et al. (2024)	Qualitative interviews, Bhutan	Social capital and healthcare access, elderly
Staff	Survey, Ghanaian education (comparative)	Regional/comparative case; network-dependent tourism
Jobayer and Arifuzzaman (2024)	Legal analysis, digital currency governance	Carrot progression and social connectedness
		Comparator: decentralised trust outside formal oversight



4. Gaps in the Existing Literature

While an extensive literature addresses social capital, informal networks, and relational inequality in india, a synthesised account of “connections” specifically as an unregulated currency remains underdeveloped. Existing research tends to focus either on the welfare benefits of social capital (jha and kelley, 2023) or on the structural challenges of the informal economy (harriss-white, 2017; maiti and sen, 2010), with comparatively little work connecting these strands into a single explanatory framework. Most of the discrimination literature reviewed above, moreover, dates from the mid-1980s to the early 2010s; there is a need for more recent primary data on how network-mediated access has evolved alongside india’s digitalisation of public services. This paper addresses the first gap through secondary synthesis and explicitly flags the second as a direction for future primary research.

Table 2 provides a consolidated overview of the full body of literature drawn on across this paper, organised by data source and method, so that a reader can navigate the evidentiary basis for each strand of the argument at a glance.

IV. Methodology (Research Design)

This study adopts a qualitative, secondary-research design based on a systematic narrative synthesis of published academic literature, government statistics, and international governance indices. Rather than generating new primary data, the research triangulates evidence across three categories of published sources to build a composite picture of how connections function as an unregulated currency in india: (1) peer-reviewed empirical studies of social capital, informal networks, and labour-market discrimination; (2) official statistical publications, principally the periodic labour force survey (plfs) conducted by india’s national statistical office, and the transparency international corruption perceptions index; and (3) case-study research published in peer-reviewed journals that documents the lived operation of network-based exchange in specific sectors and regions. This design was chosen because the research question is fundamentally interpretive and cross-sectoral — it asks how an informal, largely undocumented practice operates across business, politics, and employment — and is therefore better served by synthesising the breadth of existing scholarship than by a single new primary study, which would necessarily be confined to a narrower sample and sector.

Data Sources and Search Strategy

Sources were identified through structured searches of google scholar, jstor, and sciencedirect, using combinations of the terms “social capital,” “nepotism,” “caste discrimination,” “informal economy india,” “networks and hiring,” and “public procurement corruption india.” These

were supplemented with direct searches of official data portals, namely the ministry of statistics and programme implementation (mospi), transparency international, and the government e-marketplace (gem) portal, to obtain the most current available statistics on informal employment, hiring discrimination, and public-sector corruption.

Inclusion criteria were: publication in a peer-reviewed journal, edited academic volume, or official government/international-organisation report; direct relevance to india or, for illustrative comparison, another south asian economy with a comparable informal sector; and availability in english. Sources were excluded if they were non-peer-reviewed opinion pieces, could not be independently verified against a publisher or institutional record, or predated 2000 without continuing citation relevance in more recent literature (the earliest source retained on this basis, banerjee and knight, 1985, is included specifically for its continuing citation relevance to the caste-discrimination literature). Where the most recent nationally representative statistics available were several years old (for instance, the caste-based hiring audits, which cluster between 1985 and 2011), this is noted explicitly as a limitation rather than treated as current.

Analytical Approach

Sources were read and coded thematically according to the four research objectives outlined above, with particular attention to recurring mechanisms (kinship ties, caste-based screening, professional patronage), sectors of friction (business, politics, employment and education), and measurable proxies for the “value” of connections (informal-employment shares, hiring callback gaps, corruption-perception scores). Quantitative indicators drawn from government and international sources were used to triangulate qualitative claims made in the case-study literature — for example, using national informal-employment statistics to contextualise qualitative accounts of network-based access to credit and contracts in the informal sector. This mixed use of qualitative case evidence and quantitative national indicators, though entirely secondary in origin, allows the analysis to move beyond description toward an evaluation of scale and significance.

