Economic Modernization in Late British India: Hindu-Muslim Differences

TIMUR KURAN
Duke University

ANANTDEEP SINGH
University of Southern California

I. The Question of Why India's Muslims Are Poorer than Its Hindus

India's Muslim minority—as of the early twenty-first century, around 12% of its ethnically and religiously diverse population—lags behind the country's Hindu majority economically. The average household income for Muslims is 76.6%, and per capita income 72.4%, of the corresponding figure for Hindus. In rural areas, the typical Muslim-owned farm is only 41.1% as large as the typical Hindu-owned farm. Muslims have relatively lower labor participation rates and higher unemployment rates in both cities and the countryside (Shariff and Azam 2004, vii; figs. 12, 15, 16, 18; tables 6, 7). The 2011 *Forbes* list of the 100 richest Indians includes just three Muslims.[1] The underperformance of Muslims is particularly striking in the management of its private companies. Shortly after India gained independence from Britain in 1947, only one of India's 80 largest publicly traded companies had a Muslim at its helm (Government of India 1955). A half century later, in 1997, just one of India's 50 largest business groups was headed by a Muslim (Tripathi and Mehta 1990, 340–42).[2] In describing the economic performance of Muslims in independent India, Omar Khalidi (2006, 88) infers from such statistics that Muslims "lack the ability to organize and plan enterprises on modern lines."

Khalidi's observation will strike a familiar chord among students of British India. In the last century of British rule, Muslims, more than 20% of the population, were underrepresented in the most dynamic sectors. Very few of the

Robert Barro, Fahad Bishara, Eric Chaney, D. S. Gill, Henry Hansmann, Richard Hornbeck, Sriya Iyer, Daniel Klerman, Naomi Lamoreaux, Karen Leonard, Scott Lustig, Jeffrey Nugent, Barak Richman, Mohammad Safarzadeh, Steven Wilkinson, and three reviewers provided helpful advice. The Metanexus Institute and the Templeton Foundation supported early stages of the work through a grant to the Institute for Economic Research on Civilizations at the University of Southern California. Contact the corresponding author, Timur Kuran, at t.kuran@duke.edu.

[1] *Forbes*, March 10, 2011 (http://www.forbes.com/lists/2011/77/india-billionaires-11_land.html).

[2] The term "business group" is defined as a company controlled, directly or indirectly, by a particular family.

© 2013 by The University of Chicago. All rights reserved. 0013-0079/2013/6103-0007$10.00

leading moneylenders, bankers, industrialists, and traders were Muslim. In western India, the Muslim role in cotton production and shipping, two massively expanding sectors, was negligible. In eastern India, Muslims owned few tea plantations and processing enterprises, which had become major sources of wealth. On the eve of independence, Muslims owned only two of India's 111 jute mills. Even in the Muslim-majority provinces of northern India, they were underrepresented among the owners and managers of major industrial and trading companies (Cheesman 1982; Ahmad 1991, 3–5; 1993, 4–6; Talha 2000, 83–88).[3] Muhammad Ali Jinnah, the future founder of Pakistan, was aware of Muslim underrepresentation in the ownership of modern companies. "We claim that we are a nation of one hundred million strong," he lamented a few years before the end of British rule, "and yet have one bank out of the scores which operate in India."[4]

This article explores the historical origins of Muslim underrepresentation in the management of large Indian firms. Muslims found it relatively harder, we argue, to pool capital within large and durable enterprises capable of exploiting the new technologies of the industrial era. Their difficulties were among the unintended consequences of Islamic institutions designed to spread wealth and circumvent inheritance regulations. The Islamic inheritance system, Islamic partnership rules, and Islamic trusts known as *waqfs* jointly limited Muslim participation in large and perpetual enterprises, the hallmarks of a modern economy. These institutions essentially kept Muslims out of economic sectors in which pooling resources within corporations was efficient.

II. Popular Explanations and the Neglected Role of Economic Institutions

At least since W. W. Hunter (1876, chap. 4) publicized Muslim underperformance in 1870 through a book hostile to Muslims and contemptuous of Islam as a religion, the causes of this pattern have been a source of controversy. The factors commonly invoked include conservatism and insularity rooted in Islam, demoralization and self-imposed isolation after the decline of the Mughal Empire (usually taken to have started with the death of Aurangzeb in 1707), and British hiring policies biased against Muslims.[5]

[3] The partition of India depressed such shares even further as some leading Muslim businessmen migrated to Pakistan, and many more Hindu businessmen made the opposite move (Vakil 1950, 131–33).

[4] As quoted by Ispahani (1967, 132). At the time, India's only Muslim-owned bank was the Habib Bank.

[5] For the attitudinal claim, see, e.g., Mondal (1992); for the demoralization thesis, see Khan (1989); and for the British bias thesis, see Ahmad (1991) and Khalidi (2006, 14). Toynbee (1954, 200–203) offers a composite explanation involving all three claims.

Even collectively, such factors, insofar as they mattered at all, fail to explain the observed historical pattern. Muslims played prominent, and in certain respects leading, roles in south Asian trade before the arrival of the Portuguese and for centuries thereafter; they achieved these successes through remarkable creativity and flexibility. Indian Muslims also played major roles in trade with southeast Asia and central Asia (Digby 1982, 151–52, 155–58; Chaudhuri 1985, chap. 2; Arasaratnam 1989, 78–79, 88–89; Risso 1995, chaps. 4–6; Das Gupta 2001, chaps. 3, 4, 7; Levi 2001, chaps. 1, 2; Nadri 2009, chap. 3). Moreover, they played disproportionate roles in the production of textiles, handicrafts, armaments, and luxury goods, and most of India's leading engineers, architects, and physicians emerged from their ranks (Umar 1998, 27–33; Talha 2000, 15–18). Those successes, which spanned more than a millennium, make it unlikely that religious attitudes themselves account for the underperformance at issue here.

Were the demoralization thesis correct, it would have been evident in the Indian Ocean trade. Yet Muslims remained more active than Hindus throughout the eighteenth century. Muslim underperformance relative to Hindus is a phenomenon that dates from the nineteenth century, at least a century after Mughal power started to wane. In any case, no plausible mechanism can cause an empire's decline to hamper private entrepreneurship for generations on end.

As for the alleged British bias, it may have contributed to Muslim underrepresentation in the government bureaucracy, which is a matter of record. The British certainly devalued the mostly Muslim professionals who symbolized Mughal rule, such as court poets and calligraphers. However, anti-Muslim British hiring policies would not necessarily account for Muslim underrepresentation in trade and industry.[6] Throughout the world, various minorities have excelled in commerce despite severe discrimination in government employment, if not also in private-sector hiring.

All such explanations that invoke religious attitudes or the machinations of non-Indians overlook two simple realities. First, any given group's economic performance depends on the institutions through which its members operate, and second, relative economic performance depends also on the institutions of reference groups. One cannot understand why Hindus outperformed Muslims without comparing the institutions under which the two religious communities have traded. Although neither Muslims nor Hindus maintained a uniform set of practices, their capital pooling and inheritance methods differed

[6] For evidence of Muslim underrepresentation in public service under the British, see Aziz (1995, chap. 14).

in ways that mattered increasingly, as we shall see, during economic modernization. Moreover, certain differences widened under British rule, weakening Muslim incentives to take advantage of modern economic institutions. British-introduced organizational forms were adopted very disproportionately by Hindus.

III. Similarities with the Middle East

The arguments usually advanced to explain the underperformance of India's Muslims all have Middle Eastern counterparts, which are equally inadequate. When in the late eighteenth century the Middle East's Muslims started falling behind its Christian and Jewish minorities, neither religious differences in attitudes nor third-party biases were the cause. Rather, the bifurcation stemmed from the arrival of modern economic institutions and from differing capacities to exploit new opportunities for economic advancement. As the infrastructure of the modern global economy took shape in western Europe, the Middle East's religious minorities started doing business under Western legal systems, by virtue of the choice of law they enjoyed from the dawn of Islam; for their part, Muslims continued to conduct commerce under Islamic law. Accordingly, the underperformance of Muslims was particularly pronounced in cities that traded heavily with the West, such as Istanbul, Cairo, and Beirut, and in sectors where it proved particularly advantageous to use new institutions such as the joint-stock company, the corporation, the stock market, and modern banking.[7]

Could the Hindu-Muslim gap be rooted in the institutional variations responsible for the intercommunal differences of the Middle East? There are reasons to expect similarities. First of all, in both India and the Middle East, Muslim underperformance became increasingly conspicuous as the Industrial Revolution made it efficient to use modern organizational forms in an expanding array of sectors. Second, in both regions Muslims were vastly underrepresented as owners and as managers in banking and in sectors increasingly dependent on large-scale finance. In the Middle East, these sectors were all dominated by local Christians and Jews, many of whom interacted with Westerners under the laws of some Western power. In those modern sectors, success required pooling capital on a large scale within perpetual companies, which could not be done efficiently under traditional Islamic law. In India, Hindus came to dominate the very sectors in which Middle Eastern Christians and

[7] For further details, and a critique of alternative explanations, see Kuran (2004, 2011, chaps. 9–13).

Jews excelled.[8] Third, certain non-Muslim indigenous communities—in the Middle East, mainly Greeks, Armenians, and Jews and in India, Hindus, Jains, and Parsis—came to dominate modern sectors initiated by foreigners. Finally, in the nineteenth century, when the bifurcations under consideration became noticeable, wealthy Muslims in both India and the Middle East tended to pool capital, run businesses, and transfer wealth across generations under Islamic law.

However, there were also important differences between India and the Middle East. For one thing, the communities that advanced relative to Muslims used quite different institutions before the bifurcations in question. In the Middle East, Christians and Jews tended to do business and manage wealth under Islamic law, using the institutional complex that served Muslims as well. In India, by contrast, Hindus used distinctly Hindu practices, as did Sikhs and Jains. For another, the Muslims of the Middle East lacked the choice of law enjoyed by religious minorities; they were required to take disputes to Islamic courts. In India, Muslims had considerable flexibility; certain Muslim groups followed distinctly Hindu practices without drawing accusations of apostasy. The flexibility of India's Muslims rested partly on the caste system, which divided major religious groups, including Muslims, into hereditary occupational groups. Because caste traditions often trumped religious regulations, the business practices of India's religious communities could have had more to do with the caste system than with Hinduism or Islam per se.[9] We shall return to this possibility.

