



Religion, Minority Status and Trust: Evidence from a Field Experiment^{*}

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Abstract

It is now well accepted that trust is crucial for economic and social development. There is also evidence that religion strongly affects how individuals act when interacting with others. The same is true of status. Using a field experiment conducted in Bangladesh and West Bengal, India, two regions, which are similar in terms of socio-economic characteristics, ethnicity and language but have different religious composition, this paper examines whether religion or minority status affect trusts among different segments of the population. Our results show that it is minority status rather than religion that drives behavior. In both countries individuals belonging to the minority group (Muslims in West Bengal and Hindus in Bangladesh) exhibit positive in-group bias in trust behavior, while individuals belonging to the majority group in both countries (Hindus in West Bengal and Muslims in Bangladesh) show positive out-group bias in trustworthiness. The driver of this bias is however different across the two countries. Finally we find that the extent of in-group bias is systematically higher for religious individuals than non-religious individuals.

Key words: Trust, Religion, Status, In-group and Out-group, Field Experiment, South Asia.

JEL Codes: C93, N3, C21, D03.

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1 Introduction

A central goal in many disciplines is to understand how identity affects behavior. “Historians have documented that societies all over the world have systematically invented identities and used symbols, etiquette, rituals, dress codes, and segregation to impress on people the notion that individuals in different groups represent significantly different categories and face different constraints” (see Hoff and Pandey, 2013). While standard economic analysis has traditionally focused on individual level incentives in decision making, the issue of group membership effects have only recently attracted the attention of economists. There is increasing evidence that economic decisions of individuals are strongly influenced by membership in specific groups and by other kinds of ties in social and cultural networks (see for example Akerlof, 1997; Akerlof and Kranton, 2000, 2005, 2010). Group identity has also been a central concept in understanding and explaining phenomenon like as religious, ethnic and racial conflicts, discrimination, political campaigns, gang violence and the formation of human capital in social psychology, sociology, anthropology and political science.

The reason why identity is important is because there is evidence that individuals tend to favor members of their own group over outsiders. This idea was first established in the social psychology literature (see Tajfel, 1970; Tajfel, Billig, Bundy, and Flament, 1971). One insight from this theory of social identity is that the groups to which people belong mean something to them and hence, they tend to derive a sense of identity and self-esteem from belonging to that group. In-group favoritism follows: if self-identity of individuals is at least partly derived from the social identity of the groups to which they belong, individuals would treat members sharing their identity favorably in order to enhance the positive image of the group, thereby enhancing their own self-identity. This same group identity can also lead to out-group bias following a similar logic. This is likely to result in bias or discrimination against individuals who do not belong to the same group (i.e., do not share the same identity).¹

¹ To be more specific, the social psychology literature (see Stephan and Stephan, 2000) has distinguished between four different kinds of threats that can result in in-group bias (and out-group discrimination). The first is *realistic threat* – pertains to the welfare of the in-group including its economic and political power; the second is *symbolic threat* – that concern group differences in morals, norms and values, which threaten the way of life of the in-group; the third is *inter-group anxiety* – a threat because it refers to the experience

An additional complication arises from the fact that in the real world, individuals can be simultaneously identified along many different dimensions of identity (see Chen, Li, Liu, and Shih, 2013). Consider an example of an African American female lawyer who is a partner in a law firm. She may be identified by her gender (female), her race (black), her role (partner), her occupation (lawyer) or her organization (firm). Some of these identities may be shared by other members of a group, while other identities may not. Which of these identities will drive behavior? This is a difficult question to answer because surely behavior would be situation specific.

This paper adds to our understanding of the role of group identities and multiple identities in explaining how individuals interact with others in a segmented society. We focus on South Asia, which is highly segmented in terms of religion. Hindu-Muslim conflict has been a common occurrence in this region, going back at least to the riots during the partition of India in 1947, if not earlier. The majority of Indians are Hindus, while the majority of Pakistanis and Bangladeshis are Muslims. However there is a sizeable number of Muslims residing in India and Hindus form the bulk of the minority in Bangladesh and Pakistan. One could view Hindus and Muslims in these societies as having a shared and yet separate existence.

In a society segmented on the basis of religion, identity defined on the basis of religion becomes even more important. Religious beliefs can shape attitudes that determine individual behavior and can therefore ultimately affect economic outcomes and welfare. On one hand we have all religions of the world urging their followers to extend benevolence to others, including to strangers (Neusner and Chilton, 2005). On the other, most religious traditions emphasize the importance of religious communities, which endows the follower with a specific identity while creating a distinction between followers and non-followers (Berman, 2000). In a society characterized by religious diversity therefore the net effect of religion on social cooperation (including trust) is ambiguous and thus an empirical question.

Multiple identities become pertinent here. The anthropological/sociological literature has

of being personally threatened during an intergroup experience; and finally *negative stereotypes* – related to expectations about the behavior of out-group members.

indeed alluded to the importance of multiple identities in the Indian context (Gottschalk, 2000). Consider an Indian Muslim. His behavior might be driven by the fact that he is a Muslim or that he is a part of the minority or that he is Indian. Now consider another individual who is otherwise identical to this individual (both in terms of observables and unobservables), except that he resides in Bangladesh and so is now a part of the majority. How would the behavior of these two individuals compare? If religion dominates behavior, then these two individuals should behave exactly in the same manner, when faced with the same tasks and same constraints. On the other hand if majority/minority status or nationality is more important, then behavior is likely to be different. We cannot be sure *a priori* which effect will dominate, and therefore it is crucial to account for multiple identities.

We use the term *status* to specifically characterize whether a particular individual is a part of the majority group or the minority group in terms of religion. Our use of majority/minority to define status is not unique. This has been used in the social psychology literature. Tausch, Hewstone, and Roy (2008) define Hindus in India as having high status as they are part of the majority while Muslims have a low status in India as they are a part of the minority.²

Identification of which identity drives behavior is not easy, particularly since these identities are likely to be correlated: for example, a Muslim in India is always going to be a part of the minority. Fortunately South Asia has a natural variation that we exploit. We conduct the experiments in two different countries – specifically in the state West Bengal in India and in Bangladesh. Prior to the partition of British India in 1947, both these regions existed as one state, Bengal (see Figure 1). An overwhelming majority of people (over 90%) in these two locations speak the same language and share similar cultures. The only big exception is in terms of religion. See selected descriptive statistics in Table 1. In Bangladesh, the majority of the people are Muslims (90%), where as in West Bengal the majority are Hindus (73%). On the other hand in Bangladesh, Hindus form the largest minority (9.6%) and in West Bengal Muslims form the largest minority (25%). While Bangladesh is worse off compared to West Bengal in all socio-economic measures, the big difference is in terms of religious composition. It is this natural variation that allows us to

²Of course status can be defined in a number of different ways. For example Tanaka and Camerer (2010) define status in economic terms.

filter out the effect of religion (being Hindu or Muslim), not contaminated with interactions with minority/majority status.

Subjects of our study participate in the Investment game or the Trust game (Berg, Dickhaut, and McCabe, 1995). More details on the game is presented in Section 3.1 (below). Why do we focus on trust? Economic interactions between individuals are not only governed by contractual relationships but also by trust between individuals, which plays a crucial role in facilitating interactions and trade. This is particularly true in the regions where we conduct this analysis – there the rule of law and hence the ability of the courts and officials to legally enforce contracts is also limited. Additionally one can argue that virtually every commercial transaction has within itself an element of trust (Arrow, 1972). It has also been shown that trust between people, which potentially reduces transactions cost of interactions, is conducive to economic and social development (Fukuyama, 1995; Knack and Keefer, 1997; Zak and Knack, 2001; Beugelsdijk, DeGroot, and VanSchaik, 2004; Bohnet, Harmgart, Huck, and Tyran, 2005; Bohnet, Herrmann, and Zeckhauser, 2010).³

Given our focus on the importance of group identity (here specifically defined by religion), individuals in one treatment are informed of the religion of their (anonymous) matched partner. So Trustors (Trustees) are told that the Trustees (Trustors) in the Trust game would all be Hindus or Muslims. In this treatment we use priming or make the religion of the partner salient. Our paper is thus related to the growing literature on social identity and discrimination (see Hoff and Pandey, 2006; Chen and Li, 2009) and also to the literature on the impact of making social identity salient (see, for example Benjamin, Choi, and Strickland, 2010).

The main research questions that we seek to examine in this paper are:

1. Do individuals discriminate based on religion?
2. Alternatively do individuals discriminate based on (minority/majority) status within

³The non-academic literature has also started acknowledging the importance of trust in open societies. For example, Thomas Friedman writing in the New York Times after the Boston bombing argues that “trust is built into every aspect, every building, every interaction and every marathon in our open society” (New York Times April 2013).

the society?

3. Does discrimination (or lack of trust or failure to reciprocate trust) reflect an in-group bias or is there a systematic discrimination against individuals belonging to other groups?
4. Do religious individuals behave differently compared to non-religious individuals?