Reliability, Validity, and Limitations

Reliability was supported by drawing only on sources that are independently verifiable through publisher records or official institutional portals, and by cross-checking recurring statistical claims (for example, informal-employment shares) across more than one government or peer-reviewed source. Validity was supported through triangulation: no single claim in the analysis rests on a single source type, and quantitative indicators are used to



corroborate, rather than substitute for, the qualitative case-study literature.

This design carries clear limitations. First, because the study relies entirely on secondary data, it cannot directly measure “connections” as a variable; it instead relies on proxy indicators — informal-employment rates, hiring-audit callback gaps, and corruption-perception scores — that are correlated with, but not identical to, the phenomenon under study. Second, the audit-study literature on caste-based hiring discrimination, while methodologically robust, is now over a decade old in its most recent iteration; more recent, india-specific field experiments would strengthen the empirical base of the employment analysis. Third, the case studies drawn from the literature (for example, on healthcare access in kerala or homestay tourism in bhutan) are illustrative rather than statistically representative and cannot be generalised to india as a whole without caution. Finally, this secondary design has no access to individuals’ lived accounts of using connections and therefore cannot capture the subjective, unspoken norms that primary interview-based research could reveal — a gap explicitly identified as a direction for future research in the concluding section.

Ethical Considerations

Because this study relies exclusively on previously published, publicly available data, it did not involve human participants and therefore did not require informed consent, participant recruitment, or institutional ethics review of the kind associated with primary interview or survey research. The principal ethical obligation in a secondary design of this kind is intellectual honesty in representation: every empirical claim in this paper is attributed to its original source, and no statistic, quotation, or finding has been invented or estimated. Additional care was taken when discussing caste-based discrimination to report findings accurately without essentialising the groups discussed, consistent with the framing used in the cited source literature itself.

V. ANALYSIS

Business and Entrepreneurship

In the indian business landscape, connections frequently function as an essential, at times indispensable, form of capital for entrepreneurs and established firms alike. Access to credit, markets, and regulatory approval can be shaped as much by informal networks as by formal merit or legal procedure (harriss-white, 2017). The scale of this reliance is suggested by national labour

Statistics: according to the national statistical office’s periodic labour force survey, 58.4 Per cent of india’s workforce was self-employed in the july 2023–june 2024 reference period, and independent analysis of plfs unit-level

data estimates that informal employment accounts for roughly 98 per cent of agricultural work and around 74 per cent of non-agricultural work (ministry of statistics and programme implementation, 2024). Figure 2 presents these three figures together.

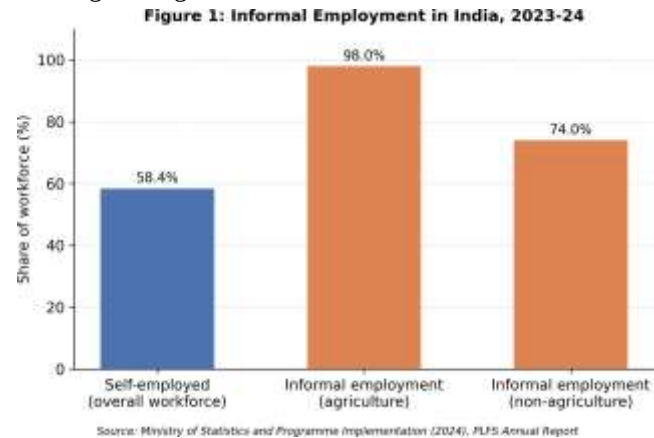


Figure 2: informal employment in india, 2023–24. Source: ministry of statistics and programme implementation, plfs annual report (ministry of statistics and programme implementation, 2024).

For the micro, small, and medium enterprises (msmes) that dominate this landscape, connections often substitute for the formal collateral, contracts, and credit histories that larger firms can offer (maiti and sen, 2010). Business-to-business relationships, in turn, frequently rely on reciprocity norms embedded in indigenous socio-cultural practice, in which trust and informal ties can outweigh contractual governance, particularly in emerging-market settings (barry et al., 2024). This reliance on networks, while it fosters cooperation among established participants, simultaneously raises barriers to entry for newcomers who lack comparable social capital — a dynamic consistent with the broader finding that informal-sector innovation in india tends to cluster around family businesses and pre-existing local networks rather than new entrants (harriss-white, 2017).