For now, we need only to recognize that the mechanisms responsible for the two bifurcations may have differed. Although identifying the institutional roots of the intercommunal economic divergence in India can obviously benefit from attention to transformations in the Middle East, one must not lose sight of India's particularities. We will start, therefore, by exploring the methods by which Indian Muslims and Hindus traditionally pooled capital to conduct joint ventures and those they used to transfer capital across generations. Differences will emerge that carry implications for the preservation of successful businesses. Next, we shall introduce the institutional alternatives that the British brought to the region. The institutional heritage of the Hindus made

[8] For India, see Talha (2000, 23) and figures provided in this article. For the Middle East, see Kuran (2003, 2005, 2011, chaps. 3–8). Middle Eastern Muslims gained a significant presence in modern sectors only after the economic jurisdiction of Islamic courts was contracted and fundamental legal reforms allowed them to pool capital through modern firms.

[9] On the mechanisms by which the caste system shaped the Indian economic trajectory, see Lal (1988–89).

it easier, we shall explain, than that of Muslims to take advantage of these new institutions. Our key claim is thus that premodern commercial and wealth-management practices delayed Muslim economic modernization, thus contributing to the Muslim underperformance that has been apparent for about a century and a half.

IV. Joint-Investment and Inheritance Institutions of Premodern India

Before the arrival of the British, Indians pooled resources for commercial ventures through two institutions: the partnership and the joint-family enterprise. A partnership was formed by two or more individuals, not necessarily relatives, for a specified venture, such as a trading mission, the planting of a crop for one season, or the production of some goods. Partners contributed either labor or capital or both, and at the end of the venture, they split profits according to a prenegotiated formula. Any partner could terminate the partnership without notice, triggering its immediate dissolution. The death or incapacitation of a partner would end the partnership automatically, requiring the division of its assets. A group of partners could cooperate indefinitely but through successive partnerships rather than a perpetual organization. A partner's descendants did not become partners themselves. They could form partnerships only through acts of their own, as individuals contributing personal resources (Kuran 2011, chaps. 3, 4).

A joint-family enterprise pooled the resources of an extended family and exploited them indefinitely as a unit. Its resources could be reallocated to new ventures without requiring a new contract. Equally important, the family could gain or lose members without affecting the continuity of its joint enterprise. In much of India, male members could withdraw from the enterprise at will, taking with them part of the family's capital and, of course, a share of its labor. In other places, this right was restricted; ordinarily, sons could not withdraw capital from the family enterprise until after their father's death.[10]

Four differences between these institutions stand out. First, only the partnership was conducive to pooling resources across family lines. Second, the two institutions differed in terms of the default rule concerning the termination of cooperation. Under a partnership, termination occurred automatically at certain contingencies, such as the sale of a harvest, the delivery of a shipment, or

[10] These rights were spelled out in the Mitakshara and the Dayabagha, schools of Indian thought that date from the late eleventh century. The latter, which was dominant only in Bengal, promotes the more restrictive system. See Mayne (1906, 383–86), Vesey-Fitzgerald (1948), Derrett (1962, 28–30), and Kumar (1985, 355).

a death. By contrast, in a joint-family enterprise, termination required someone to initiate a division of assets. Even a father's death did not require dissolution; a son had to request the release of his share of the assets. Thus, by default the life of a partnership was finite, but that of the family enterprise was indefinite. Third, whereas interest in a joint-family enterprise passed to the heirs of co-owners, that in a partnership did not pass to survivors. The heirs of a deceased partner were entitled only to shares of the lapsed partnership's assets. The final difference concerns the venture's legal standing vis-à-vis third parties. Whereas third parties treated partners as individuals, the joint-family enterprise was viewed as a unit. Neither enjoyed legal personhood in the sense of having formal rights in a court of law. Yet, the joint-family enterprise held de facto personhood in its daily interactions.

These differences are relevant to the puzzle at hand: the underperformance of India's Muslims in the final century of British rule. They mattered because historically the partnership was used very disproportionately by Muslims and the joint-family enterprise very disproportionately by Hindus (Timberg 1969, 8–10; Verma 1987; Dutta 1997; Tripathi 2004, 113). These two groups also followed different inheritance practices. As we know from the experiences of the Middle East and western Europe, capital pooling and inheritance practices affect the size and time horizon of investments.

The Islamic inheritance system requires at least two-thirds of an estate to be partitioned among surviving children, spouses, and parents and, in some cases, more distant relatives as well. A female is entitled to half as much as a male of her legal category; thus, a daughter receives half as much as a son. In the premodern Middle East, this system created incentives for keeping partnerships small and short lived; the possibility of untimely liquidation, which rose with the number of partners and the duration of the venture, induced merchants and investors to favor cooperative ventures involving few partners and short time horizons. In turn, this preference for small and transitory partnerships had dynamic consequences that delayed economic modernization. Small and transitory partnerships did not face the coordination, communication, and enforcement problems that larger partnerships inevitably do; consequently, the Middle East did not contribute to developing the organizational forms characteristic of modern economic life (Kuran 2011, chap. 4).

Might the same mechanisms account for the economic trajectory of India's Muslims? And might the relative successes of the Hindus have something to do with their use of relatively inegalitarian inheritance practices?

The traditional, precolonial inheritance practices of Hindus displayed enormous variety. They reflected, in addition to the Dharmashastras, which are the

legal treatises of Hinduism, regional and caste-based customs.[11] Along with differences, these practices had some common features. First of all, women were generally excluded from inheritance.[12] Second, a distinction was made between separate and joint property. Third, adoption was permitted, the purpose being to provide heirs capable of managing the enterprise rather than to provide for children (Leonard 2011, 830). Finally, inheritance rights resided not in individuals but in family lines, or stripes. Each son of a family patriarch (*karta*) represented a stripe that included all of his own male descendants. If a son died while the patriarch was still alive, the rights of his stripe passed fully to his own sons; thus, the patriarch's grandsons from his deceased son received collectively what their father would have received had he been alive (Cornish 1937, 63–64; Cowell 1985, 41–42).

The contrasts between Hindu and Islamic inheritance principles reflected a deep difference involving property rights in general. In Islamic law, property rights reside in individuals; there is no such thing as collective ownership, except by contract, through a revocable partnership of actual individuals. Thus, an estate consists of assets owned by a deceased individual, and these assets are partitioned among individuals. By contrast, Hindu law recognizes individual ownership as well as collective ownership by a family whose membership changes through births and deaths. When a Hindu patriarch dies, he may leave behind, along with personal property, the assets of a business collectively owned by his survivors. The survivors may choose to keep the assets together under a new family patriarch.

Business assets could get partitioned under both legal systems. Under Islamic law, this happened automatically at the death of their owner. The heirs of a deceased businessman were free to pool their individual shares through a new partnership. If they made that choice, all the risks of operating a partnership would come into play; any member could dissolve the enterprise without notice. This alone would have discouraged the continuation of a successful business after the passing of its founder. Under Hindu law, the assets of a joint-family enterprise could be split at the death of a patriarch, on the request of a survivor; each stripe could go its own way, under its own family head. A partition of joint-family assets could also be initiated by a patriarch; he might do so if, for example, family squabbles make it impractical to maintain a single family business. A partition could come about in one other way. A son

[11] Derrett (1962) surveys the history of the Dharmashastras with a focus on family law and matters of property.

[12] A few tribes and castes in northeastern India and several in Kerala practiced matrilineal inheritance (Agarwal 1994).

could initiate it during the father's lifetime, if the father was deemed unable to have more sons (Cowell 1985, 41–42). Yet, all forms of partition were frowned on; considered a sign of weakness, partition would tarnish the family's reputation and limit its social and economic options (Dutta 1997, 97).

The differences between Hindu and Islamic inheritance rules suggest that Hindus enjoyed an advantage over Muslims in preventing capital fragmentation. The denial of inheritance rights to Hindu women and the incentives to keep the assets of Hindu families undivided made it easier for Hindus to prevent capital fragmentation at the death of a member active in business and in control of commercial assets. The historical literature on commercially prominent Indians contains abundant examples of Hindu families that operated enterprises lasting generations. Consider the Jagatseth joint-family enterprise. Established in 1652 as a Patna-based moneylending business, it had branches in Dhaka, Calcutta, and Benares, among other cities. The family fortune was partitioned in 1822, because of a bitter dispute between two brothers. But along the way, on three occasions a partition was avoided by agreeing on a new family head after a period of discord (Little 1967, vi–xxii).[13]

India's known family businesses with long histories are overwhelmingly Hindu. This provides a further reason to explore whether the Hindu-Muslim performance gap of interest here is rooted in the traditionally favored commercial and inheritance practices of the two groups. It raises the possibility that the very historical mechanisms responsible for Middle Eastern underperformance relative to western Europe, and of the Middle East's Muslims with respect to its Jews and Christians, also account for the underperformance of India's Muslims vis-à-vis its Hindus.

V. Muslim Practices before and under British Rule

It so happens that India's Muslims did not necessarily follow Islamic inheritance rules. Before British rule, their inheritance practices were shaped, like those of other religious groups, by customs based largely on caste and regional particularities. Mass conversions to Islam did not always alter inheritance practices.[14] The converts joined a new social group, not necessarily coterminous with the aggregate of all Indian Muslims, for the purposes of ritual obser-

[13] In the mid-eighteenth century, the Jagatseth family also benefited from its support of the East India Company against the Nawab of Bengal. The political and institutional determinants of its successes are not mutually exclusive.

[14] Formally, the vast majority of India's Sunni Muslims followed the inheritance rules of the Hanafi school of law, and most of its Shi'is followed the Ithna Ashari law of inheritance. The differences among these schools are inconsequential here, for each led to capital fragmentation. Sufis did not develop a separate school of inheritance (Carroll 1983, 1985, 1995).

vance, marriage, and dining, although often without leaving behind their old ways. To a much larger extent than in the Middle East, Muslims retained local, non-Islamic customs. This is reflected in heavy Muslim participation in Hindu and other non-Muslim festivals. The Muslim judges (*kazis*) who served Mughal rulers were remarkably tolerant of practices that would not pass muster under a strict interpretation of Islamic inheritance laws (Hardy 1972, chap. 1).

Although the dearth of surviving court records from Mughal India precludes the quantification of this tolerance, we know that the British applied Islamic law (*sharia*), and especially the Islamic rules of inheritance, with greater rigor than Muslim judges (Koslowski 1985, 157; 1987, 171–75; Powers 1989, 556). So insofar as Islamic inheritance practices mattered to the patterns highlighted here, their effects might have become more pronounced under the British.