Our results show that there is a common theme across locations – it is majority/minority status rather than religion that dictates behavior. We find that in both countries individuals belonging to the minority group (Muslims in West Bengal and Hindus in Bangladesh) exhibit in-group bias in trust behavior (controlling for preferences for altruism, efficiency and risk), while individuals belonging to the majority group in both countries show out-group bias in trustworthiness (again controlling for altruism). The driver of the bias is however different in the two countries. Finally we find systematic evidence that religious individuals show significantly greater in-group bias compared to non-religious individuals. Differences in the behavior of the religious and non-religious individuals can partially explain the minority in-group bias in trust and the majority out-group bias that we observe.

2 Religion, Social Distance and Trust: A Review of the Literature

Unlike other dimensions of group identity, the literature (in economics) relating religion and trust (or indeed social cooperation more broadly defined) is rather limited. Alesina and La-Ferrara (2002), using survey questionnaire, found that religious beliefs do not significantly affect peoples' trust. Bellemare and Kroger (2007) show with Dutch subjects that their religious affiliation does not explain their trust behavior. On the contrary, Fehr, Fischbacher, Rosenbladt, Schupp, and Wagner (2003) find Catholics exhibit more trust than Non Catholics in Germany. Karlan (2005) finds that while own religion of Peruvian villagers did not affect behavior that of their partners did. One thing to note here is that the primary purpose of all these studies was not to test the effect of religion on behavior.

Johansson-Stenman, Mahmud, and Martinsson (2009) was the first systematic experimental study to test the effect of religion on trust behavior. Using two different methodologies (trust games and a survey), they find mixed results when investigating whether being Hindu or Muslim affects trust behavior in rural Bangladesh. The results of the trust experiment show no effect of religion on trust, but results from the trust survey show that both Hindus and Muslims trust people from their own religion more than others and Muslims trust more than Hindus in general. Chuah, Fahoum, and Hoffmann (2013) conduct an inter-ethnic trust game field experiment in urban India and confirm intergroup bias. They argue that ethnic fractionalization reduces social capital and may explain India's slow development. In terms of intensity of affiliation to a religious identity or religiosity, Ruffle and Sosis (2007) find that members of religious kibbutzim in Israel exhibit more pro-social behavior and the frequency of rituals for these individuals is a good predictor of the extent of social cooperation. Tan and Vogel (2008) use a questionnaire to elicit individuals' religious identity and find that it affects trust behavior. On the other hand, Anderson, Mellor, and Milyo (2010) find no evidence of any relationship between either trustworthiness or trust with religious identity. Based on the findings from these limited number of studies it is very difficult to generalize about the effects of religion or religious identity on trust and therefore trust-worthiness. See Hoffman (2013) for a more general review of the experimental literature on the effect of religion on behavior.

Of course religion is not the only way in which social distance can be defined. There is now an (ever) increasing experimental literature that uses an inter-country or an inter-ethnic design to examine the relationship between trust and trustworthiness and the degree of social distance between players. Much of this literature uses lab experiments with student subjects. These studies (see for example Willinger, Keser, Lohmann, and Usunier, 2003; Walkowitz, Oberhammer, and Henning-Schmidt, 2003; Netzer and Sutter, 2009) show little or no evidence of a social distance effect. Turning to inter ethnic studies, Fershtman and Gneezy (2001) find that in Israel there is a systematic mistrust towards men of Eastern origin. Burns (2012) finds that there is systematic mistrust towards Black partners in South Africa. A number of recent papers, use individuals' real-world social networks to define social distance. In experiments conducted in both developing and developed countries

these studies (see Leider, Mobius, Rosenblat, and Do., 2009; Goeree, McConnell, Mitchell, Tromp, and Yariv, 2010; D’Exelle and Ried, 2010; Branas-Garza, Cobo-Reyes, Espinosa, Jimenez, Kovarik, and Ponti, 2010; Ligon and Schechter, 2012) find among other things that a decrease in social distance leads to a more pro-social behavior in dictator games. Binzel and Fehr (2013) find that among residents of an informal housing area in urban Cairo, trust is higher among friends than strangers. Actual geographical distance also matters. For example, Etang, Feilding, and Knowles (2011) find in that villagers in Cameroon are more trusting of and behave more generously towards those from their own village, than those from another village.

In terms of the methodology of making identity salient several techniques have been used in the literature. Since trust game involves two players, decision making may be affected by a person’s own characteristics (identity) as well as their beliefs about the characteristics of who they were paired with (partner’s identity). In terms of making ones’ own identity salient, the literature has typically used priming. With the help of a priming instrument (typically a questionnaire) one out of the many identities of a subject is made salient (see Ahmed and Salas, 2008; Benjamin, Choi, and Fisher, 2010; McCauley, 2009; Parra, 2012; Shariff and Norenzayan, 2009). In terms of making the partner’s identity salient several different techniques have been used. Researchers have provided names, (see Buchan, Croson, and Solnick, 2008; Chuah, Fahoum, and Hoffmann, 2013; Fershtman and Gneezy, 2001; Hoff and Pandey, 2006), photos (see Burns, 2012; Houser and Schunk, 2009) or relevant (and irrelevant) information about the partner (see Ben Ner and Halldorson, 2010; Johansson-Stenman, Mahmud, and Martinsson, 2009; Tan and Vogel, 2008) to make partner’s identity salient.

3 Experimental Design

3.1 Choices

The starting point of our analysis is an experiment with the Trust game or the Investment game (see Berg, Dickhaut, and McCabe, 1995). The trust game is a two-player game in

which players are can play one of two roles: that of a Trustor or a Trustee Each Trustor is given an endowment (E) and asked to decide to transfer any part of this endowment (denote the amount sent by sE) to an anonymous Trustee. The experimenter multiplies this by a known factor $m > 1$ (in our experiment $m = 3$) and gives it to the matched Trustee, who in turn is asked to choose whether to transfer any money back (out of msE) to the Trustor. So the income of the Trustor is $E - sE + R$ where R is the amount returned by the Trustee; the income of the Trustee is $msE - R$. There are gains to be made from cooperation since the efficient outcome that maximizes the total pie requires the Trustor to transfer the entire endowment to the Trustee (as this would be tripled). The subgame perfect equilibrium on the other hand implies that there is no transfer from the Trustor to the Trustee and therefore neither can exploit any potential gains arising from the transfer. These games are typically played under anonymity i.e. the players do not know the identity of who they are matched with. Given this anonymity, one of the key reasons (others being risk aversion, altruism and a taste for efficiency) why any Trustor would send money to a Trustee (in the absence of any information) would be trust. The more the Trustor trusts the Trustee, the higher the amount (s)he would send. This is why researchers interpret the Trustors decision (when preferences for risk aversion, altruism and efficiency are controlled for) as a measure of (pure) trust. Similarly, given anonymity, one of the key reasons why any Trustee would return any money back is reciprocity (the other being altruism), which in this specific context has been interpreted as a measure of (pure) trustworthiness (when altruism is controlled for) or the extent to which he Trustee reciprocates the Trustor's trust. This interpretation (trust and trustworthiness) is well established in economics (see Camerer, 2003).⁴

In our experiment, the decisions of the Trustee are obtained using the strategy method. To do this the Trustee is asked to specify an amount to return $R(sE)$ for every possible amount of sE chosen by the Trustor. To keep things manageable we restrict sE to specific integer amounts. Specifically, the endowment is 160 Taka (in Bangladesh) and 120 Rupees (in West Bengal) and Trustors could choose to send a percentage $sE \in \{0, 12.5, 25, 37.5, 50, 62.5, 75, 87.5, 100\}$ of the endowment to his/her anonymous partner re-

⁴See Cardenas and Carpenter (2008) and Chaudhuri (2009) for a review of results from Trust games conducted in different parts of the world.

siding in a nearby (not the same) village. This translates to the following sets: $\{0, 20, \dots, 160\}$ Taka and $\{0, 15, \dots, 120\}$ Rupees in the case of Bangladesh and West Bengal respectively.⁵ The Trustee therefore had to provide responses (how much they want to return) to 8 possible choices made by the Trustor (for $sE = 0$, there is no decision to be made).⁶

As mentioned earlier the Trustor’s contributions in the trust game can be influenced by his preferences towards altruism, efficiency or risk. Similarly, the Trustee’s reciprocity might also be influenced by his preferences towards altruism. To account for these possibilities each Trustor (Trustee) in our sample played a Triple Dictator (Dictator) game and a Risk game in addition to the Trust game.⁷ For the rest of the paper we use the term trust to denote pure trust, which describes transfers made by the Trustors that is net of altruism or/and taste for efficiency (as measured by the Triple Dictator game) or risk (as measured by the Risk game) and trustworthiness to denote pure trustworthiness that describes transfers made by the Trustees that is net of altruism (as measured by the Dictator game).⁸

Since each subject played multiple games, the order in which the games were played was varied randomly to control for order effects. Also only one game was randomly chosen

⁵At the time of conducting the experiments, the exchange rate was approximately 1 Rupee = 1.5 Taka.

⁶Evidence from laboratory experiments suggests that measured trustworthiness is lower using the strategy method (see Casari and Cason, 2009). However in this paper we are not interested in the absolute level of trustworthiness; rather we focus is on the relative trustworthiness across the different groups.