Politics and Governance

Within political and governance spheres, connections operate as a potent, unregulated currency for influence and resource allocation. Relational inequalities and power imbalances — frequently structured along caste and community lines — shape political processes and policy outcomes (ghosh, 2023). Access to political leaders, bureaucratic channels, and the expedited processing of official documents is often mediated by personal contact rather than formal entitlement, particularly for ordinary citizens navigating a bureaucracy that transparency international continues to rate as comparatively opaque: in the 2025 corruption perceptions index, india scored 39 out of 100 and ranked 91st of 182 countries, below the global average of 42, notwithstanding a modest five-place



improvement on the previous year (transparency international, 2026). Figure 3 situates this most recent score within india's longer cpi trend, showing that the country's score has remained persistently below the global average across more than a decade.

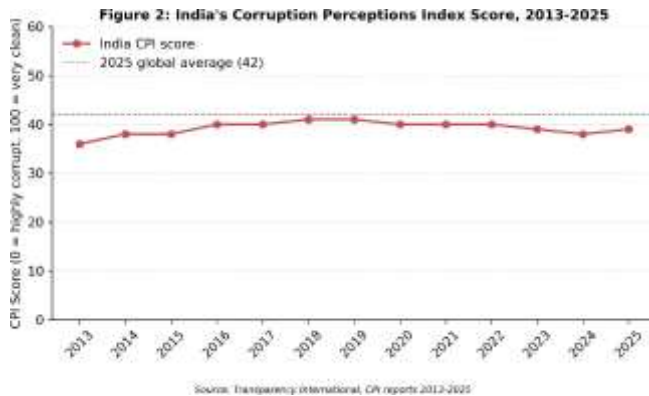


Figure 3: india's corruption perceptions index score, 2013–2025, against the 2025 global average. Source: transparency international, cpi reports 2013–2025 (transparency international, 2026).

This pattern extends beyond individual transactions to macro-level political processes, in which social networks facilitate the diffusion of ideology and the mobilisation of support, as shown in sinha and priyam's (2022) account of how hindu nationalist sentiment spread through india's micro-public spheres. Because these exchanges are informal, they largely bypass formal accountability mechanisms, raising ongoing concerns about transparency and equity in public-service delivery.

It is notable, in this respect, that the government of india has itself moved to reduce discretionary, connection-mediated pro-curement through the government e-marketplace (gem), a digital procurement platform launched in 2016 and now mandatory under rule 149 of the general financial rules for most common government purchases (government e-marketplace, nd). By eliminating manual, face-to-face intermediation in vendor registration and contract award, gem is explicitly designed to reduce

The scope for favouritism in public procurement, and government estimates attribute cumulative savings of roughly rs. 1.15 Lakh crore to the platform's more competitive, transparent bidding process (press information bureau, government of india, 2025). As figure 4 shows, gem's own annual transaction volume has grown sharply since launch, from rs. 0.23 Lakh crore in fy 2018–19 to rs. 5.40 Lakh crore in fy 2024–25 — a scale of adoption that lends further weight to reading gem as a deliberate institutional response to connection-mediated procurement rather than a marginal reform.

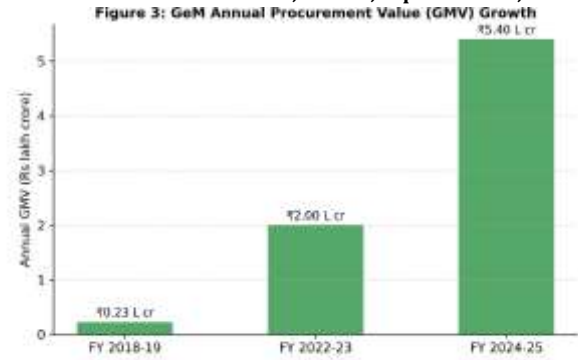


Figure 4: gem annual procurement value (gross merchandise value), fy 2018–19 to fy 2024–25. Source: press information bureau releases, ministry of commerce and industry (press information bureau, government of india, 2025). Note: confirmed public annual figures are available for fy 2018–19, fy 2022–23, and fy 2024–25; intervening years (fy 2019–20 to fy 2021–22) are omitted rather than interpolated, pending confirmation from gem's full annual reports.