The British promoted Islamic inheritance practices through common law courts instituted all across India. In doing so, they did not single out Muslims for special treatment. Simultaneously, they took to promoting Hindu inheritance practices among Hindus. Yet British judges of the late eighteenth century were generally unfamiliar with local practices; they could not possibly master all the fine variations across castes, regions, and religions. In need of guidelines, they took to consulting Muslim "experts" and texts in inheritance cases involving Muslims and Hindu "experts" and texts in cases involving Hindus. But by the 1860s, Anglo-Indian courts were no longer dependent on Muslim and Hindu advisers; their judges were relying solely on personal experience, the precedents of their own court, and translations of Hindu and Muslim texts. One consequence of this early form of multiculturalism was the differentiation of Muslim and Hindu practices. Another was the homogenization of each (Koslowski 1985, 109–10; Powers 1989, 555; Klein 2000, 558–59). Certain Hindu practices became less diverse, and the highly varied Islam of Mughal India got supplanted by a classical or Arabic form of Islam. Although the British did not eradicate regional and caste-based differences, they made faith a more important determinant of inheritance practices. Moreover, for each faith, their reliance on a small number of texts reduced diversity of interpretation.

The interreligious differentiation and intrareligious homogenization of Indian inheritance practices took place at a time when Europeans were establishing dominance over the global economy. More critical here, technological advances were generating massive opportunities for wealth creation through large and perpetual profit-making organizations. The described British inheritance policies occurred, in other words, during a period when it was

becoming increasingly advantageous to pool resources on a large scale and indefinitely and increasingly disadvantageous to lack barriers to resource fragmentation.

If the unfolding story has any villains, then, the British must be counted among their ranks.[15] This is because they made India's Muslims maintain or adopt inheritance practices that posed a disadvantage at a time when adapting to the global economy required capital accumulation and preservation.[16] This does not amount to an endorsement of the fashionable "British bias" thesis that we dismissed early on. Insofar as the British harmed Muslims, they did so mainly through measures that strengthened the role of Islam in Indian economic life rather than through job discrimination, the commonly invoked factor. The timing of these measures was critical. In the 1600s large and perpetual private enterprises were not yet essential to the efficient exploitation of known technologies. So had the British strengthened the role of religion in Indian economic life 2 centuries earlier, Muslims restricted to strictly Islamic inheritance practices need not have fallen behind.

VI. Islamic Vehicles to Circumvent Islamic Inheritance Rules

Under each of our two traditional legal systems, the capital of a successful businessman could be partitioned either during his lifetime or at his death. Yet the incentives to keep the capital of a successful enterprise undivided were greater under Hindu law, and all the more so when the enterprise was successful. The assets would remain in a family enterprise jointly owned and operated by relatives accustomed to working for an organization designed to live on indefinitely. For their part, Muslims who lived by Islamic law lacked the option of maintaining the business under an established structure. A compounding difficulty is that successful businessmen operating under Islamic law tended to form myriad partnerships, generally all small and all short lived. The challenges of maintaining hundreds of separate enterprises are obvious. If the heirs of a deceased businessman wanted to keep them going, partners from outside the family might opt to go their own way.

During the nineteenth century, it did not escape notice that estate fragmentation was particularly pronounced among India's Muslims. Moreover,

[15] Certain Hindu, Muslim, and other religious leaders actively promoted the homogenization of these processes for personal gain. They share responsibility for the ensuing outcomes.

[16] Iyer (2010) identifies systematic differences between the economic performance of British India's native states (nominally independent entities administered by a local ruler) and that of its directly administered regions. Her findings suggest that the Muslims of the native states might have avoided the consequences in question here. Yet, many native states adopted the Anglo-Indian legal system, which would have limited any differences regarding the organizational choices of investors.

prominent leaders came to consider the spread and enforcement of Islamic inheritance practices to be the basic cause. Syed Ahmed Khan (1817–98), the Muslim jurist and scholar who founded the Anglo-Mohammedan Oriental College at Aligarh, held the implementation of Islamic inheritance practices responsible for Muslim impoverishment. "The condition of Muslims is deteriorating," he observed, and "descendants of families which were very rich have become extremely poor." Moreover, their "properties and estates" were being "sold after being divided into small fragments."[17]

A partnership between Esmailji Suleymanji and Hasanali Mohamedali, two Muslim contemporaries of Syed Ahmed Khan, illustrate the difficulties of keeping wealth unfragmented. Suleymanji and Mohamedali operated a successful partnership that sold umbrellas. Through an initial investment of Rs 70,000, they earned profits of around Rs 30,000 a year. When Mohamedali died in 1896, his heirs insisted on receiving their shares of the estate. Suleymanji pleaded with them to keep the enterprise going. However, Mohamedali's heirs insisted, and the partnership dissolved in 1900 (Hasanali Mohamedali v. Esmailji Suleymanji, *Bombay Law Reporter* 9 [1907], 606).

If preserving successful businesses and avoiding asset fragmentation were indeed general problems for Muslim families, they would have sought solutions. In fact, they found respite from the application of the Islamic inheritance system by using another institution widely recognized as Islamic, the *waqf-alal-awlad*, Islam's distinct form of family trust, which is generally known as the family *waqf* (Koslowski 1987, 178). Used in the Middle East for centuries under various names, the family *waqf* was rarely used in India before the nineteenth century. Even then, its use became common only in states under direct British rule (Koslowski 1985, 42).[18] It speaks volumes that the family *waqf* became popular just as, and especially in regions where, Islamic inheritance practices began spreading.

Whether or not it is associated with a family, a *waqf* is an endowment established by an individual to provide a designated service in perpetuity.[19] The endowment that supplied the necessary revenue had to consist of real estate. What made a *waqf* a "family *waqf*" is that its principal beneficiaries were the founder's family and descendants. The founder of a family *waqf* could retain some control over his endowment by appointing himself (or

[17] As quoted by Carroll (2001, 258).

[18] Family *waqfs* were rarely used in the Punjab or in the native states not ruled directly by the British.

[19] *Waqfs* had been used in pre-British India to finance Sufi shrines, tombs, and mosques. In some places they were used also to support Hindu religious institutions. They were founded by emperors, local rulers, other major officials, and wealthy merchants. See Hassan (1987, 555) and Suvorova (2004, 29, 38). On the *waqf* institution in general, see Kuran (2001).

herself—a significant minority of family *waqfs* had a female founder) as its caretaker for life. The caretaker enjoyed the privilege to confer benefits on relatives and descendants of his choice. Assets placed in a *waqf* were exempt from Islamic inheritance rules. Prosperous Muslims established a family *waqf* to reduce their assets going to daughters, younger sons, and disobedient children in general. Disfavored children might be awarded maintenance or a nominal salary.[20]

The family *waqf* offered many advantages to a wealth holder intent on controlling its uses during and after his lifetime. It also provided an instrument for keeping wealth undivided. Could the family *waqf* have given Indian Muslims the means, then, to compete effectively with the joint-family enterprise popular among Hindus? Along with the advantages just cited, it had certain drawbacks. First and foremost, under Islamic law the deed of a family *waqf* was considered fixed forever. Not even the founder was free to alter its original purpose. Hence, the revenue of the underlying assets could not be used to augment the capital or pursue a new investment opportunity. If the deed instructed the caretaker to divide the revenue equally among four family members, that is what had to be done. The beneficiaries were free to pool their shares through a partnership. As we already know, though, the partnership was poorly suited to long-lived ventures, and its risk of premature liquidation rose with the number of partners. A second drawback is that assets placed in the *waqf*'s endowment could not be converted into liquid capital. Whereas a plot of land could be exchanged for another plot with the permission of a Muslim judge, it could not be sold to finance, say, a ship or a factory (Koslowski 1985, 255–62). Islamic law disallowed the modification of assets even if the beneficiaries wanted it unanimously.

The resulting inefficiencies would tend to grow over time. One reason is that descendants of the original beneficiaries were less likely to have close relations than the beneficiaries handpicked by the founder. Hence, with each passing generation it became increasingly difficult to rely on the family *waqf*'s assets to finance a new business. By the late nineteenth century, Muslim capital tied up in family *waqfs* was depressing significantly Muslim resources

[20] For numerous examples, see Koslowski (1985, esp. 56). One founder was Shaikh Ahsan-ullah Chaudhri, whose family included his wife, his daughter, his three sons, and their wives. Chaudhri established a family *waqf* and appointed his eldest son as its caretaker. The *waqf* deed assigned the eldest son a monthly salary of Rs 100. The next son was appointed deputy caretaker at a salary of Rs 90, and the youngest was made deputy to the deputy at Rs 80. The daughter would receive an allowance of Rs 30 per month. The remaining family members were granted token sums. Another founder, Basharat Ali had two sons, one a wastrel and the other obedient. He assigned sole control of the *waqf* to the obedient son, granting only a nominal allowance to the wastrel.

available for investment in new industries of the emerging modern economy. The family *waqf* was thus contributing to Muslim economic underperformance by drawing resources away from sectors in which success required large-scale capital pooling on a sustained basis.

Hindus were not lacking opportunities to form an irrevocable, indivisible, and perpetual endowment. As with religious functionaries everywhere, the Hindu priestly class, the Brahmans, encouraged gifts for religious and charitable purposes. It was possible to make a gift in perpetuity to finance a religious ritual (Mayne 1906, chap. 12). Yet, for Hindus an endowment was not the only, or even the main, vehicle for keeping wealth undivided. Hence, it played a less important role in Hindu economic life than in Muslim economic life.

To sum up thus far, in late British India Hindu and Muslim families tended to use different institutions as means to preserve capital. Hindu families favored the joint-family enterprise, which exploited jointly owned resources under the leadership of a family head. For their part, Muslims used the family *waqf*, whose assets were managed by a single caretaker for the benefit of designated beneficiaries. In the former case, the resources could be liquid, and they could be reallocated with changing opportunities. In the latter, the assets were limited to real estate, which narrowed the capacity to pursue emerging investment opportunities. Earlier we saw that the joint-family enterprise offered advantages in regard to longevity over the partnership, the institution that Muslims used most commonly to fund and operate cooperative profit-making ventures. Now we see that the Islamic institution conducive to preserving capital indefinitely was poorly suited to operating a business in which profitability depends on the flexibility to reallocate capital across sectors.

VII. Rise of the Managing Agency

In British India, the business community included Europeans. They could have conducted business through organizational forms popular among the indigenous population, such as simple partnerships and joint-family enterprises. Instead, Europeans formed and plowed resources into joint-stock companies, which were, in essence, partnerships with tradable shares.[21] Unlike a simple partnership, those of a joint-stock company could change hands without renegotiation. Hence, a joint-stock company's legal existence was independent of the composition of its membership.