⁷ The Triple Dictator game is identical to the first phase of the Trust game in that the first mover is given an endowment and asked to make a transfer to an anonymous second mover. The experimenter triples the money transferred before it is passed on to the second mover. However, unlike the trust game, the second mover does not have the option of returning any money, which rules out trust (or investment) as a motive for sending money. In this setting the motivation for transferring money is unconditional kindness or altruism (or a taste towards for efficiency as the money is tripled). See Cox (2004), Ashraf, Bohnet, and Piankov (2006) and Etang, Feilding, and Knowles (2011) for more discussion on the use of Triple Dictator and Dictator games to separate out the effect of altruism or unconditional kindness. In the Risk game, each player was given the option of investing any part of an initial endowment in a hypothetical risky project that had a 50-percent chance of tripling the amount invested; alternatively the amount invested could be lost with a 50-percent probability. The individual could keep any amount he/she chose not to invest. See Schechter (2007); Etang, Feilding, and Knowles (2011); Dasgupta, Gangadharan, Maitra, Mani, and Subramanian (2012) for more on the Risk game that we use here. Each Trustee in our sample played a standard Dictator game and for the sake of completeness also played the simple Risk game. A standard Dictator game is similar to the Triple Dictator game, except that the contributions made by the first mover is not tripled by the experimenter before being passed onto the second mover.

⁸It is important to include controls for altruism, taste for efficiency and risk as they might not be orthogonal to our treatment. There are two reasons for this: (i) people’s preference towards risk, altruism or taste for efficiency may be affected by status or religion and (ii) knowing about partner’s religion or status may lead a subject to use a different norm for fairness or putting higher value on the fairness norm, thus affecting altruistic other regarding preferences. For example, when matched with a minority, a person may become more altruistic.

for payment purposes. If the trust game was chosen for payment purposes, then the payoff depended on the actual amount that was chosen by the Trustor and the conditional response of the Trustee; if the Risk game was chosen for payment purposes, then a coin was tossed to determine whether the project was successful or not and if the Dictator (or the Triple Dictator) game was chosen, then payments were made for both roles.

3.2 Treatments

We seek to examine whether

1. The individual's own religion affects his/her behavior
2. Information on the religion of the anonymous partner affects his/her behavior

Each individual is assumed to “know” his/her own religion. Therefore no effort was made to make the individual's own religion salient. In the first set of treatments (that we will call *Information* Treatments) the aim was to make the religion of the anonymous partner salient. All groups in the *Information* treatment were homogeneous in the sense that all individuals in the group belonged to the same religion (were either all Hindu or all Muslim).

Each participant (Trustor and Trustee) was told that they would be randomly matched with a person from a different but nearby village. On average, the villages were 5 – 10 kilometers apart. We conducted two *Information* treatments.

Information-Same treatment: Each participant (Trustor and Trustee) was told that he/she would be randomly matched with a person belonging to the same religion but from a different village i.e., a Hindu Trustor (Trustee) would be matched with a Hindu Trustee (Trustor) and a Muslim Trustor (Trustee) would be matched with a Muslim Trustor (Trustee).

Information-Different treatment: Each participant (Trustor and Trustee) was told that they would be randomly matched with a person belonging to a different religion from

a different village i.e., a Hindu Trustor (Trustee) would be matched with a Muslim Trustee (Trustor) and a Muslim Trustor (Trustee) would be matched with a Hindu Trustee (Trustor).

Therefore each of the two *Information* treatments consists of two possibilities. The *Information-Same* treatment consists of *Hindu_Hindu* (both the Trustor and the Trustee are Hindus) and *Muslim_Muslim* (both the Trustor and the Trustee are Muslims); the *Information-Different* treatment consists of *Hindu_Muslim* (Trustor is Hindu and Trustee is Muslim) and *Muslim_Hindu* (Trustor is Muslim and Trustee is Hindu). We make religion salient by informing participants that they will be matched with a participant from a group containing all Hindus(Muslims). We choose to not reveal names of potential partners to ensure all interactions were anonymous and not contaminated by prior interactions. Additionally Trustors and Trustees resided in different villages.

We also conduct a set of *No Information* treatments, which are similar in every other respect to the *Information* treatments, except that no information was provided regarding the religion of the anonymous matched partner (i.e., the religion of the matched partner was not made salient). For the first part of the paper we will restrict our analysis to data collected from the *Information* treatments.

3.3 Recruitment

We conducted sessions in 16 villages in both Bangladesh and West Bengal, a total of 32 villages. In each location we selected an equal number of Hindu and Muslim majority villages. We define a village to be a Hindu (Muslim) majority village if more than 50% of the residents in village are Hindus (Muslims). In South Asia most villages are mixed in terms of religion, but households belonging to different religions are segregated in terms of residential location within the village. So in a Hindu (Muslim) majority village, Muslims (Hindus) typically reside in a Muslim (Hindu) *para* (or *muhallah* or locality). In each village we conducted 3 sessions with 8 participants in each session.⁹ Each session lasted for ap-

⁹In some villages we only had two sessions (because of logistical reasons) but we had more than 8 participants in them. Also some sessions had fewer than 8 participants as some participants did not show

proximately 2 hours and the average payout to participants was approximately US\$4, which was more than the prevailing daily wage rate in these villages. Each subject participated in only one session. For reasons of conformity, we chose villages that were approximately 80 kilometres (2 hours of driving) away from the relevant capital city (Kolkata – in West Bengal – and Dhaka – in Bangladesh). The sessions were conducted during the period May - July 2012.¹⁰

We randomly selected participants based on what treatment was assigned to each particular session in a village. For example, if we needed Hindu subjects for a particular session in a particular village, we recruited from the Hindu *para*. At the time of recruitment (by research assistants) potential participants were informed that they were to participate in research, were informed of the venue/time, duration of the session and the show up fee. We avoided telling them about the average amount of money they could expect to earn, primarily, to avoid a situation where there will be an overflow of villagers at the venue persuading us to take them in the experiment.

Since we wanted Trustors and Trustees not to reside in the same village for purposes of avoiding potential conflicts (based on decisions made during the games) and ensuring no confounds arising from past interaction, we conducted parallel sessions in two different villages each day. If participants from village A were assigned the role of the Trustors, those from village B were assigned the role of Trustees. Once all three decision tasks were completed, one of the three tasks were chosen (through a lottery) for payment purposes. The lottery was conducted only in the Trustor village and was binding in the Trustee village. For purposes of transparency, the whole lottery process (taking place in the Trustor village) was relayed live to the Trustee village via a mobile phone call. If the Trust or the Triple Dictator/Dictator game was chosen for payment purposes, the choices of the Trustors was relayed across the village using mobile phones; in the case of the Trust game, the conditional

up. However, we ensured that the number of Trustors and Trustees in parallel sessions were the same.

¹⁰Interestingly neither Indians nor Bangladeshis are particularly trusting: while 38% of Indians say that people can in general be trusted, only 22% of Bangladeshis do so. The segmented nature of the society is also reflected in the fact that while 50% of Indian Muslims completely trust Non-Hindus, only 22% of Hindus do so. Trust in Hindus is similar across Indian Hindus and Muslims, at 52% (authors' computation using data from the World Values Surveys).

response of the Trustees was also relayed across villages using mobile phones.¹¹ No other feedback was provided. The protocol was similar to that used in Burns (2012). Participants then filled out a questionnaire, received payments and the session concluded. Note that in all sessions, Trusters and Trustees were always from the same country i.e., we do not examine whether nationality drives behavior.

4 Empirical Analysis

Table 2 presents the means and descriptive statistics for the set of variables that we include in the set of explanatory variables in our regressions: panel A for the sample of Trusters and panel B for the sample of Trustees. We present the descriptive statistics by religion of the Truster and the Trustee in each country as well. With one major exception overall within each country, the sample characteristics are not systematically different by religion. The main exception is religiosity – Hindus in both West Bengal and Bangladesh report themselves as being more religious than Muslims.¹²

4.1 Truster Behavior

Panel A in Figure 2 presents the distribution about the proportion sent by the Truster in West Bengal and Bangladesh, separately for the two religions. There is very little difference in the two distributions. But this is not the end of the story because of two important reasons. First the proportion sent by Hindus and Muslims as presented in Figure 2 is not conditional on the identity of the Trustee; and second the proportion sent by the Truster is potentially contaminated by preferences for altruism, taste for efficiency and risk, and is

¹¹It is useful to illustrate the procedure. Suppose the Trust game was chosen for payment purposes. All offers made by the Trusters were first collated and the Trustees were informed of the offers via a mobile phone call to the partner village. Once the call had been initiated in the presence of the subjects, the call initiator left the room before transmitting the actual offers (decisions were all private), but left the room door open so that subjects could verify that he was still on the phone. It was explained to the participating subjects that this was being done in order to maintain the privacy of their offers (to ensure that the other subjects in their room could not hear what offers they had made). The same procedure was followed in the partner village.