The existence of gem is itself indirect evidence for the argument advanced in this paper: the indian state has judged discretionary, relationship-mediated procurement to be a large enough problem to warrant a dedicated national digital-infrastructure response.

Education and Employment

Connections significantly shape access to education and employment in india, and this is one of the few areas of the phenomenon for which robust, india-specific empirical evidence exists. The correspondence-study literature discussed above (section 3.3, Table 1) provides the clearest quantification, though its findings are more mixed than a single headline figure suggests. Thorat and attewell (2007) found that discriminatory screening against dalit and muslim applicants occurred at the earliest stage of the hiring process, and siddique (2011) found that lower-caste applicants needed to submit roughly 20 per cent more applications than upper-caste applicants to achieve an equivalent callback rate. Banerjee et al. (2009), Sending fictitious résumés to software and call-centre openings in delhi, add an important nuance: they found no significant callback gap by caste for software jobs, but a significant gap favouring upper-caste applicants over other backward class and, to a lesser extent, scheduled caste applicants specifically for call-centre roles, and no evidence of discrimination against muslim applicants for either job type. Read together, this suggests that network- and identity-mediated screening in india's labour market is real but sector-specific rather than uniform. Attewell and thorat (2010) further show that hiring managers in india's modern private sector — including multinational firms — routinely treat a candidate's family background as a signal of cultural



and organisational fit, effectively formalising an informal, relationally mediated screening criterion inside otherwise merit-based recruitment processes, a pattern consistent with munshi and rosenzweig's (2006) finding that caste networks continue to shape occupational trajectories well beyond the point of initial hire.

This body of evidence indicates that “knowing the right people,” and being legible to recruiters through caste, religion, or family name, functions as a real and measurable form of currency in the indian labour market, independent of any deliberate act of favour-trading. Complementing this, research on psychosocial career development among comparable south asian labour markets finds that strong social connectedness correlates with career progression and organisational commitment (ferreira et al., 2024), Suggesting that networks confer advantages that compound over a career rather than operating only at the point of hire. While social networks can legitimately provide mentorship and support, their unregulated use in formal hiring functions as a structural, rather than incidental, barrier for candidates from less-connected backgrounds.

VI. CASE STUDIES

Regional and Comparative Variation in the Use of Connections

The salience of connections as an informal currency varies by region, local institutional strength, and economic structure. In kerala, social networks significantly facilitate access to healthcare for vulnerable populations, particularly older widows living alone; george et al. (2021) Find that

robust community ties and reconstituted “personal communities” compensate for altered family structures and reduce social isolation among this group — a clearly welfare-enhancing function of connections operating within a comparatively strong local socio-cultural context. In a study of a south indian town, harriss-white (2017) similarly documents how the informal economy's innovative dynamism was driven by family businesses and local networks that compensated for infrastructural backwardness, illustrating how localised bonding social capital can provide both a safety net and a genuine engine of local economic activity (mogues, 2018).

A useful point of regional comparison, though outside india itself, comes from bhutan's community-based homestay-tourism sector, where gyamtsho et al. (2024) Find that operators rely heavily on local social networks — including community members and other intermediaries — to attract guests and sustain their enterprises. Because bhutan shares with india a large informal, network-dependent tourism and small-enterprise sector, this case offers a useful south asian parallel for how bonding social capital functions as informal market infrastructure where formal marketing and credit channels are thin, even though it cannot be treated as direct evidence about any specific indian region.

Table 3 summarises these three cases alongside their outcome, ranging from clearly supportive to more genuinely mixed.

Table 3: Case-study comparison: type of social capital and outcome by region/sector

Case	Region / Sector	Type of Social Capital	Outcome
Kerala healthcare access	Kerala, India — healthcare	Bonding (community/personal networks) Bonding (family-business networks)	Supportive — reduces isolation among elderly widows (George et al., 2021)
South Indian town (informal economy)	South India — informal economy	Bonding (community/intermediary networks)	Mixed — drives innovation but raises entry barriers for newcomers (Harriss-White, 2017)
Bhutan homestay tourism	Bhutan — tourism (South Asian comparator)		Supportive — sustains enterprise where formal marketing/credit is thin (Gyamtsho et al., 2024)



Where formal institutions are weaker or power imbalances more pronounced, connections appear to be leveraged toward less equitable outcomes. The broader literature on relational inequality (ghosh, 2023) supports the general proposition that underlying social structure conditions both the nature and the distributional impact of connection-based transactions, even though sub-national, comparative indian data specifically isolating this effect by state remains limited — a further gap for future primary research.