[21] Lamoreaux and Rosenthal (2005, sec. 2) identify the properties of these and other popular organizational forms.

Until 1857, joint-stock companies formed under Anglo-Indian law were all unincorporated. As such, they lacked legal personhood.[22] In an unincorporated joint-stock company, each shareholder is personally responsible for all company liabilities. To protect themselves, the shareholders typically require share transfers to be sanctioned by the entire collectivity. They also meet periodically to set dividends and company policies. Beginning in 1857, all Indian companies, except those in banking and insurance, were allowed to register as a corporation (Rungta 1970, 64). By incorporating, a joint-stock company obtained legal personhood. Its members acquired limited liability, which shielded their personal assets from the company's creditors. Ownership and management got separated, as individual shareholders lost the right to veto company policies, except by acquiring a majority of the shares.[23]

Before the mid-nineteenth century, the management of an Indian joint-stock company was ordinarily entrusted to a mercantile "agency house" equipped with specialized technical skills and business intelligence (Kling 1966, 40). Around that time a new entity known as a "managing agency" appeared on the scene. The typical managing agency supervised many companies in multiple sectors, including corporations. Depending on opportunities, it used the capital of existing companies to found new ones, sometimes in emerging sectors. Its essential organizational contribution was the ability to meet the unanticipated credit needs of companies under its umbrella and to reallocate resources across sectors in response to emerging opportunities. By enabling companies to share risks and by channeling resources to areas where they would be most productive, the managing agency found it easier than an independent company, and much easier than a lone family, to borrow from banks (Brimmer 1955, 562). Usually a managing agency controlled only a minority of the shares of a company under its management.[24] Hence, the shareholders of the typical company were free to terminate the agency agreement at the end of a contract period. However, this happened rarely, which suggests that the benefits of operating under a managing agency outweighed the risks.

For about a century, managing agencies controlled most of India's industrial assets. Their domination was particularly pronounced in the largest and technologically most advanced industrial companies under private ownership.

[22] Of the joint-stock companies in business, all the incorporated ones were registered in Europe, mostly in Britain.

[23] On the benefits to investors, see Hansmann, Kraakman, and Squire (2006, sec. 3).

[24] Although it would assume majority ownership of a new company, ordinarily it would sell most of its shares as soon as the company got established and the risk of its failure fell to levels tolerable to individual investors.

Before World War I, they controlled almost all the companies that dominated the tea, jute, and mining industries. At the birth of independent India in 1947, more than 90% of all assets were under their control in the jute textile, synthetic textile, cement, automobile, and metallurgy sectors (Ghosh 1973, table 1). As late as 1955, managing agencies controlled more than 70% of all the capital belonging to a publicly traded company (Lamb 1955, 110; Kling 1966, 38).

The commercial organizations that Europeans introduced to India—the joint-stock company and the managing agency—were governed by Anglo-Indian law, which was meant to serve all Indians, including indigenous communities. In providing new organizational options to Muslims and Hindus alike, the new law allowed both groups to advance economically. Indians of all faiths gained the ability to exploit new technologies efficiently. Thus, whatever harm British rule did to certain subgroups, such as artisans whose skills were devalued by industrialization, each of the major religious groups gained the ability to exploit new technologies efficiently.

Since our goal is to understand the Hindu-Muslim divergence, it makes sense to identify separately what each group gained in terms of new opportunities. To Muslims accustomed to small and short-lived partnerships, the joint-stock company offered a vehicle for forming large and durable partnerships. In addition, the managing agency gave investors the flexibility to reallocate resources quickly across sectors without restricting themselves to tiny and temporary organizations. The assets investable in a modern company were not limited to real estate, as they were with the *waqf*. As for Hindus accustomed to the joint-family enterprise, the joint-stock company offered opportunities to pool resources across family lines. It thus enabled them to enter sectors exhibiting substantial economies of scale and scope. Through the joint-family enterprise, Hindus could already invest for the long term without locking resources into a particular sector. However, the scale of their operations was no longer limited by their own family's resources. A complementary advantage of shifting resources to joint-stock companies was access to the professional management of a managing agency. Most family enterprises were too small to make professional management efficient.

Both Muslims and Hindus had reasons, then, to shift resources into modern companies. As technological advances enlarged the segment of the economy in which success required long-term investment in heavily capitalized and professionally managed enterprises, both groups might have gravitated to joint-stock companies operating within the managing agency system. How, then, did they respond to the new opportunities? And insofar as the responses differed, did preexisting institutions play a role?

VIII. Muslim and Hindu Responses Compared

For answers, we must relate evidence concerning use of modern organizational forms to population shares of the two religious groups. Data sets that lend themselves to identifying pertinent institutional choices allow the identification of Muslims by their names, with near certainty. As for the Hindus, their names overlap with those of Sikhs, who represented 1.2% of India's population in 1931, and Jains, who represented 0.4%. These two groups followed inheritance practices similar to those of the Hindus. Hence, for our purposes Sikhs and Jains can be treated as part of the Hindu population. Using this aggregation, table 1 provides the relevant shares for the last four censuses of British India.

One indicator of institutional switching lies in participation on the boards of publicly traded companies. Table 2 presents, for 1920 and 1940, the number of Hindus and Muslims serving as a director on the board of a publicly traded company listed in *Investor's India Yearbook*. As the arguments in the previous section would make one expect, it shows that both Hindus and Muslims took advantage of the new organizational forms that the British introduced to India. However, it also points to relatively greater participation on the part of Hindus. Already in 1920 Hindus were overrepresented on boards, and Muslims were underrepresented, vis-à-vis their respective shares of the native Indian population. In the waning decades of British rule, we learn further, the Hindu-Muslim gap was growing. Whereas the absolute number of Hindu directors increased by 158% between 1920 and 1940 (from 403 to 1,043), that of Muslim directors increased more modestly, by 49%.

The period covered by table 2, 1920–40, saw a tripling of the number of joint-stock companies registered in India.[25] In the course of this surge, the share of capital held by companies under the control of native Indians jumped from 13% to 34%, and those held jointly by natives and Europeans rose from 15% to 26%.[26] Hence, in the period under consideration, not only did Indian business undergo rapid organizational modernization, but its ownership became more Indian. Evidently, Hindu investors took greater advantage of the new organizational opportunities than Muslims did, and they played a disproportionate role in raising the share of Indian capital in modern businesses.

Additional information is obtainable from court data concerning the organizations that were party to lawsuits that reached one of India's four chartered high courts. The *Allahabad Law Reporter*, *Bombay Law Reporter*, *Calcutta*

[25] The number rose from 2,668 in 1918 to 10,657 in 1938 (Tripathi 2004, 175).

[26] The remaining capital, 72% and 40%, respectively, was in companies controlled solely by Europeans. The figures are for 1918 and 1938. See Tripathi (2004, 175).

TABLE 1
HINDU AND MUSLIM POPULATION SHARES, 1901–31

Religion	Year 1901	1911	1921	1931
Hindu	71.6	70.8	70.0	69.8
Muslim	21.2	21.3	21.7	22.2
Other	7.2	7.9	8.3	8.0

Source. Census of India 1931, vol. 1, pt. 1.
Note. Hindu data include Jains and Sikhs. "Other" includes the Parsees, an economically successful Parsi community that represented around 0.03% of India's population between 1901 and 1931.

TABLE 2
HINDU AND MUSLIM DIRECTORS OF PUBLICLY TRADED COMPANIES, 1920 AND 1940

Year	Hindu Population (%)	Hindu Directors No.	Hindu Directors %	Muslim Population (%)	Muslim Directors No.	Muslim Directors %
1920	70.0	403	21.6	21.7	69	3.7
1940	69.8	1,043	40.1	22.2	103	4.0

Sources. Population shares are from table 1. The 1931 census was used for 1940 because no Indian census was taken in 1941. Directors data are compiled from *Investor's India Yearbook* (1920 and 1940).
Note. Total number of directors was 1,862 in 1920 and 2,604 in 1940. In each case, the vast majority of the rest were Europeans. Hindu data include Jains and Sikhs. Hindus were disproportionately represented on boards in both years at the 99.9 level of statistical significance ($\chi^2(1) = 22.8$ and 147.2 for 1920 and 1940, respectively).

Law Reporter, and *Madras Law Reporter* contain accounts of cases that came before them between 1900 and 1947.[27] If Hindus embraced modern organizational forms more rapidly than Muslims did, this should show up in these records.[28]

Table 3 divides into four categories all cases in which at least one Hindu or one Muslim or a Hindu- or Muslim-owned organization appears as a litigant. It shows that in a bit over half of all the cases involving Hindus, a Hindu is party to what we are calling a "personal contract," or simply "contract," as shorthand

[27] These four courts, each located in a different region, were four of India's five high courts in operation during the entire 1900–1947 period (Ilbert 1909, 306). The fifth high court, that of Karnataka, was established in 1884 (http://karnatakajudiciary.kar.nic.in/sc/history.htm). We have left it out because its load was limited and also because south India is already represented in our sample by the high court of Bombay. Additional high courts, such as that of Lahore, came into existence well after 1900.

[28] The cases in these records probably overstate the use of modern organizational forms. This is because individuals would have found it more profitable, on average, to sue a company with deep pockets than a traditional company or an individual, whose ability to pay would be more limited. However, there is no reason to expect the consequent bias to have affected the Hindu and Muslim shares of court participation or their observed uses of modern organizational forms.

TABLE 3

INSTITUTIONS USED BY HINDUS AND MUSLIMS: COMMERCIAL CASES OF THE ALLAHABAD, BOMBAY, CALCUTTA, AND MADRAS HIGH COURTS, 1900–1947

	Contract		Partnership		Joint Family		Corporation		Total	
Religion	No.	%	No.	%	No.	%	No.	%	No.	%
Hindu	914	53.3	214	12.5	303	17.7	283	16.5	1,714	100
Muslim	206	63.2	81	24.8	4	1.2	35	10.7	326	100

Note. The two distributions across institutions differ at the 99.9 level of statistical significance ($\chi^2(3) = 88.9$, $p = 0$). Muslims used contracts and partnerships disproportionately ($t = 3.4$ and 4.9, respectively), and Hindus the joint family and the corporation ($t = 14.9$ and 3.4).

for an agreement entered into as an individual. If a Hindu agreed to buy land or deliver a brokerage service as an individual, that agreement would enter the table as a Hindu contract.[29]

The remaining three categories involve profit-seeking cooperative organizations with which we are familiar: the partnership, the joint-family enterprise, and the corporation.[30] In accord with our earlier findings, Muslims use the partnership more commonly than do Hindus; for their part, Hindus make much greater use of the joint-family enterprise. Use of the corporation also favors Hindus, which is consistent with the director data presented in table 2.