¹²There are some other minor differences. For example, the Hindu sample in West Bengal is older on average than the corresponding Muslim sample and Hindus in Bangladesh are more altruistic than the Muslims in Bangladesh.

not a measure of pure trust. See footnote 7 for more on this.

When we look at the average amount sent for each Trustor-Trustee pair (in terms of religion) for each location we find that in West Bengal, while the magnitude of the in-group bias is stronger for the Muslims, the difference is never statistically significant. The pattern for Bangladesh is however quite different. While there is no evidence that Hindu Trustors discriminate on the basis of the religion of the Trustees, we find evidence of significant out-group bias on the part of the Muslims (p -value = 0.085 using a standard t-test, see Table 3). In analyzing Trustor and Trustee behavior in Sections 4.1 and 4.2 we restrict ourselves to the *Information* treatments. Here the religion of the matched partner is made salient. Note however that the raw sample means presented in Table 3 do not control for risk, altruism or efficiency.

4.1.1 Trust Regressions

The starting point is the regression results presented in columns 1 and 3 (for West Bengal and Bangladesh respectively) in Table 4. The standard errors in all these regressions are clustered at the session level to account for within session correlations.¹³

Here we restrict ourselves to the two *Information* treatments and specifically examine trust behavior when Trustors know the religion of their anonymous partner. The dependent variable is the proportion of the endowment sent in the Trust game. The set of explanatory variables include the proportion of the endowment sent in the Triple Dictator game (measure of unconditional kindness or altruism and taste for efficiency), the proportion of the endowment allocated to the risky asset in the Risk game (measure of risk preference), expected return, whether the village is a minority dominated village and a set of demographic and socio-economic characteristics of the Trustor (age, gender, years of schooling, household income). Finally we also include a set of order of Trust game dummies to explicitly test for order effects.

¹³We do not explicitly account for village fixed effects in these regressions. This is because in two villages, because of operational reasons, we could conduct only one *information* session. Therefore including village fixed effect means that we cannot identify the treatment effect. In our robustness analysis we include specific village level characteristics as additional explanatory variables. See Section 4.4 below.

Do the decisions on about how much to send in the Trust game, depend on the religion of the anonymous partner? The simplest way to analyze this is to look at the difference effects presented in Panel B. These differences are computed using the coefficient estimates; then a *lincom* test in STATA is used to compute the p-values of the differences. The difference effects reveal that in West Bengal Muslim Trustors exhibit significant in-group bias, while in Bangladesh, Hindu Trustors exhibit a significant in-group bias.

In West Bengal, Muslim Trustors send 11 percent more to Muslim Trustees than to Hindu Trustees - the difference effect $Muslim_Hindu - Muslim_Muslim = -10.74$, ($p - value = 0.096$).¹⁴ On the other hand, in Bangladesh, Hindu Trustors sent 6.9 percent more to Hindu Trustees than to Muslim Trustees ($p - value = 0.088$).

Muslims (Hindus) are the minority religion group in West Bengal (Bangladesh), but the majority religion group in Bangladesh (West Bengal). Combining the country specific results we have a common *minority* effect.

Result 1 *Minorities reveal significant in-group bias in trust. Majority Trustors exhibit neither in-group nor out-group bias in trust.*

The pooled regression results presented in Table 5 column 1 supports the minority in-group bias: The difference effect at the mean ($Minority_Majority - Minority_Minority$) – see Panel B – shows that minority Trustors on average send 14.2 percent ($p - value = 0.002$) more to minority Trustees than to majority Trustees.

Status could alternatively be defined at the village level. For example, in West Bengal (Bangladesh), a Muslim (Hindu) residing in a Muslim (Hindu) majority village could be defined as a majority. This could matter because identity could potentially be defined by the local environment and this could result in individuals behaving differently, specially if a village is isolated and relationships and interactions are localized. The corresponding regression results are presented in Table 5, column 3. Result 1 continues to hold: minorities exhibit significant in-group bias: minorities send significantly higher amount to minorities

¹⁴*Muslim_Hindu* denotes Muslim Trustor and Hindu Trustee and so on.

compared to what they send to majorities: the difference effect $Minority_Majority - Minority_Minority$ is negative and statistically significant ($p - value = 0.002$), see Panel B, column 3. Majority Trustors do not discriminate depending on the religion of the Trustee.

There is therefore a common theme across countries: trust in the society depends on status rather than religion *per se*. Our unique design (conducting these experiments in multiple locations, which are otherwise similar but different in terms of distribution of religion) allows us to disentangle the effects of religion from that of status. In a single country experiment this is not possible since religion and status (based on minority/majority status, which in turn is based on religion) would be perfectly correlated. Minorities trust minorities more than they trust majorities. Given the history of communal riots and religious violence aimed at minorities in these societies, our results are perhaps not very surprising.

4.2 Trustee Behavior

Panel B in Figure 2 presents the distribution of the average proportion returned by the Trustee in West Bengal and Bangladesh by religion. As before this does not tell the full story because it does not account for the identity of the Trustor each Trustee is matched with and also because the proportion returned by the Trustee is contaminated by altruism. While the descriptive statistics presented in Panel B of Table 3 controls for the identity of the matched partner (but not the altruism of the Trustor), these averages that show that there is no significant difference in trustworthiness by identity (either in West Bengal or in Bangladesh).

4.2.1 Trustworthiness Regressions

We now turn to the regression results on trustworthiness. Recall that the amount returned by the Trustee in the Trust game can be interpreted as a measure of trustworthiness. We have used strategy method to elicit Trustees' transfer, conditional on possible choices made by the Trustors. In our regressions we pool the data for the 8 conditional choices made by the Trustees and the standard errors are clustered at the individual level. The regressions

control for the proportion of the endowment sent by the Trustor in the Trust game (i.e., the different levels of s).

We seek to address two questions here:

1. Are there systematic patterns in trustworthiness?
2. Are the expectations of the Trustors validated?

The regression results are presented in Table 6 (columns (1) and (3) for West Bengal and Bangladesh respectively) and Table 7 (for the pooled sample). The set of explanatory variables are similar to those included in the trust regressions, except here we do not include the risk preference dummy and instead of choices in the Triple Dictator game, we include choices made by the Trustee in the Dictator game.

We start with the location specific regressions in Table 6. The results show that there is significant positive out-group bias among Hindus in West Bengal and Muslims in Bangladesh (i.e., among the majority in both locations). In West Bengal, the *Hindu_Hindu* – *Hindu_Muslim* difference is negative and statistically significant, p – *value* = 0.03.¹⁵ We find that in West Bengal Hindu Trustees send back a significantly higher proportion of what they receive to Muslim Trustors than to Hindu Trustors. On the other hand in Bangladesh, the *Muslim_Hindu* – *Muslim_Muslim* difference is positive and statistically significant, p – *value* = 0.08: Muslim Trustees send back more to Hindu Trustors than to Muslim Trustors. Therefore as in the case of trust, there is a common theme across the two countries in trustworthiness. Combining the results from the two locations we see that it is (majority/minority) status, rather than religion that is driving the patterns on trustworthiness.

Result 2 *Majority Trustees exhibit significant positive out-group bias in trustworthiness: majority Trustees return more to minority Trustors than to majority Trustors. Minority trustees do not behave differently depending on the religion of the partner.*

¹⁵Here *Hindu_Hindu* refers to a Hindu Trustee and a Hindu Trustor and so on.

Minority Trustees do not reciprocate the trust of the minority Trustors. Minority Trustees are viewed as being more trustworthy by minority Trustors, but their expectations are not validated. It is the majority Trustees who return more and they present a significant out-group bias.

So how can we explain the positive out-group bias in trustworthiness by the majority? One possible explanation is as follows. Suppose that the behavior of the Trustors is the norm in the society: minorities trust other minorities more than they trust majorities and majorities on the other hand do not favor or discriminate against either group. Consider an extreme example of this where the norm on the part of the minority Trustor is to never trust a majority Trustee. Additionally let us also assume that majority Trustor does not discriminate and everyone in the society is aware of these norms. Then for a majority Trustee, any $s > 0$ received from a minority Trustor has greater information content than the same s received from a majority Trustor because the minority Trustor is going against the societal norm. Since the majority Trustor does not discriminate, there is very little information content in his decision. In this case the majority Trustee reciprocates by returning more to the minority Trustor for every level of s . Dufwenberg and Kirschsteiger (2004) analyze this kind of behavior in terms of sequential reciprocity. Applying the framework used by Dufwenberg and Kirschsteiger (2004) to our case, we predict that conditional on receiving the same amount from both a majority and a minority Trustor, a majority Trustee would treat the same contribution from the minority as more kind (as it is going against the societal norm) and this kindness (which we are calling information content) would be reciprocated by returning more to the minority Trustor.