Sector-Specific Outcomes: Support and Circumvention

Connections yield markedly different outcomes depending on sector and context. As a positive case of risk mitigation, in agrarian communities where formal insurance and credit markets are often inaccessible, bonding social capital functions as informal insurance: mogues (2018) shows that such networks can protect rural households' livestock assets against idiosyncratic shocks such as illness or the sudden loss of an animal, helping households absorb unexpected losses and sustain their livelihoods. As a negative case of governance hindrance, the informal economy's reliance on personal and community networks can also impede public policy. During india's covid-19 lockdown, the prevalence of the informal economy measurably weakened community adherence to social-distancing measures, since informal establishments were less likely than formal ones to suspend operations (sinha and priyam, 2022). In the political realm, similarly, connections can facilitate rent-seeking and corruption, allowing individuals or groups to bypass regulation or secure preferential treatment in resource allocation and contract awards — a dynamic reflected in india's continued below-average score on the corruption perceptions

Index (transparency international, 2026) — distorting market competition, eroding public trust, and entrenching existing power imbalances (ghosh, 2023).

Together, these cases illustrate the dual character of connections identified throughout this paper: a genuine support system in the absence of formal structures, and simultaneously a means of circumventing established norms, with material consequences for governance and equity.

VII. DISCUSSION

The Extent of Unregulation: Legal, Social, and Economic Dimensions

The extent to which connections function as an unregulated currency in india is substantial across legal, social, and economic dimensions. Legally, transactions mediated by connections generally operate outside codified law and regulatory oversight. While bribery and corruption are illegal, the subtler, often reciprocal leveraging of connections occupies a grey area that is difficult to prosecute or even to identify as illicit (aviram, 2003). The

absence of a formal regulatory framework means there is no legal recourse for those disadvantaged by such exchanges, nor any transparent accountability mechanism for those who benefit from them.

Socially, this unregulation stems from the embeddedness of connections within cultural norms and reciprocal obligation. These norms can foster community cohesion and provide genuine social support, but they can equally legitimise preferential treatment of personal ties over merit; individuals often experience assisting those within their network as a social duty rather than an unfair practice, which allows connections to operate largely free of explicit social checks and balances. Economically, this translates into measurable market distortion: access to capital, permits, and market opportunity is frequently determined by network strength rather than efficiency, innovation, or competitive advantage (harriss-white, 2017), which limits competition and erects informal barriers to entry for newcomers, particularly those from marginalised backgrounds.

The functional behaviour of these social networks bears a useful, if imperfect, resemblance to the emergence of unregu-lated digital currencies elsewhere. Much as legal analysis of digital-currency exchange in bangladesh has described a system operating on decentralised trust with limited formal oversight (jobayer and arifuzzaman, 2024), india's connection-based ex-changes create a shadow market for access that, as it scales, begins to function as a parallel system competing with formal, state-sanctioned institutions for legitimacy and stability.

Societal Impacts and Ethical Considerations

The societal impacts of connections functioning as an unregulated currency are far-reaching, and they are not uniformly negative. Social capital can be a genuine catalyst for household welfare: households with strong organisational membership and social networks are demonstrably more likely to report higher per-capita consumption and physical asset ownership, and a Lower probability of falling below the poverty line (jha and kelly, 2023). The equity problem this paper identifies is therefore not that networks provide value — they clearly do — but that this value accrues disproportionately to those already endowed with high-status networks, precisely because the informal criteria used to allocate it, such as caste legibility, family reputation, and prior acquaintance, cannot be acquired through effort alone. This produces a dual system in which formal, merit-based criteria are frequently overshadowed by informal influence, a dynamic associated in the literature with allocative inefficiency and reduced aggregate productivity (maiti and sen, 2010), and it entrenches and compounds existing social and economic inequality: those with strong, influential networks accrue further benefit, while those without are systematically disadvantaged, producing a self-perpetuating cycle of



disparity (ghosh, 2023) that can manifest as unequal access to quality education, employment, healthcare,

And public services.