Table 2 also showed that, over 1920–40, Hindus gained an increasing share of the board directorships, in contrast to Muslims, whose share stagnated. Might the data in table 3 be hiding a similar pattern? Table 4, which splits 1900–1947 into two equal subperiods, 1900–1923 and 1924–47, provides pertinent information. In the first subperiod, the two groups used the corporation about equally. In the second, however, a significant gap emerged, as the frequency rose more among Hindus. The second subperiod, 1924–47, overlaps substantially with the period covered by the data on directors, 1920–40. The high court data confirm, then, that in the final quarter century of British rule, Hindus were making the transition to corporate life more rapidly than were its Muslims. The second subperiod coincides with the emergence of

[29] Debt contracts among individuals with no identifiable organizational or sectoral affiliation are excluded from the sample. Here is an example of such a case that involves a promissory note known as a *hundi*: "Yogi Kumar issued a promissory note to Mohamed Khan for Rs. 50 in 1903 in Lucknow. Mr. Khan was unable to redeem it due to an error in the form attached to the promissory note. The court ordered Kumar to pay Mr. Khan Rs. 50 and accrued interest immediately." From this brief account of the case, we cannot tell whether the two sides were partners, coworkers in a corporation, or just friends. Also absent is information about the economic sectors of the two sides. The brevity of the account probably means that other information was irrelevant. The cases included in our sample typically contain a much richer array of information.

[30] A few cases involve an organization whose type was unclear. They were excluded from the counts.

TABLE 4
USE OF CORPORATION BY HINDUS AND MUSLIMS: COMMERCIAL CASES OF THE ALLAHABAD, BOMBAY, CALCUTTA, AND MADRAS HIGH COURTS, 1900–1923 AND 1924–47

		Use of Corporation	
Religion/Subperiod	Total Cases	No.	%
Hindu:			
1900–1923	762	75	9.8
1924–47	952	208	21.8
Muslim:			
1900–1923	154	12	7.8
1924–47	172	23	13.4

Note. For 1900–1923, the Muslim and Hindu shares are statistically identical ($t = 0.8$). For 1924–47, the Hindu share is greater at the 99.9% level of significance ($t = 2.9$). For both groups, the share rises significantly across the two periods ($t = 7.0$ for Hindus, 1.7 for Muslims).

new opportunities through, on the one hand, British departures and, on the other, the Great Depression. Evidently, Hindus took advantage of those opportunities more readily.

One may wonder whether differences in intracommunal dispute resolution systems affected the use of Anglo-Indian courts. If Muslim dispute resolution institutions were particularly strong, the presented high court patterns might have reflected the underrepresentation of Muslims. However, the earlier data on the distribution of company directors make this unlikely. In any case, Muslim intracommunal mediation or adjudication organizations did not handle cases involving modern organizational forms.

If Muslims made low use of the joint-stock company, they would have had a limited use for managing agencies because the religious and caste affiliations of investors were highly correlated with those of managing agency directors to whom they entrusted capital. One would expect Muslims to be underrepresented among the directors of managing agencies. Data from 1951, a few years after India's partition, bear this out. Of 3,944 domestic managing agencies operating in India in that year, only 43, or 1.1% of the total, were directed by Muslims.[31]

IX. Institutional Determinants of the Divergence

With the emergence of new economic sectors requiring sustained investments in professionally managed and heavily capitalized enterprises, both Muslims and Hindus acquired opportunities to plow capital into joint-stock companies operating within the managing agency system. To exploit the new opportunities, they had to entrust capital to strangers, even to nonhuman entities.

[31] Nigam (1957, 104–225). The share was found through a manual count.

Personalized trust, which develops among people with personal ties to each other and results from repeated interactions within networks of cooperation, was not enough. It had to be supported by generalized trust, which transcends face-to-face interactions and extends to impersonal organizations (Putnam 1993, chaps. 4, 6; Mayer, Davis, and Schoorman 1995; Fukuyama 1996, chaps. 3, 13; La Porta et al. 1997; Uslaner 2002, chaps. 2, 3, 5).

Yet, during the first half of the twentieth century generalized trust was low in India even by today's Indian standards. Although people trusted family members and acquaintances, they tended to distrust strangers and were unaccustomed to dealing with impersonal organizations. Neither Muslims nor Hindus felt comfortable with placing capital under the control of strangers, as we now do routinely in buying the shares of companies with thousands of other shareholders and managers unknown to us personally. However well they understood the advantages of pooling capital with nonrelatives within a joint-stock company, they strove to avoid the financial risks of transacting with strangers.

Due to differences between their inheritance systems, Hindus found it easier than Muslims to achieve a satisfactory balance between personal financial control and efficient capital pooling. This is an important reason, we shall now see, why Hindus played a more pronounced role than Muslims in India's transition to corporate life.

Consider first a Hindu family that wishes to broaden its investment portfolio by entering mass manufacturing. To do so, it must raise capital from outside the family, turning its joint-family enterprise into a joint-stock company. The structural similarities between the joint-family enterprise and an agency-managed joint-stock company will facilitate the transition. Although restricted in scale, the former functionally resembles the joint-stock company, in that a family patriarch manages resources on behalf of his family, usually with the help of selected male relatives. In establishing a joint-stock company formally, a family gains the ability to draw capital into its businesses from nonrelatives. It will want to do so in a controlled manner, without opening up its businesses to strangers or losing control over their management. In fact, Hindu families tapped into communal networks, which were usually based on caste ties, and they tended to limit nonfamily ownership.[32] In selecting a managing agency, too, they paid close attention to informal bonds.

This is a major theme in historical accounts of Hindu families that ran prominent and long-lasting businesses. The Lalbhai family, a branch of a

[32] Nonrelatives contributed capital on the basis of trust grounded in those same ties.

Gujarat family that amassed a fortune in the seventeenth century, provides an example. In 1897 it founded the Saraspur Manufacturing Company as a joint-stock company, raising part of the required capital from distant relatives and members of its caste. A cousin of the patriarch served as chairman of the company. Three other relatives had a majority share in the managing agency to which it was entrusted. In the first half of the twentieth century, the Lalbhais established nine other joint-stock companies over which they maintained control (Hazari 1966, 247; Tripathi 1981; 2004, 88–102).

The death of a family patriarch in control of one or more joint-stock companies could lead to conflict among descendants. One of his sons might want to go his own way, selling his shares to outsiders. If he succeeded, the family would lose its majority control. If the family pressured him to back off, it might be faced with a disgruntled shareholder capable of compromising its ability to present a united front. However, commercially prominent Hindu families had a long tradition of keeping the family united and managing splits amicably. The history of a successful family, usually common knowledge, dampened the risk of converting a joint-family enterprise into a joint-stock company. It also limited the risk assumed by outsiders who invested in a family-dominated company.

With the exceptions addressed below, Muslims did not start from a joint-family enterprise. So for them, establishing a family-controlled joint-stock company was not a realistic option. It was much more likely to involve investment in an organization dominated by nonrelatives, even strangers. Hence, for Muslims the perceived risks of investing in a joint-stock company were greater than those of Hindus whose capital had been family controlled.

The Islamic inheritance system posed a further difficulty. Imagine that a wealthy Muslim businessman founds a joint-stock company in which he controls 60% of the shares and four others, none a relative, the remaining 40%. At his death, his shares fall to his two sons, each of whom receives shares representing 20% of the company, and two daughters, who get 10% each. By acting in unison, the founder's family can retain control of the company. However, under Islamic inheritance rules heirs are entitled to go their separate ways with their shares of the estate. Moreover, they can transfer shares to someone else at will. Thus, nothing would keep a son from selling his 20% share to a stranger or to someone the family dislikes. If he did so, the family would lose its majority ownership and, therefore, its control over the company's future. Islam's extension of inheritance rights to women compounded the difficulties of maintaining family control over a joint-stock company.

As we saw earlier, under Anglo-Indian law Indian companies could adopt rules that allowed existing shareholders to veto share transfers. These rules were in conflict with a core principle of the Islamic inheritance system: the individual's irrevocable and unrestricted right to convert his or her share of an estate into cash. Granting families some control over the shares of their members would have amounted to letting laws governing joint-stock companies trump Islamic inheritance principles. Yet, as we also saw, in the nineteenth century British judges enforced the Islamic inheritance system more vigorously than the Mughals had. We might add here that Muslims were relatively more aware of legal details because their school curricula tended to put great emphasis on Islamic law. For that reason, conflicts between Anglo-Indian law and traditional legal principles may have weighed more heavily on Muslims than on Hindus.[33]

In a nutshell, although the new organizational options gave Muslims opportunities to accumulate and preserve capital more easily than before, they also put them on the horns of a dilemma: the choice between obeying a religious requirement and limiting commercial risks. To avoid that dilemma, they may have found it convenient to preserve capital within family *waqfs*, which were generally considered compatible with Islamic law. The advantages of the *waqf*, including its Islamic legitimacy, evidently outweighed its disadvantages.

One might wonder why the *waqf* was not used to finance industrial enterprises. First of all, the *waqf* was not conducive to supplying the liquid capital needs of such enterprises. The rules, as widely understood, required the *waqf* endowment to consist exclusively of real estate. Second, the capital of a *waqf* was not sufficiently fungible. If a *waqf*'s capital consisted of five stores, by tradition those stores could be swapped for similar stores with the permission of a judge; converting the stores into a factory would have required legal reinterpretations. For both these reasons, as the British exodus opened up new opportunities, preexisting Indian *waqfs* could not be adapted to new needs. Yet another obstacle to industrial uses of the *waqf* is that, again under the rules, they were not allowed to merge with other *waqfs*, or to adjust their functions, in the interest of attracting more capital. To be sure, practices could have been

[33] The logic here also illuminates why the landholding Muslim nobility of northern India was slow to enter manufacturing and finance. In supplying an alternative means to invest, the *waqf* tied up Muslim immovable capital. In Britain, as Moore (1966, 419–21) explains, the landed gentry, although traditionally averse to commerce, eventually overcame its contempt in the face of lucrative opportunities created by institutional and technological advances. If the same pattern did not unfold in India, Islamic law was probably a major cause.

altered without violating the letter of any given legal requirement. However, even if the prevailing rules were not strictly binding, the availability of the *waqf* alternative did not compensate for the Muslim lack of experience with joint-family enterprises.