This suggests that since higher levels of s is likely to be associated with higher levels of kindness, this should lead to higher levels of reciprocity. Since information on Trustee behavior was collected using the strategy method, we can test this directly. If this argument were true, the *Majority_Minority* – *Minority_Minority* difference should be larger for higher values of s . To test this we re-run the regressions for trustworthiness (i.e., proportion returned by the Trustee) by stratifying the sample on $s : s \leq 0.5$ (low); $s > 0.5$ (high) and compute the difference effect *Majority_Minority* – *Minority_Minority*. Figure 3 presents

this difference for the low and high values of s , separately for the West Bengal sample, the Bangladesh sample and the pooled sample. It is clear from this figure that the out-group bias on the part of the majority Trustee (captured by $Majority_Minority - Minority_Minority$) is consistently higher for higher levels of s chosen by the Trustee. The more kind choices by the minority Trustor is reciprocated more by the majority Trustee.¹⁶

4.3 Decomposing In-group and Out-group bias in Trust and Trustworthiness

It is worth examining what are the mechanisms and underlying motivations behind this in-group and out-group bias in Result 1 and Result 2 respectively. For example in the context of trust behaviour is it triggered by the in-group members willingness to treat their own group better than the rival group (in-group favouritism or “in-group love”) or from their willingness to treat the rival group worse than their own group (out-group discrimination or “out-group hate”)?¹⁷ The economics literature has actually paid very little attention to disentangling in-group favouritism and out-group bias. There are only a few exceptions. The one closest to our paper is the one by Abbink and Harris (2012) who design an experiment to systematically disentangle in-group favouritism and out-group discrimination. Specifically, they examine whether individuals behave differently towards their own group and the rival group differently compared to how they treat the neutral subjects who do not belong to any group in a multi-recipient dictator game. They apply it to the context of political parties in Thailand (the “Red Shirt” versus “Yellow Shirts”).¹⁸

Identifying the mechanisms behind the observed in-group and out-group bias is important, because whether the driver is favoritism or discrimination can have important social and economic consequences (and hence have crucial policy implications). For example in-group favoritism could lead over time to nepotism and corruption (jobs to cronies from the same group). Discrimination against those not in the group can lead to systematic marginaliza-

¹⁶We would like to thank John List for suggesting this.

¹⁷See Halevy, Bornstein, and Sagiv (2008) for the terms “in-group love” and “out-group hate”.

¹⁸A somewhat related paper is the one by Falk and Zehnder (2007), who conduct a field experiment to examine the prevalence and determinants of discrimination and in-group favoritism in trust behavior. They argue that observed discrimination is not just based on mistaken stereotypes but can at least partly be classified as statistical discrimination.

tion of one group at the expense of the other and this can overtime lead to social unrest. Naturally different policies are required to address these problems. If the driver was out-group discrimination then affirmative action policies might be in order. The policy responses would certainly be different if in-group favoritism is the driver.

To do this, we include the data from the *No Information* treatment and compare behavior with and without information on the partner's religion. In all other ways (i.e., recruitment, experimental protocol, operationalization) the *No Information* treatment sessions were similar to the *Information* treatment sessions, only here the subjects were not given any information about the religion of their anonymous (game) partner. Using the *No Information* group as a benchmark, in-group favouritism is observed if the in-group is treated more favourably than the *No Information* group and out-group discrimination is observed if the out-group is treated worse than the *No Information* group. If there are only an in-group and an out-group, then the two behaviours are indistinguishable.

In the trust regressions, *Muslim_NoInfo* (*Hindu_NoInfo*) denotes the percentage of the endowment sent by a Muslim (Hindu) Trustor when he/she has no information on the religion of the partner. The corresponding regression results are presented in columns 2 and 4 in Table 4. In both West Bengal and Bangladesh it is difficult to decompose the minority in-group bias in trust. However, while the effects are not statistically significant, the magnitudes of the differences (presented in Panel B) suggest that in West Bengal the in-group bias is driven mainly by in-group favoritism while in Bangladesh it is out-group discrimination that is stronger. The pooled regression results (Table 5) supports the in-group favoritism argument particularly when identity is defined at the national level (column 2); when identity is defined at the village level, while the in-group favoritism effect is stronger, the effect is estimated imprecisely.

This can be summarized as follows:

Result 3 *The in-group bias in trust among the minority is driven by in-group favoritism.*

Turning to the trustworthiness regressions, it is difficult to decompose the out-group bias

on the part of the majority in West Bengal. In Bangladesh however there is clear evidence of out-group favoritism ($Muslim_NoInfo - Muslim_Hindu$ is negative and statistically significant). However the pooled results, presented in Table 7, column 2, support the notion of out-group favoritism that drives the out-group bias in trustworthiness, specially when status is defined at the national level.

All of this is summarized in Result 4 below:

Result 4 *The out-group bias in trustworthiness on the part of the majority is driven by out-group favoritism.*

4.4 Robustness

We examine the robustness of our results by conducting a number of additional regressions. First, we include *stated high trust* as an additional explanatory variable in the trust regressions. As a part of the experiment the participants had to answer a question on their general trust level. The variable *stated high trust* was based on the response of this question.¹⁹ Once this variable is included the results on patterns of trust across the different groups remain unaffected. These results are available on request.

In the next set of regressions (presented in Table 8, column 2) we include a set of village characteristics: dummies for large village (number of households exceeding 500), whether the village is less than 10 kilometres away from a highway (measure of connectedness with the outside world) and three dummies for the presence of a primary school, a secondary school and a health centre in the village. Next we interact each of these village characteristics with the minority dummy (column 3). Finally we add dummies for exposure to riots (in the village and anywhere) in columns 4 and 6; and the interaction of the exposure to riots with the minority dummy (columns 5 and 7).²⁰

¹⁹Participants were asked their opinion about this particular statement: In general, people can be trusted. They were asked to respond along a likert scale between 1 to 5, where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree. The dummy variable *stated high trust* = 1 if the answer to the above question was either 4 or 5.

²⁰In column 1 we present, for ease of comparison the baseline results from Tables 5 and 7.

The regression results presented in Panel A in Table 8, shows that the main result pertaining to trust (Result 1) continues to hold. Note that given space constraints, we only present the difference effects – the full set of coefficient estimates are available on request. Minority Trustors exhibit significant in-group bias (the *Minority_Majority* – *Minority_Minority* difference is always negative and statistically significant). The difference effects presented in Panel B show that the main result pertaining to out-group bias in trustworthiness on the part of the majority (Result 2) remains valid.²¹

5 Religiosity and Priming

Why is priming (or making religion salient) important? Akerlof and Kranton (2000) argue that priming a particular social category reveals the marginal effect of increasing the strength of that category. Following Benjamin, Choi, and Strickland (2010) let us define x as some action choice (in this case x could be proportion of endowment sent in the Trust game). An individual belongs to a social category C (such as identifying as a Hindu or a Muslim or identifying the partner as a Hindu or a Muslim) with strength $\xi \geq 0$. Let x_0 denote the individual’s preferred action in the absence of identity considerations and let x_c be the action prescribed for members belonging to the social category C . Denote $w(\xi) \in [0, 1]$ as the weight placed on social category C in the individual’s decision making process. We assume that $w(0) = 0$ and $w'(\cdot) > 0$. The individual chooses x to maximize the following utility function:

$$U = -(1 - w(\xi))(x - x_0)^2 - w(\xi)(x - x_c)^2 \quad (1)$$

The specification of the utility function in equation (1) assumes that deviating from the norm prescribed for one’s category causes disutility that is increasing in ξ , the strength of affiliation with that category.

Let us assume further that ξ has a steady state value $\bar{\xi}$ but can be temporarily perturbed away from $\bar{\xi}$ by a priming category $\varepsilon > 0$.

²¹In the results presented in Table 8 we define status as the national level. The corresponding regressions with status defined at the village level are available on request. They are similar.

The first order condition for equation (1) (with respect to x) gives the optimal action:

$$x^*(\xi) = (1 - w(\xi))x_0 + w(\xi)x_c \quad (2)$$

which is the weighted average of the preferred action without identity considerations x_0 and the category norm x_c .

This leads to a number of implications.

1. The higher the strength of the category affiliation, the greater is the weight given to the category norm, and the closer x^* is to x_c .
2. An identity or category prime ε causes x^* to move closer to x_c . This is because the identity prime increases the strength of the affiliation with the social category C and thereby increases the weight given to the category norm.
3. The sign of the priming effect

$$x^*(\xi + \varepsilon) - x^*(\xi) \approx \left(\frac{dx^*}{d\xi}\right)\varepsilon = w'(\xi)(x_c - x_0)\varepsilon$$

depends on the sign of $x_c - x_0$. So even if $\bar{\xi}$, x_0 and $w(\cdot)$ of an experimental sample differ from those of the general population, the directional effects of priming the sample will generalize to the population as a whole as long as $x_c - x_0$ has the same sign in the population as in the experimental sample.

All of this implies that priming (or making particular social identity salient) can have significant effects on behaviour and actions.

Our experimental data allows us to test whether priming a category has a stronger effect on those who identify more strongly with that category. We can categorize individuals in our sample as being religious or not depending on their response to the question how often do you pray or perform *namaaz*. Individuals that pray everyday are categorized as religious; those that do not are categorized as non-religious. Note that both in West Bengal and in Bangladesh, Hindus systematically report themselves to be more religious than Muslims.