Ethically, the unregulated operation of connections raises direct questions about fairness, meritocracy, and transparency. It erodes public trust in institutions, since citizens increasingly perceive outcomes as determined by whom one knows rather than by rules or qualifications — a perception consistent with india's persistently below-average corruption-perception score (transparency international, 2026). This can contribute to cynicism toward governance and democratic process, and creates a culture in which individuals feel compelled to invest scarce time and resources in network-building for survival and advancement, potentially diverting effort away from productive, merit-based endeavour. While informal networks can provide genuine resilience and support in specific contexts (mogues, 2018; george et al., 2021), Their unregulated proliferation as a currency in formal spheres ultimately compromises the ideal of an equitable, merit-based society and fosters an environment prone to rent-seeking and systemic inefficiency.

VIII. CONCLUSION

Summary of Key Insights

This research demonstrates that “connections” function as a deeply entrenched and largely unregulated currency across multiple sectors in india, significantly shaping access to opportunity and resources.

While social capital, and particularly bonding social capital, provides genuine support and risk mitigation in informal settings and for vulnerable populations (mogues, 2018; george et al., 2021; Jha and kelley, 2023), its unregulated application in formal domains distorts meritocratic processes.

In business, politics, and employment alike, personal networks frequently supersede formal qualification or transparent procedure in mediating access to capital, approval, and position (harriss-white, 2017), a pattern for which the caste-based hiring-audit literature provides some of the clearest available quantification (banerjee and knight, 1985; thorat and attewell, 2007; banerjee et al., 2009; Siddique, 2011; attewell and thorat, 2010).

This informal currency operates without meaningful legal or social oversight, with significant consequences for equity and opportunity, and the relational inequalities it reinforces remain rooted in long-standing patterns of power (ghosh, 2023; deshpande, 2011). Connections in india, in short, function simultaneously as a survival mechanism and as a

barrier to equitable development — and the two functions cannot be neatly separated.

Policy Recommendations

Addressing the challenges posed by connections operating as an unregulated currency requires strengthening formal institutions and enhancing transparency across public and private sectors:

1.Extend Digitalised Procurement: Build on the demonstrated model of The government e-marketplace by extending mandatory, auditable digital procurement — including transparent bid logs and Standardised Vendor scoring — to the state and municipal procurement that currently sits outside Gem's Central-government focus, closing The largest remaining channel for discretionary, connection-mediated contracting.

2.Merit-based, blind-review hiring protocols: given the documented, quantifiable scale of caste-linked screening bias in india's formal hiring process (thorat and attewell, 2007; siddique, 2011), organisations — particularly larger private-sector employers — should adopt blind initial-screening protocols that mask name, caste-signalling surnames, and family-background fields until after qualification-based shortlisting.

3.Relational-transparency and conflict-of-interest disclosure: Legislate Mandatory conflict-of-interest disclosure for government-tO-business interactions in high-discretion sectors such as land allocation and licensing, so That The Flow Of relational advantage in high-stakes transactions is at minimum visible, even where it cannot be eliminated outright.

Areas for Further Research

Because this study is necessarily limited to secondary synthesis, several important questions remain open for primary investigation. First, the caste-based hiring-discrimination literature that underpins much of this paper's employment analysis is now over a decade old in its most recent iteration; updated, india-specific correspondence-audit studies are needed to establish whether the scale of network- and identity-based screening bias has changed alongside india's digitalisation of recruitment. Second, primary interview and survey research — the very data this paper was unable to generate responsibly — would allow researchers to capture the subjective, often unspoken rules that individuals themselves attach to the use of connections, and to estimate more directly how the economic “value” of a connection varies by sector, region, and the specific individuals involved. Third, sub-national comparative research explicitly isolating regional variation within india, rather than relying on illustrative single-region case studies, would strengthen the paper's claims about the interaction between local institutional strength and the exploitative or supportive character of connections. Finally, longitudinal



research tracking individuals from differing socio-economic backgrounds over time could clarify the long-run effect of connection-based access on life trajectories, complementing the cross-sectional evidence synthesised here.

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