Because modern organizational forms require the use of written documents, differences in education levels, whether general educational achievement or English-language competence, probably had something to do with the observed patterns. But they do not explain huge intercommunal discrepancies such as those in the director data of table 2. In the period under consideration, Hindus dominated commerce even in regions, such as the United Provinces, where the Muslim literacy rate exceeded the Hindu rate (Kochar 1992, 2610; Brass 2005, 148).[34] Certain commercially prominent castes that did well in the period, such as the Hindu Banias, eschewed English education until much later (Tripathi and Mehta 1990, 23–24, 76). Finally, Bengal, where English education started, was a laggard in regard to economic modernization (Tripathi and Mehta 1990, 19–22; Tripathi 2004, 71).

The specter of losing control of capital through estate fragmentation haunted both Hindus and Muslims. But the perceived risks were relatively greater for Muslims both because they were subject to different inheritance rules and because they started with different business traditions. Under Hindu inheritance principles it was easier than under Islamic principles to maintain family control over a company. Besides, Hindus were already accustomed, through centuries of experience, to operating perpetual family businesses and resolving family disputes internally.

X. Regional and Sectoral Differences

Thus far the analysis has focused on organizational choices without attention to systematic intercommunal differences in sectoral choice. Yet the identified differences could reflect differences in sectoral concentration across the two communities. The corporation would have been less useful to a neighborhood grocery store than to a national bank. Our high court data set permits a refined analysis involving sectoral distinctions.

For the two subperiods 1900–1923 and 1924–47, table 5 provides the sectoral breakdown of the corporation cases presented in table 4. As might be expected, it shows that the corporation gained popularity particularly in finance, clothing, and manufacturing. The evidence that Hindus contributed to the transformation disproportionately is replicated here: the increased use

[34] The Muslims of the United Provinces were generally poorer than its Hindus.

TABLE 5

SECTORAL BREAKDOWN OF THE CORPORATION CASES: COMMERCIAL CASES OF THE ALLAHABAD, BOMBAY, CALCUTTA, AND MADRAS HIGH COURTS

	Total		Hindu		Muslim	
Sector	All	With Corporation	All	With Corporation	All	With Corporation
1900–1923:						
Finance	175	23	159	22	16	1
Clothing	116	13	108	12	8	1
Manufacturing	155	37	127	29	28	8
Retail	86	5	68	3	18	2
Agriculture	269	5	217	5	52	0
Other*	115	4	83	4	32	0
Total	916	87	762	75	154	12
1924–47:						
Finance	361	92	325	89	36	3
Clothing	164	37	143	32	21	5
Manufacturing	208	54	170	46	38	8
Retail	95	6	82	6	13	0
Agriculture	225	22	180	20	45	2
Other*	71	20	52	15	19	5
Total	1,124	231	952	208	172	23

* Services, transportation, and miscellaneous goods.

of the corporation in these sectors was driven largely by Hindu organizational decisions.

Insofar as traditional institutions differed systematically across regions, the use of the corporation might also have varied by high court. A high court located in an area where Hindu women tended to inherit property as individuals could have seen less use of the corporation because joint-family enterprises would have been less common and weaker. The underlying logic recognizes that each high court received cases primarily from its own region.

Table 6 shows, separately for Hindus and Muslims, the organizational choices by court. The use of the joint-family enterprise among Hindus is strikingly low in the cases that came before the Calcutta High Court, doubtless because in northeastern India Hindus practiced matrilineal inheritance rules. In the Hindus' data of this table, the corporation appears least frequently, and the personal contract appears most frequently, in the Calcutta High Court. For Hindus and for Muslims, the corporation appears most frequently, and the personal contract appears least frequently, in the cases of the Bombay High Court. These patterns suggest that western India made the transition to modern commercial life more quickly than the rest of India. The contrast between Bombay (in western India) and Calcutta (in eastern India) is striking, especially because eastern Indians were exposed to British business

TABLE 6

INSTITUTIONS USED BY HINDUS AND MUSLIMS, BY HIGH COURT: COMMERCIAL CASES OF THE ALLAHABAD, BOMBAY, CALCUTTA, AND MADRAS HIGH COURTS, 1900–1947

	Contract		Partnership		Joint Family		Corporation		Total	
High Court	No.	%	No.	%	No.	%	No.	%	No.	%
Hindu:										
Allahabad	142	59.7	19	7.8	40	16.8	37	15.5	238	100
Bombay	260	42.3	113	18.4	108	17.6	133	21.7	614	100
Calcutta	374	74.1	30	5.9	44	8.7	57	11.3	505	100
Madras	138	38.7	52	14.6	111	31.1	56	15.7	357	100
Total	914	53.3	214	12.5	303	17.7	283	16.5	1,714	100
Muslim:										
Allahabad	31	79.5	5	12.8	0	0	3	7.7	39	100
Bombay	55	43.0	50	39.1	2	1.6	21	16.4	128	100
Calcutta	78	85.7	6	6.6	0	0	7	7.7	91	100
Madras	42	61.7	20	29.4	2	2.9	4	5.9	68	100
Total	206	63.2	81	24.8	4	1.2	35	10.7	326	100

Note. For Hindus, the Bombay, Calcutta, and Madras distributions across institutions differ from the overall distribution at the 99.9 level of statistical significance ($\chi^2(3) = 28.8$, 71.1, and 40.2, respectively, and $p = 0$ in each case); as for the Allahabad distribution, it is statistically identical to the overall distribution. For Muslims, the Bombay and Calcutta distributions differ at the 99.9 level of statistical significance from the overall distribution ($\chi^2(3) = 14.1$ and 16.0, and $p = 0$ in each case); the Allahabad and Madras distributions are statistically identical to the overall distribution ($\chi^2(3) = 2.9$ and 1.4). Muslims used contracts disproportionately overall ($t = 5.0$). Comparing the distribution for each city across groups, we find that they differ statistically everywhere: Allahabad ($\chi^2(3) = 11.0$, $p = .01$), Bombay ($\chi^2(3) = 40.3$, $p = 0$), Calcutta ($\chi^2(3) = 10.3$, $p = .02$), and Madras ($\chi^2(3) = 35.5$, $p = 0$).

practices first (Tripathi 2004, 61–71). Although their early exposure should have given them a head start in forming joint-stock companies and joining corporate boards, they fell behind because of their distinct, relatively egalitarian inheritance practices.

The role of sectoral choices can be examined through multivariate logistic regressions. To facilitate interpretation, we present, in table 7, the resulting odds ratios. Of the eight regressions shown, the first four pertain to the full 1900–1947 sample, and the remaining four to 1924–47, when the use of the corporation doubled.

In each of the specifications, an odds ratio captures the change in the marginal probability of using the corporation as a result of a switch from the baseline variable to the independent variable. Thus, in specification 4, moving from the residual clothing sector to the manufacturing sector almost doubles the odds of using the corporation, and moving instead to agriculture reduces it to around a third. The variable "Hindu" ranges between 1.50 and 1.84 in all eight specifications, and it is consistently significant statistically. Specifications 2, 4, 6, and 8 confirm that the use of the corporation depended on sectoral choice. The odds of using the corporation were much lower in agriculture and retail than in clothing and, in some specifications, higher in finance and man-

TABLE 7
ODDS RATIOS OF LOGISTIC REGRESSIONS ON USE OF CORPORATION: ALLAHABAD, BOMBAY, CALCUTTA, AND MADRAS HIGH COURTS

	Baseline Specification: 1900–1947				Baseline Specification: 1924–47			
Independent Variable	Muslim (1)	Muslim Clothing (2)	Muslim Allahabad (3)	Muslim Clothing Allahabad (4)	Muslim (5)	Muslim Clothing (6)	Muslim Allahabad (7)	Muslim Clothing Allahabad (8)
Hindu	1.64***	1.50**	1.69***	1.58***	1.81**	1.79**	1.84**	1.82**
Finance		1.25		1.55**		1.16		1.61**
Manufacturing		1.59**		1.82***		1.24		1.51
Retail		.30***		.35***		.23***		.26***
Agriculture		.27***		.36***		.38***		.52**
Other sectors		.73		.84		1.45		1.79
Bombay			1.58**	1.45*			1.86***	2.01***
Calcutta			.72	.74			.90	.89
Madras			.98	.90			1.06	.91
McFadden R^2	.004	.060	.020	.071	.006	.045	.022	.063

* Significant at 90% level.
** Significant at 95% level.
*** Significant at 99% level.

ufacturing. Again consistently, the corporation was more likely to be used in Bombay than elsewhere; the odds rose by around 50% overall and by about 100% in 1927–47.[35]

Collectively, these results suggest that in late British India, and especially in 1924–47, the sectoral choices of Indians reflected their institutional capabilities. Hindus tended to use the corporation more readily because they operated disproportionately in those sectors in which its use was becoming efficient, and they entered those sectors in the first place because they were institutionally prepared to do so. For their part, Muslims tended to stay out of sectors in which traditional partnerships were becoming increasingly disadvantageous. Both sides acted rationally, it appears, given their respective institutional capabilities.

The entire empirical exercise suggests, then, that as the British role in the economy diminished during the half century leading to Indian independence in 1947, indigenous Indians specialized in ways compatible with their institutional capabilities. Hindus came to play an increasingly dominant role in the sectors in which the corporation was particularly useful. This accords with the article's central institutional claim, namely, that the institutions through

[35] Adding religion-sector interaction terms to specifications 2, 4, 6, and 8 or religion-city interactions to specifications 3, 4, 7, and 8 yields very few significant effects, and none that are consistent across the board. It does not appear, therefore, that within sectors choices broke down on religious grounds.

which Hindus pooled resources and transferred wealth across generations provided a better foundation than those of Muslims for making the transition to modern economic life.

XI. Nonconforming Hindus and Muslims

We had mentioned that some Hindus and some Muslims followed practices at odds with the general pattern of their faith. These subgroups may be characterized collectively as "nonconforming Hindus" and "nonconforming Muslims."

Although the inheritance practices of most Hindus were geared toward keeping family capital intact, those of Bengali Hindus promoted capital fragmentation, much like the canonical Islamic inheritance system.[36] Our institutional interpretation makes one expect the nonconforming Hindus of Bengal to have done less well commercially relative to the Hindus of other regions. In fact, in the first half of the twentieth century Bengal's most lucrative businesses fell under the control of the Hindu Marwari caste, which was concentrated in western India, unless they were managed by Europeans (Onkar 1985; Tripathi 2004, 127–28 and 168).

To turn now to Muslims exempt from Islamic inheritance requirements, if their egalitarianism and their enforcement by Anglo-Indian courts did indeed affect Muslim organizational choices, this should be reflected in relative economic performance indicators.[37] In particular, nonconforming Muslims should have started using modern organizational forms more rapidly than their "conforming" coreligionists.