In this framework, priming affects outcomes through the weight placed on the category norm. Specifically we assume that $w_R > w_{NR}$, i.e., the weight placed on the category norm by the religious individual is greater than that placed by the non-religious individual. Further we assume that x_0 and x_c are not affected by religiosity. However the category norm x_c is different for in-group compared to out-group i.e., $x_c^{IN} - x_c^{OUT} > 0$.

For the religious individual we have

$$\begin{aligned} x_{R,IN}^* &= (1 - w_R)x_0 + w_R x_c^{IN} \\ x_{R,OUT}^* &= (1 - w_R)x_0 + w_R x_c^{OUT} \\ \implies x_{R,IN}^* - x_{R,OUT}^* &= w_R(x_c^{IN} - x_c^{OUT}) \end{aligned}$$

Similarly for the non-religious

$$x_{NR,IN}^* - x_{NR,OUT}^* = w_{NR}(x_c^{IN} - x_c^{OUT})$$

We can now write:

$$\begin{aligned} (x_{R,IN}^* - x_{R,OUT}^*) - (x_{NR,IN}^* - x_{NR,OUT}^*) &= (w_R(x_c^{IN} - x_c^{OUT})) - (w_{NR}(x_c^{IN} - x_c^{OUT})) \\ &= (w_R - w_{NR})(x_c^{IN} - x_c^{OUT}) \end{aligned}$$

Since $w_R > w_{NR}$ and $x_c^{IN} - x_c^{OUT} > 0$ we have $x_{R,IN}^* - x_{R,OUT}^* > 0$.

We therefore obtain the following testable hypotheses:

Hypothesis 1 *Religious majority Trustors exhibit greater in-group bias than their non-religious counterparts.*

Hypothesis 2 *Religious minority Trustors exhibit greater in-group bias than their non-religious counterparts.*

We run separate regressions for the religious and the non-religious. We first present the *lincom* tests for in-group and out-group bias for the religious and the non-religious individuals

in column 1 in Table 9 (rows 1 and 2 for the majority and rows 4 and 5 for the minority). Hypothesis 1 requires us to compare the in-group bias of the religious and non-religious majority, computed as: $(\text{Religious } Majority_Majority - \text{Religious } Majority_Minority) - (\text{Non-Religious } Majority_Majority - \text{Non-Religious } Majority_Minority)$. Similarly Hypothesis 2 requires us to compare the in-group bias of the religious and non-religious minority defined analogously. The results presented in rows 3 and 6 in Table 9 validate both Hypotheses 1 and 2: Religious majority Trustors transfer 14.6 percent more to majority Trustees than majority non-religious Trustors ($p - value = 0.063$) and religious minority Trustors transfer 13.1 percent more to minority Trustees than minority non-religious Trustors ($p - value = 0.046$).

We have a similar set of hypotheses for the Trustees.

Hypothesis 3 *Religious majority Trustees exhibit greater in-group bias than their non-religious counterparts.*

Hypothesis 4 *Religious minority Trustees exhibit greater in-group bias than their non-religious counterparts.*

The lincom test validates Hypothesis 3 (see row 3, column 2, Table 9). We find that a religious majority Trustees return 13.4 percent more to a majority Trustor than a non-religious Trustee ($p - value = 0.096$). Another way of interpreting this result is that non-religious majority Trustees show greater positive out-group bias than religious majority Trustees. On the other hand we can not validate Hypothesis 4: religious minority Trustees are not different to non-religious minorities in terms of trustworthiness.

The difference estimates presented in Table 9 provide further evidence on what drives the minority in-group bias in trust (see Result 1) and the majority out-group bias in trustworthiness (see Result 2). The results in Panel B suggest that the minority in-group bias in trust is essentially driven by the religious minority. The out-group bias in trust that is exhibited by the non-religious majority (see Panel A) is not sufficient to overcome the in-group bias of the religious majority. On the other hand, the out-group bias in trustworthiness is driven by the non-religious majority (Panel A in column (2)). Religious and non-religious

individuals are systematically different in terms of how they behave (either as Trustors or Trustees). This has significant implications on the dynamics between groups within the society.

6 Conclusion

The primary aim of this paper is to examine to what extent identity is crucial in driving trust in segmented societies. Specifically we started out by trying to answer four (interrelated questions). First, do individuals discriminate based on religious identity? Alternatively do individuals discriminate based on (minority/majority) status within the society? Third, does discrimination (or lack of trust or failure to reciprocate trust) reflect an in-group bias or is there a systematic discrimination against individuals belonging to other groups? Finally do religious and non-religious individuals behave differently?

In attempting to answer these questions we conducted an experiment in two different locations, which are different in terms of religious composition but are otherwise similar. Our unique design enables us to separate out the effect of religion from that of status. Our results show that it is (minority/majority) status rather than religion that dictates behavior. We find that in both countries individuals belonging to the minority group (Muslims in West Bengal and Hindus in Bangladesh) exhibit in-group favoritism in trust behavior, while individuals belonging to the majority group in both countries (Hindus in West Bengal and Muslims in Bangladesh) show out-group favoritism in trustworthiness.

While there are common elements to behavior across the two countries, there are indeed some differences. What drives in-group bias among minorities in trust and out-group behavior in trustworthiness varies across the countries. In the case of trust, the in-group bias by the minorities is driven by in-group favoritism in the case of West Bengal but out-group discrimination by the minorities in the case of Bangladesh. Minorities in both countries behave in a manner consistent with the notion of realistic threats – minorities are fearful of the economic and political power of the majority.

In general our results support the argument that rather than viewing segmented societies through the prism of religion, it would be more worthwhile to view interaction between groups in such societies through the lens of status within the society.

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Figure 1: West Bengal and Bangladesh pre-independence and now

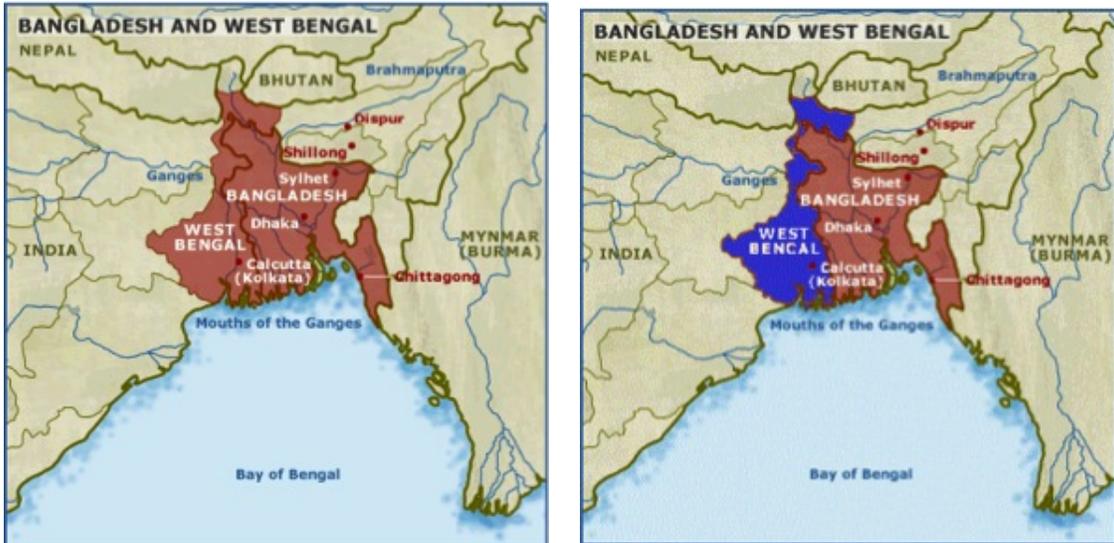


Table 1: Comparison between West Bengal and Bangladesh

Variables	West Bengal	Bangladesh
Ethnicity of the majority	Bengali	Bengali
Political System	Democratic	Democratic
Official Languages	Bengali and English	Bengali and English
Population	91,347,736	161,083,804
Urban population (%)	28 (as of 2001)	28 (as of 2011)
Literacy (%)	77	56.8
Per capita income (USD) (PPP equivalent - 2011 Estimated)	2300	1700
Infant Mortality rate	38 (2005)	49 (2011)
Life Expectancy	65-69 (2001)	60.5(2001)
People under poverty line (2004-5) (%)	28	40
HDI Ranking (2001)	0.625	0.5
Daily wage rate for manual labor (2012)	200 Rs	300 Tk
Percentage Hindu	73 (2001)	9.6 (2005)
Percentage Muslim	25 (2001)	89.5 (2005)

Table 2: Average Sample Characteristics by Country and Religion

	West Bengal		Bangladesh	
	Hindus	Muslims	Hindus	Muslims
			Difference	Difference
Panel A: Trustors				
Age	35.2	33.8	1.4	40.1
Education	8.9	8	0.9	6.5
Income (local currency)	5062.5	4463	599.5	7660.2
Proportion Sent in Trust game	31	32.1	-1.1	28.3
Proportion Sent in Triple Dictator game	16.8	19.6	-2.8	21.3
Proportion Allocated to Risky Asset	35.6	36.6	-1.0	31.6
Expected Return	27.1	31.9	-4.8	32.7
Stated Trust	3.1	3.4	-0.3	3.1
Religious	0.72	0.50	0.22***	0.34
				-3.0
				-0.1
				-4.8
				-5.2
				-1.0
				6.4
				-8.7
				0.1
				0.16*
Panel B: Trustees				
Age	35.5	30.2	5.3***	35.35
Education	8.25	7.67	0.58	6.01
Income (local currency)	4797	5331	-534	7300
Average Proportion Returned in Trust game	24.88	24.85	0.03	21.64
Proportion Sent in Dictator game	24.3	24.8	-0.5	16.2
Religious	0.77	0.42	0.35***	0.28
				3.65
				-0.62
				-143
				1.82
				6.3**
				0.28***

Notes:

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Significance of difference computed using t-test.

Figure 2: Proportion sent by the Trustor (Panel A) and Trustee (Panel B) in West Bengal and Bangladesh, by Religion

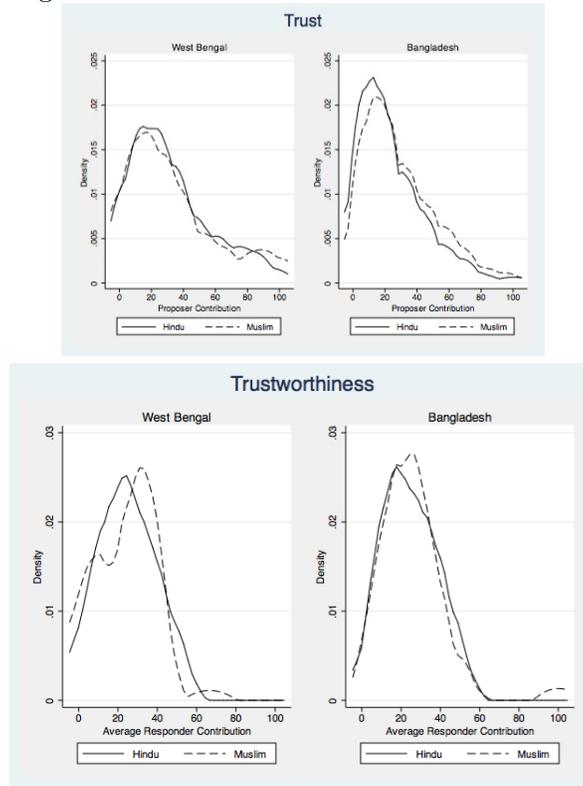


Table 3: Descriptive Statistics. Trustor (Panel A) and Trustee (Panel B) Choices by Religion and Country

	West Bengal				Bangladesh			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Panel A: Trustor</i>								
Trustor ↓, Trustee →	Hindu	Muslim	No Info	Difference	Hindu	Muslim	No Info	Difference
Hindu	30.73	23.96		6.77	22.00	22.50		-0.50
Muslim	26.04	39.06		-13.02	32.87	22.61		10.26*
Hindu			34.64	3.39			25.00	
Muslim			31.25				28.13	-3.13
<i>Panel B: Trustee</i>								
Trustee ↓, Trustor →	Hindu	Muslim	No Info	Difference	Hindu	Muslim	No Info	Difference
Hindu	21.13	26.80		-5.67	23.51	25.06		-1.55
Muslim	27.50	20.39		7.11	26.27	24.49		1.78
Hindu			25.36	-1.56			20.84	
Muslim	21.13	26.80	26.92				15.49	5.35*
<i>Panel C: Sample Size</i>								
Trustor ↓, Trustee →	Hindu	Muslim	No Info		Hindu	Muslim	No Info	
Hindu	24	24			25	25		
Muslim	24	24			27	21		
No Info			72				44	

Notes:

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Dependent variable in Panel A is proportion sent by Trustor; dependent variable in Panel B is proportion returned by Trustee. Columns (1) - (4) present the results for West Bengal, while columns (5) - (8) present those for Bangladesh.

We have equal number of Trustors and Trustees in every cell (Panel C).

Table 4: Trust Regressions by Country

	West Bengal		Bangladesh	
	<i>Information Treatment Only</i> (1)	<i>Including No Information Treatment</i> (2)	<i>Information Treatment Only</i> (3)	<i>Including No Information Treatment</i> (4)
Panel A: Regression Results				
<i>Hindu_Hindu</i>		2.21 (3.816)		-1.30 (4.281)
<i>Hindu_Muslim</i>	-3.83 (6.839)	5.61 (3.430)	-6.65* (3.298)	-7.16 (4.118)
<i>Muslim_NoInfo</i>		6.26 (8.210)		-10.17** (4.630)
<i>Muslim_Hindu</i>	-13.37* (6.964)	-1.44 (6.558)	14.19 (12.453)	8.07 (10.631)
<i>Muslim_Muslim</i>	-2.63 (7.707)	17.18** (7.630)	-5.07 (6.779)	-8.33 (6.448)
Panel B: Differences				
<i>Hindu_NoInfo - Hindu_Hindu</i>		-2.21		1.3
<i>Hindu_NoInfo - Hindu_Muslim</i>		-5.61		7.16
<i>Hindu_Hindu - Hindu_Muslim</i>	3.83	-3.4	6.65*	5.86*
<i>Muslim_NoInfo - Muslim_Hindu</i>		7.7		-18.24*
<i>Muslim_NoInfo - Muslim_Muslim</i>		-10.92		-1.84
<i>Muslim_Hindu - Muslim_Muslim</i>	-10.74*	-18.62**	19.26	16.4*
Sample Size	96	168	98	142

Notes:

Dependent Variable is Proportion of the Endowment sent by the Trustor. Regressions also control for proportion sent in the Triple Dictator game, proportion allocated to the risky asset in the Investment game, set of household and individual characteristics, expected return, whether the village is a minority village and order of games. Robust Standard Errors in Parenthesis. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

X_Y : X Trustor, Y Trustee; $X, Y \in (\text{Hindu}, \text{Muslim})$.

Table 5: Trust Regressions by Majority/Minority Status. Pooled Data

	Status: National		Status: Village	
	<i>Information</i> Treatment Only (1)	Including <i>No Information</i> Treatment (2)	<i>Information</i> Treatment Only (3)	Including <i>No Information</i> Treatment (4)
Panel A: Regression Results				
<i>Majority_Majority</i>		1.79 (3.267)		7.87** (3.439)
<i>Majority_Minority</i>	8.66 (5.535)	9.83 (5.903)	-3.76 (4.924)	5.04 (5.069)
Minority_No Info		6.54 (4.729)		3.91 (6.651)
<i>Minority_Majority</i>	-2.93 (5.058)	0.67 (4.054)	-16.20*** (4.785)	-5.41* (2.742)
<i>Minority_Minority</i>	11.28** (5.064)	15.42*** (4.829)	-1.11 (5.905)	8.42*** (2.898)
Panel B: Differences				
<i>Majority_NoInfo</i> – <i>Majority_Majority</i>		-1.79		-7.87**
<i>Majority_NoInfo</i> – <i>Majority_Minority</i>		-9.83		-5.04
<i>Majority_Majority</i> – <i>Majority_Minority</i>	-8.66	-8.04	3.76	2.83
<i>Minority_NoInfo</i> – <i>Minority_Majority</i>		5.87		9.32
<i>Minority_NoInfo</i> – <i>Minority_Minority</i>		-8.88**		-4.5
<i>Minority_Majority</i> – <i>Minority_Minority</i>	-14.21***	-14.75***	-15.09***	-13.83***
Sample Size	194	310	94	310

Notes:

Dependent Variable is Proportion of the Endowment sent by the Trustor. Regressions also control for proportion sent in the Triple Dictator game, proportion allocated to the risky asset in the Investment game, set of household and individual characteristics, expected return and order of games. Robust Standard Errors in Parenthesis. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

X_Y : X Trustor, Y Trustee; $X, Y \in (\text{Majority}, \text{Minority})$.