Nonconforming Muslims originated in four castes that maintained Hindu inheritance practices even after they converted to Islam. They are the Khojas, Bohras, Memons, and Girasias.[38] Respecting their particularities, British judges allowed them to keep settling estates as they had for centuries. In 1921, the nonconforming Muslim population numbered approximately 300,000, which corresponded to 0.4% of the total Muslim population of 68.7 million (Census of India 1921, vol. 1, pt. 1, 74; Timberg 1978, 106). The Indian census stopped recording caste affiliation after 1921, but the share could not have been much different in 1900, 1940, or 1947.

[36] The Hindus of Bengal followed the Dayabagha code rather than the Mitakshara. See the references of n. 10.

[37] The variations among Muslim practices covered a broad spectrum. But for our purposes here, only those concerning inheritance were critical.

[38] The first two are Ismaili Shi'i, and the latter two are Sunni. Only the first three have traditionally concentrated on commerce. On their histories and institutions, see Papanek (1962), Lokhandwalla (1967), Rattansi (1987), Engineer (1989), Talha (2000, 87–88), and Blank (2001).

TABLE 8

CONFORMING AND NONCONFORMING MUSLIM DIRECTORS OF PUBLICLY TRADED COMPANIES, 1920 AND 1940

Year	Conforming Muslim Population (%)	Conforming Muslim Directors		Nonconforming Muslim Population (%)	Nonconforming Muslim Directors	
		No.	%		No.	%
1920	99.6	27	39.1	.4	42	60.9
1940	99.6	60	58.3	.4	43	41.7

Sources. Population shares are from Census of India (1921, vol. 1, pt. 1, 74). Directors data are compiled from *Investor's India Yearbook* (1920 and 1940).
Note. Nonconforming Muslims were disproportionately represented on boards in both years at the 99.9 level of statistical significance ($\chi^2(1) = 6{,}332.9$ and 4,420 for 1920 and 1940, respectively).

TABLE 9

INSTITUTIONS USED BY CONFORMING AND NONCONFORMING MUSLIMS: COMMERCIAL CASES OF THE ALLAHABAD, BOMBAY, CALCUTTA, AND MADRAS HIGH COURTS, 1900–1947

Form of Islam	Contract		Partnership		Joint Family		Corporation		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Conforming	191	68.5	64	22.9	2	.7	22	7.9	279	100
Nonconforming	15	31.9	17	36.2	2	4.3	13	27.7	47	100
Both	206	63.2	81	24.8	4	1.2	35	10.7	326	100

Note. Contracts are used disproportionately by conforming Muslims ($t = 5.3$), and the corporation is used disproportionately by nonconforming Muslims ($t = 2.9$), both at the 99% level of significance. Partnerships are used disproportionately by conforming Muslims ($t = 1.8$) at the 95% level of significance.

Revisiting the data on the directors of publicly traded companies, let us disaggregate the Muslim figures to determine whether nonconforming Muslims stand out as different. Table 8 shows that in both 1920 and 1940 they were disproportionately likely to serve on the board of a publicly traded company. This finding is consistent with our presented thesis. If the Islamic inheritance system inhibited Muslim adoption of modern organizational forms, Muslims able to circumvent Islam's egalitarian inheritance provisions would have transitioned to modern economic life more easily. In turning to data from the high courts, we find again that nonconforming Muslims show up disproportionately among users of the corporation (table 9).[39]

XII. Conclusions

It is unsurprising that the underperformance of India's Muslims had causes related to the Middle East's economic trajectory. As in the Middle East, the

[39] Of the four cases involving Muslim use of the joint-family enterprise, two belong unambiguously to nonconforming Muslims, which accords with their exemption from Islamic inheritance law. The other two belong to Muslims whose caste is unidentifiable from the records. We coded such Muslims as conforming.

Islamic inheritance system hampered economic modernization by fragmenting successful businesses, by discouraging the pooling of resources on a large scale, and by driving capital from flexible commercial ventures to inflexible family *waqfs*. Muslims thus fell behind not because Islam is averse to commerce, enrichment, or innovation but, rather, because it induced Muslims to operate in the emerging modern economy through institutions poorly suited to forming large and long-living enterprises able to reallocate resources efficiently according to changing opportunities. They ended up specializing in economic sectors in which success was not dependent on large investments.

However, the parallels end there. In the Middle East, Islamic inheritance practices took shape in the early Islamic centuries, and they became self-enforcing through the insistence of heirs who benefited from their egalitarian features. No outside party played a direct role in their adoption or perpetuation. By contrast, in India Islamic inheritance practices were poorly enforced through the eighteenth century. Subsequently, they were enforced more tightly, at the initiative of the British. British judges promoted the Islamic inheritance system at a time when preventing capital fragmentation and preserving successful businesses was becoming increasingly critical to economic performance. They made the inheritance practices of Indian Muslims take on a Middle Eastern character just as their economic drawbacks were becoming starkly evident in the Middle East itself.

The role of the *waqf*, too, differed between the two regions. In the Middle East, the *waqf*, including its variety used to keep wealth within families, played massively significant roles in economic life long before modern technologies raised the costs of immobilizing resources. In India, the *waqf* was never as important, and the family *waqf* became an Indian institution only in the nineteenth century. Again, Indian Muslims adopted a Middle Eastern institution poorly suited to a rapidly changing business environment just as the Industrial Revolution and its accompanying institutional transformations generated huge new opportunities for enrichment.

Another critical difference concerns choice of law. In the Middle East, religious minorities enjoyed the freedom to do business under a legal system of their choice; from the dawn of Islam the Muslim majority denied itself that freedom. Hence, as the rise of modern economic institutions in the West made it increasingly disadvantageous to save, invest, produce, and exchange through Islamic institutions, Christians and Jews became "economically westernized," and their switches enabled them to pull ahead of Muslims in living standards. In India, non-Muslims, most of whom were Hindus, had not shown much interest in Islamic commercial institutions or inheritance practices. Hence, unlike non-Muslims of the Middle East, they did not have to decide

whether to switch out of Islamic law. As for Muslims, relative to their Middle Eastern coreligionists, they had been using Islamic institutions less regularly and less uniformly. Their adherence to Islamic law became stricter under British rule, at least in regard to property relations.

The British administrators of India made their legal system available to everyone, including both Hindus and Muslims. Yet, these communities differed in their incentives to adopt Anglo-Indian institutions. Hindus, especially those of western India, were able to switch relatively easily. This is because the joint-family enterprise, the traditional Hindu instrument for pooling and preserving capital, was structurally similar to the joint-stock company, an organizational form supported by Anglo-Indian law. Hindus thus used joint-stock companies to accumulate and exploit capital, gradually increasing their shares of owners and managers, at the expense of Europeans. As for Muslims, they made disproportionately few switches. One reason, we have suggested, is that for them the required institutional leap was greater. With the exception of nonconforming groups that followed Islamic practices selectively, they had no tradition of family enterprises. Also, the Islamic inheritance system made it difficult to maintain control over family capital placed in a joint-stock company. For both reasons, Muslims tended to avoid sectors in which success depended increasingly on use of the corporation.

The upshot is that religion did affect the economic performance of India's main religious groups. The capital pooling and inheritance regimes associated with Islam and Hinduism affected the rates at which India's main religious groups took advantage of the new economic opportunities that emerged through the Industrial Revolution and associated global transformations.

This interpretation does not rely on attitudinal differences between the two religions. It does not depend on interfaith variations in openness to change, aversion to risk, commercial talent, or economic rationality. Islam and Hinduism affected the economic trajectories of Muslims and Hindus by shaping the institutional matrixes within which these communities made economic choices.

Muslims fell behind Hindus also in areas other than commerce and industry. One is education. Mechanisms leading to differences in either the demand for education or its supply could have contributed to Muslim underperformance, with factors other than commercial institutions playing leading roles.[40] Yet, such alternative mechanisms would not have operated in isolation

[40] In 1871–72, the share of Muslims in schools recognized by the British administration was substantially lower than the Muslim share of the population in Punjab, Bengal/Assam, Madras, and Bombay (Kochar 1992, 261). Recent surveys show that relatively poor castes tend to encourage a traditional education through peer pressure (Borooah and Iyer 2005; Munshi and Rosenzweig 2006). Such pressure was undoubtedly at work in earlier times, too.

from those sketched here. Relative to a person serving on a corporate board, an Indian operating a retail store in the manner of his forefathers had less need to acquire a modern education or learn a foreign language. Our central finding is that mechanisms affecting institutional choices regarding investment and inheritance contributed substantially to the observed Hindu-Muslim economic divergence. Those mechanisms would have had second-order consequences that remain to be explored.

A complete analysis of performance differences among India's Muslims and Hindus must also confront, of course, the effects of the caste system, which imposed on Indian society not only hereditary social inequalities but also a hereditary division of labor. Conversions to Islam occurred disproportionately from lower echelons of the caste hierarchy, which had implications for the historical distribution of commercial skills. Yet the caste system was never completely frozen; castes could change occupations, and new opportunities for individual advancement arose in late British India. The Hindu-Muslim institutional differences identified in this article provide reasons beyond caste per se as to why some groups were quicker than others to embrace the new commercial opportunities that emerged in the nineteenth and twentieth centuries.

References

Agarwal, Bina. 1994. "Gender and Command over Property: A Critical Gap in Economic Analysis and Policy in South Asia." *World Development* 22:1455–78.

Ahmad, Ausaf. 1993. *Indian Muslims: Issues in Social and Economic Underdevelopment*. New Delhi: Khama.

Ahmad, N. 1991. *Muslim Separatism in British India*. Lahore: Ferozsons.

Arasaratnam, S. 1989. *Islamic Merchant Communities of the Indian Subcontinent in Southeast Asia*. Kuala Lampur: University of Malaya.

Aziz, K. K., ed. 1995. *A Historical Handbook of Muslim India, 1700–1947*. Lahore: Vanguard.

Blank, Jonah. 2001. *Mullahs on the Mainframe: Islam and Modernity among the Daudi Bohras*. Chicago: University of Chicago Press.

Borooah, Vani K., and Sriya Iyer. 2005. "*Vidya*, *Veda*, and *Varna*: The Influence of Religion and Caste on Education in Rural India." *Journal of Development Studies* 41:1369–1404.

Brass, Paul. 2005. *Language, Religion and Politics in North India*. Lincoln, NE: iUniverse.

Brimmer, Andrews F. 1955. "The Setting of Entrepreneurship in India." *Quarterly Journal of Economics* 119:553–76.

Carroll, Lucy. 1983. "The Hanafi Law of Intestate Succession: A Simplified Approach." *Modern Asian Studies* 17:629–70.

———. 1985. "The Ithna Ashari Law of Intestate Succession: An Introduction to Shia Law Applicable in South Asia." *Modern Asian Studies* 19:85–125.

———. 1995. "Application of the Islamic Law of Succession: Was the Propositus a Sunni or Shi'i?" *Islamic Law and Society* 2:24–42.

———. 2001. "Life Interests and Inter-generational Transfer of Property: Avoiding the Law of Succession." *Islamic Law and Society* 8:245–86.

Chaudhuri, K. N. 1985. *Trade and Civilisation in the Indian Ocean: An Economic History from the Rise of Islam to 1750*. Cambridge: Cambridge University Press.

Cheesman, David. 1982. "'The Omnipresent Bania': Rural Moneylenders in the Nineteenth-Century Sind." *Modern Asian Studies* 16:445–62.

Cornish, H. D. 1937. *A Short Manual of Hindu Law: As Administered in the Courts of British India*. London: Stevens.

Cowell, Herbert. 1985. *A Short Treatise on Hindu Law*. Calcutta: Thacker, Spink.

Das Gupta, Ashin. 2001. *The World of the Indian Ocean Merchant, 1500–1800: Collected Essays*. New Delhi: Oxford University Press.

Derrett, J. Duncan M. 1962. "The History of the Juridical Framework of the Joint Hindu Family." *Contributions to Indian Sociology* 6:2–47.

Digby, Simon. 1982. "The Maritime Trade of India." In *The Cambridge Economic History of India*, vol. 1, ed. Tapan Rayachaudhuri and Irfan Habib, 125–29. Cambridge: Cambridge University Press.

Dutta, Sudipt. 1997. *Family Business in India*. New Delhi: Response.

Engineer, Ashgar Ali. 1989. *The Muslim Communities of Gujarat: An Exploratory Study of Bohras, Khojas, and Memons*. New Delhi: Ajanta.

Fukuyama, Francis. 1996. *Trust: The Social Virtues and the Creation of Prosperity*. New York: Free Press.

Ghosh, Arabinda. 1973. "Industrial Concentration by the Managing Agency System in India, 1948–1968." *Economic and Political Weekly* 8 (June 9): 57–63.

Government of India. 1955. *Progress of Joint Stock Companies in India*. Delhi: Sunlight.

Hansmann, Henry, Reinier Kraakman, and Richard Squire. 2006. "Law and the Rise of the Firm." *Harvard Law Review* 119:1335–1403.

Hardy, Peter. 1972. *The Muslims of British India*. Cambridge: Cambridge University Press.

Hassan, Riaz. 1987. "Religion, Society and State in Pakistan: Pirs and Politics." *Asian Survey* 27:552–65.

Hazari, R. K. 1966. *The Structure of the Corporate Private Sector: A Study of Concentration, Ownership, and Control*. Bombay: Asia.

Hunter, W. W. 1876. *The Indian Musalmans*. 3rd ed. London: Trübner.

Ilbert, Courtney. 1909. "British India." *Journal of the Society of Comparative Legislation* 10:306–14.

Investor's India Yearbook. 1920 and 1940. Calcutta: Place, Siddons, & Gough.

Ispahani, Mirza Abol Hasan. 1967. *Qaid-E-Azam Jinnah as I Knew Him*. 2nd ed. Karachi: Ferozsons.

Iyer, Lakshmi. 2010. "Direct versus Indirect Colonial Rule in India: Long-Term Consequences." *Review of Economics and Statistics* 92:693–713.

Khalidi, Omar. 2006. *Muslims in the Indian Economy.* Gurgaon: Three Essays.

Khan, Saleem. 1989. "Muslim Decline in India." In *The Muslim Situation in India*, ed. Iqbal A. Ansari, 73–79. New Delhi: Sterling.

Klein, Ira. 2000. "Mutiny and Modernization in British India." *Modern Asian Studies* 34:545–80.

Kling, Blair B. 1966. "The Origin of the Managing Agency System in India." *Journal of Asian Studies* 26:37–47.

Kochar, Rajesh K. 1992. "English Education in India: Hindu Anamnesis versus Muslim Torpor." *Economic and Political Weekly* 27:2609–16.

Koslowski, Gregory. 1985. *Muslim Endowments and Society in British India*. Cambridge: Cambridge University Press.

———. 1987. "Muslim Women and the Control of Property in North India." *Indian Economic and Social History Review* 24:163–81.

Kumar, Dharma. 1985. "Private Property in Asia? The Case of Medieval South India." *Comparative Studies in Society and History* 27:340–66.

Kuran, Timur. 2001. "The Provision of Public Goods under Islamic Law: Origins, Impact, and Limitations of the Waqf System." *Law and Society Review* 35: 841–97.

———. 2003. "The Islamic Commercial Crisis: Institutional Roots of Economic Underdevelopment in the Middle East." *Journal of Economic History* 63:414–46.

———. 2004. "The Economic Ascent of the Middle East's Religious Minorities: The Role of Islamic Legal Pluralism." *Journal of Legal Studies* 33:475–515.

———. 2005. "The Absence of the Corporation in Islamic Law: Origins and Persistence." *American Journal of Comparative Law* 53:785–834.

———. 2011. *The Long Divergence: How Islamic Law Held Back the Middle East*. Princeton, NJ: Princeton University Press.

Lal, Deepak. 1988–89. *The Hindu Equilibrium*. 2 vols. Oxford: Clarendon.

Lamb, Helen B. 1955. "The Indian Business Communities and the Evolution of an Industrial Class." *Pacific Affairs* 18:101–16.

Lamoreaux, Naomi R., and Jean-Laurent Rosenthal. 2005. "Legal Regime and Contractual Flexibility: A Comparison of Business's Organizational Choices in France and the United States during the Era of Industrialization." *American Law and Economics Review* 7:28–61.

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny. 1997. "Trust in Large Organizations." *American Economic Review* 87:333–38.

Leonard, Karen Isaksen. 2011. "Family Firms in Hyderabad: Gujarati, Goswami, and Marwari Patterns of Adoption, Marriage, and Inheritance." *Comparative Studies in Society and History* 53:827–54.

Levi, Scott C. 2001. *The Indian Diaspora in Central Asia and Its Trade, 1550–1900*. Leiden: Brill.

Little, J. H. 1967. *House of Jagat Seth*. Calcutta: Calcutta Historical Society.

Lokhandwalla, S. T. 1967. "Islamic Law and Ismaili Communities (Khojas and Bohras)." *Indian Economic and Social History Review* 4:155–76.

Mayer, Roger C., James H. Davis, and F. David Schoorman. 1995. "An Interpretive Model of Organizational Trust." *Academy of Management Review* 20:709–34.

Mayne, John D. 1906. *A Treatise on Hindu Law and Usage*. 7th ed. Madras: Higginbotham.

Mondal, Sekh Rahim. 1992. "Economic and Social Situations among Muslims of West Bengal: Some Empirical Observations." In *The Social Structure of Indian Muslims*, ed. F. R. Faridi and M. M. Siddiqi, 108–16. New Delhi: Institute for Objective Studies.

Moore, Barrington, Jr. 1996. *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*. Boston: Beacon.

Munshi, Kaivan, and Mark Rosenzweig. 2006. "Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy." *American Economic Review* 96:1225–52.

Nadri, Ghulam A. 2009. *Eighteenth-Century Gujarat: The Dynamics of Its Political Economy, 1750–1800*. Leiden: Brill.

Nigam, R. K. 1957. *Managing Agencies in India*. Delhi: Ministry of Commerce.

Onkar, Goswami. 1985. "Then Came the Marwaris: Some Aspects of the Changes in the Pattern of Industrial Control in India." *Indian Economic and Social History Review* 22:225–49.

Papanek, Hanna. 1962. "Leadership and Social Change in the Khoja Ismaili Community." PhD diss., Radcliffe College.

Powers, David. 1989. "Orientalism, Colonialism, and Legal History: The Attack on Muslim Family Endowments in Algeria and India." *Comparative Studies in Society and History* 31:535–71.

Putnam, Robert D. 1993. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.

Rattansi, Diamond. 1987. "Islamization and the Khojah Ismaili Community in Pakistan." PhD diss., McGill University.

Risso, Patricia. 1995. *Merchants and Faith: Muslim Commerce and Culture in the Indian Ocean*. Boulder, CO: Westview.

Rungta, Radhe Shyam. 1970. *The Rise of Business Corporations in India, 1851–1900*. Cambridge: Cambridge University Press.

Shariff, Abusaleh, and Mehtabul Azam. 2004. *Economic Empowerment of Muslims in India*. New Delhi: Institute of Objective Studies.

Suvorova, Anna. 2004. *Muslim Saints of South Asia: The Eleventh to Fifteenth Centuries*. New York: Routledge.

Talha, Naureen. 2000. *Economic Factors in the Making of Pakistan, 1921–1947*. Oxford: Oxford University Press.

Timberg, Thomas A. 1969. *Industrial Entrepreneurship among the Trading Communities of India: How the Patterns Differ*. Cambridge, MA: Development Advisory Committee.

———. 1978. *The Marwaris: From Traders to Industrialists*. New Delhi: Vikas.

Toynbee, Arnold J. 1954. *A Study of History*. Vol. 8. London: Oxford University Press.

Tripathi, Dwijendra. 1981. *Dynamics of a Tradition: Kasturbhai Lalbhai and His Entrepreneurship*. New Delhi: Manohar.

———. 2004. *The Oxford History of Indian Business*. New Delhi: Oxford University Press.

Tripathi, Dwijendra, and Makrand Mehta, eds. 1990. *Business Houses in Western India: A Study in Entrepreneurial Response, 1850–1956*. New Delhi: Manohar.

Umar, Muhammad. 1998. *Muslim Society in Northern India during the Eighteenth Century*. New Delhi: Manoharlal.

Uslaner, Eric M. 2002. *The Moral Foundations of Trust*. Cambridge: Cambridge University Press.

Vakil, C. N. 1950. *Economic Consequences of Divided India: A Study of the Economy of India and Pakistan*. Bombay: Vora.

Verma, H. S. 1987. *Industrial Families in India: An Enquiry into the Nature of Their Entrepreneurship*. New Delhi: Concept.

Vesey-Fitzgerald, S. G. 1948. "The Succession of Cognate Collaterals in Hindu Law." *Bulletin of the School of Oriental and African Studies* 12:677–87.