Table 6: Trustworthiness Regressions by Country

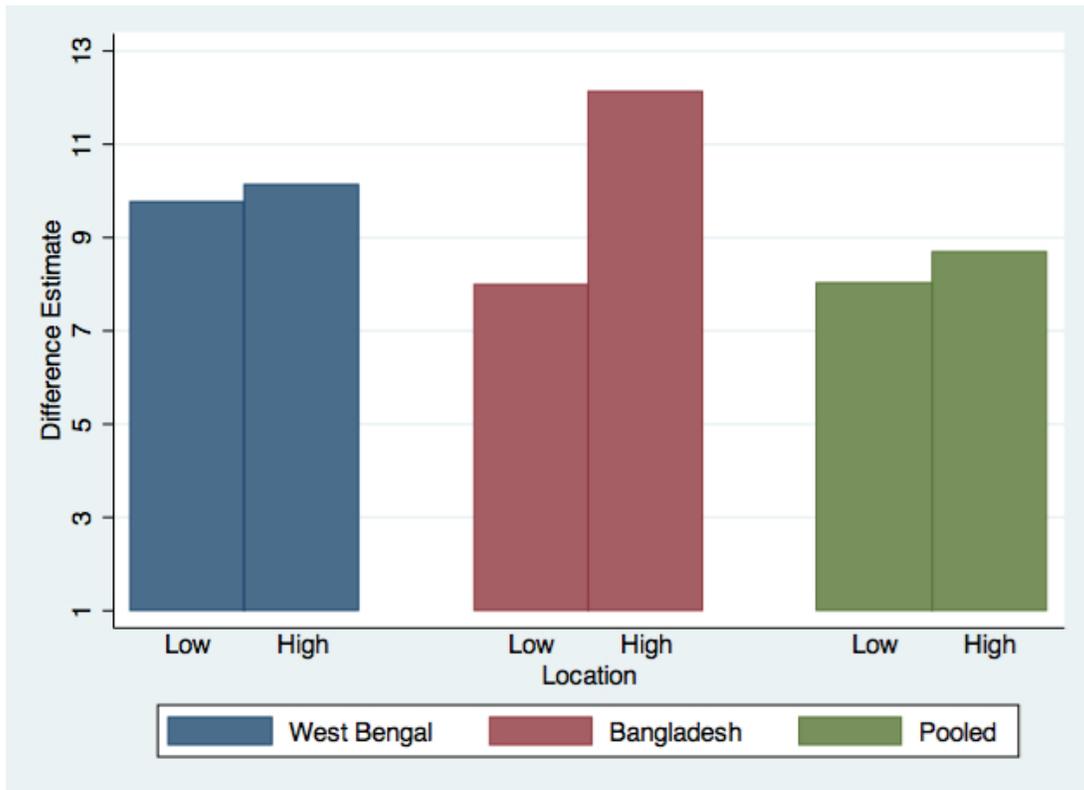
	West Bengal		Bangladesh	
	<i>Information</i> Treatment Only (1)	<i>Including</i> <i>No Information</i> Treatment (2)	<i>Information</i> Treatment Only (3)	<i>Including</i> <i>No Information</i> Treatment (4)
Panel A: Regression Results				
<i>Hindu_Hindu</i>		-3.65 (5.366)		-1.30 (6.742)
<i>Hindu_Muslim</i>	11.49** (5.090)	6.88 (5.815)	1.20 (5.870)	1.82 (7.342)
<i>Muslim_NoInfo</i>		1.64 (5.090)		-7.78 (5.620)
<i>Muslim_Hindu</i>	-4.28 (5.926)	-3.07 (5.998)	5.11 (6.850)	4.76 (5.946)
<i>Muslim_Muslim</i>	-6.49 (6.374)	-8.56* (5.054)	-8.92 (8.339)	-4.94 (5.122)
Panel B: Difference Effects				
<i>Hindu_NoInfo – Hindu_Hindu</i>		3.65		1.3
<i>Hindu_NoInfo – Hindu_Muslim</i>		-6.88		-1.82
<i>Hindu_Hindu – Hindu_Muslim</i>	-11.49**	-10.53**	-1.2	-3.12
<i>Muslim_NoInfo – Muslim_Hindu</i>		4.71		-12.54*
<i>Muslim_NoInfo – Muslim_Muslim</i>		10.2**		-2.84
Sample Size	768	1,336	776	1,120

Notes:

Dependent Variable: Proportion of the Amount received by the Trustee that is returned (to the Trustor). Regressions also control for proportion sent in the Dictator game, percentage sent by trustor (strategy method) set of household and individual characteristics, expected return and order of games. Robust Standard Errors in Parenthesis. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

X_Y : X Trustee, Y Trustor; $X, Y \in (\text{Hindu, Muslim})$.

Figure 3: Majority out-group bias for low and high s



Notes:

Height of bars denote the magnitude of the difference estimate $Majority_{Minority} - Majority_{Majority}$ for low and high s .

Table 7: Trustworthiness Regressions by Majority/Minority Status. Pooled Data

	Status: National		Status: Village	
	<i>Information</i>	<i>Including</i> <i>No Information</i>	<i>Information</i>	<i>Including</i> <i>No Information</i>
	Treatment Only	Treatment	Treatment Only	Treatment
	(1)	(2)	(3)	(4)
Panel A: Regression Results				
<i>Majority_Majority</i>		-0.29 (3.326)		-4.05 (2.974)
<i>Majority_Minority</i>	8.58** (3.955)	8.72** (3.870)	7.17** (3.144)	3.48 (3.312)
Minority_No Info		4.10 (3.386)		-1.64 (3.473)
<i>Minority_Majority</i>	-0.45 (5.202)	-0.59 (3.999)	4.02 (6.180)	-0.69 (6.094)
<i>Minority_Minority</i>	-5.24 (4.635)	-5.54 (3.608)	4.71 (7.203)	1.84 (6.992)
Panel B: Difference Effects				
<i>Majority_NoInfo</i> – <i>Majority_Majority</i>		0.29		4.05
<i>Majority_NoInfo</i> – <i>Majority_Minority</i>		-8.72**		-3.48
<i>Majority_Majority</i> – <i>Majority_Minority</i>	-8.58**	-9.01**	-7.17**	-7.53**
<i>Minority_NoInfo</i> – <i>Minority_Majority</i>		4.69		-0.95
<i>Minority_NoInfo</i> – <i>Minority_Minority</i>		9.64**		-3.48
<i>Minority_Majority</i> – <i>Minority_Minority</i>	4.79	4.95	-0.69	-2.53
Sample Size	1,544	2,456	1,544	2,456

Notes:

Dependent Variable: Proportion of the Amount received by the Trustee that is returned (to the Trustor). Regressions also control for proportion sent in the Dictator game, percentage sent by trustor (strategy method) set of household and individual characteristics, expected return and order of games. Robust Standard Errors in Parenthesis. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

X_Y : X Trustee, Y Trustor; $X, Y \in \{\text{Hindu, Muslim}\}$.

Table 8: Robustness: Trust and Trustworthiness Regressions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Trust Regressions							
<i>Majority_Majority - Majority_Minority</i>	-8.66	-15.75**	-5.85	-5.36	-5.7	-6.2	-6.59
<i>Minority_Majority - Minority_Minority</i>	-14.21***	-18.01***	-16.61***	-16.44***	-16.31***	-16.7***	-16.24***
Sample Size	194	194	194	194	194	194	194
Panel B: Trustworthiness Regressions							
<i>Majority_Majority - Majority_Minority</i>	-8.58**	-10.80**	-10.58**	-10.78**	-10.76**	-11.32**	-11.16**
<i>Minority_Majority - Minority_Minority</i>	4.79	6.19	6.02	6.75	7.15	6.33	6.1
Sample Size	1,544	1,544	1,544	1,544	1,544	1,544	1,544

Notes:

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Difference Effects presented. In Panel A $X.Y$: X Trustor, Y Trustee; $X, Y \in$ (Majority, Minority). In Panel B $X.Y$: X Trustee, Y Trustor; $X, Y \in$ (Majority, Minority).

Column 1: Baseline results. See results presented in column 1, Panel B of Tables 5 and 7.

Column 2: Column 1 + village characteristics.

Column 3: Column 2 + village characteristics \times Minority.

Column 4: Column 3 + witness riot in village.

Column 5: Column 4 + witness riot in village \times Minority.

Column 6: Column 3 + witness riot anywhere.

Column 7: Column 6 + witness riot anywhere \times Minority.

Table 9: Religiosity, Trust and Trustworthiness

	Trust (1)	Trustworthiness (2)
Panel A: Majority		
1 Religious <i>Majority_Majority</i> – Religious <i>Majority_Minority</i>	-1.24	-5.84
2 Non-Religious <i>Majority_Majority</i> – Non-Religious <i>Majority_Minority</i>	-15.4**	-19.25***
3 (Religious <i>Majority_Majority</i> – Religious <i>Majority_Minority</i>) - (Non-Religious <i>Majority_Majority</i> – Non-Religious <i>Majority_Minority</i>)	14.16*	13.41*
Sample Size	96	736
Panel B: Minority		
4 Religious <i>Minority_Minority</i> – Religious <i>Minority_Majority</i>	21.88***	-5.74
5 Non-Religious <i>Minority_Minority</i> – Non-Religious <i>Minority_Majority</i>	8.8	-2.41
6 (Religious <i>Minority_Minority</i> – Religious <i>Minority_Majority</i>) - (Non-Religious <i>Minority_Minority</i> – Non-Religious <i>Minority_Majority</i>)	13.08**	-3.33
Sample Size	98	808

Notes:

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Difference Effects presented in rows 1, 2, 4 and 5; Double Difference Effects presented in rows 3, and 6. In column (1), $X.Y$: X Trustor, Y Trustee; $X, Y \in (\text{Majority}, \text{Minority})$. Regressions in column (1) include same set of explanatory variables as in Table 5. In columns (3), $X.Y$: X Trustee, Y Trustor; $X, Y \in (\text{Majority}, \text{Minority})$. Regressions in column (3) include same set of explanatory variables as in Table 7.