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Political Market Imperfections and Incentives for the Provision of Social Services in India: A Case Study of Kerala and Uttar Pradesh

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- *Delivery of social services of health and education often see significant cross-national variations within a country.*
- *State governments in democratic developing countries sometimes have an incentive to provide targeted benefits as political rents at the expense of the provision of broad social services.*
- *Differences in state government expenditures can be traced back to certain imperfections in the political market, which may be greater in some states as compared to others. These imperfections, in turn, affect the political incentives for the provision of social services.*
- *The three independent factors or imperfections in the political market that have been identified to have the potential for affecting electoral accountability are the degree of information available to voters, the dynamics of political competition, and the extent of ethnic fragmentation in a state.*

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- *Using macroeconomic data from 1961 to 2011, this paper undertakes a case study on two States in India – Kerala and Uttar Pradesh – to demonstrate that a state with better informed voters, political competition among two credible political parties (or political formations), as well as voters who are less ethnically fragmented on policy issues, is likely to be more efficient in its public expenditure policies than a state made up of relatively uninformed voters, non-credible political competition among multiple parties (or political formations), and a highly ethnically divided population.*
- *These findings have significant implications for policy implementation, and need to be addressed in order to effectively reform the provision of essential social services.*

Introduction

Objective and Central Argument of the Study:

The primary objective of this paper is to study the relationship between imperfections in the political market and the political incentives for the provision of the social services of health and education. By political market imperfections, this study implies that there are certain independent factors in the political economy, apart from the established political institutions, which also influence the electoral accountability of the incumbent government. These independent factors are the level of information available to voters, the dynamics of political competition and the degree of ethnic fragmentation in a state. A state with better informed voters, political competition among two credible political parties (or political formations), as well as voters who are less ethnically fragmented on policy issues is likely to be more efficient in its public expenditure policies than a state made up of relatively uninformed voters, non-credible multi-party (or multiple political formations) political competition and a highly ethnically divided population.

The central argument behind these assertions is that political competition alone fails to incentivize political parties to optimally provide social services. Inadequate information on the part of the voters about the incumbent government's policy decisions leads to a situation wherein voters can neither easily identify the contributions made by a particular party, nor the connection between the party's policy decisions and their own well-being. Voters are thus not able to assign credit or blame for particular policies and this incentivizes political parties to seek rents rather than to invest

on social spending. Lack of information also results in low credibility of promises made by politicians as voters have no evidence to ascertain whether politicians abide by or default on their promises. In such situations, political competition is no significant threat for incumbent governments, as they know that voters do not believe in the promises made by the oppositional parties. The incumbent government in turn feels free to underperform (Keefer, 2005).

The dynamics of political competition in a state is associated with the number of effective parties (or political formations) competing at the state level and the established credibility of those political parties (or formations). A state government that is not subject to any effective competition sees no incentive to establish an efficient social spending program for improving the quality of life of its voters (Kono, 2006). However, as the number of effective parties increases progressively from two to a multi-party system, the mobilizing strategy of each party changes from pursuing the support of a broad range of social groups to appealing only to a few social groups that it can afford to provide targeted benefits to. This is because when there is multi-party competition, the proportion of votes needed to win elections reduces (Chibber and Nooruddin, 2004).

The third imperfection is that voters could be from varying backgrounds in terms of ideology, religious belief, occupation, income, location and language, or in terms of the importance they attach to different social services. Moreover, if citizens are determined to support politicians from particular ethnic groups, they are less likely to oppose those of their own ethnic group even when they underperform. These imperfections undermine the electoral accountability of the incumbent government and thus hinder the efficient provision of broad national social services (Banerjee and Somanathan, 2007; Keefer, 2005).

Relevance of Study:

The broad theme of this paper is of great relevance today, as, in the absence of adequate provisions for essential social services, countries cannot hope to achieve good governance, financial stability, momentum for technological progress, or even hope to attract capital investment from abroad. Health capital and knowledge capital together form human capital, and go on to determine the labor productivity and growth of the country (UNIDO, 2008). The provision of health and education are state supported public goods as the market does not consider it its duty to provide

for them. However, such social overhead capital is considered essential for markets to function efficiently.

The provision of health and education in developing countries is a central reference point in evaluating development. Most governments there prefer to spend on localized projects that help generate employment and develop infrastructure, rather than on services like education and health which do not show returns in the short run. The inclination of the political class towards 'pork barrel politics' is thus a dampener for long-term sustainable development. Such an approach ultimately results in imprudent spending of even the available resources, further restricting the choice before the economic planners, and contributing to slow growth. The developed countries on the contrary, through effective leveraging of technology and by focusing on provisions for long-term service delivery, utilize the available resources prudently, in the process, further broadening their own choices for productive spending. Such increased economic activities in themselves help generate employment opportunities and income generation.

In many developing countries like India, even when programs on the face of it appear 'pro-poor', they often take the form of unsustainable redistribution, focusing on free food and temporary unproductive employment in public works. India's experiment with rural employment programs, involving huge public spending, provides a perfect example here. Its various programs subsidizing water-supply, power and fertilizers, though targeting the rural poor, have also been seen to be economically counter-productive as the real benefits of such schemes are mostly appropriated by the middle and large farmers (Murthy and Narayana, 1989). Though such biases exist in both the developed and the developing world, their adverse consequences are more visible among the developing countries.

Past research regarding the impact of political institutions on the provision of public goods has been centered on factors such as regime type, form of government, electoral institutions, party systems and party ideology. They use differences in the political-institutional framework as the reason behind strikingly different social sector performances across states. While these arguments may apply at the national level, they often fail to explain cross-national variations. Also, an important element of political institutions, that is, the existing imperfections in the political market, have not been extensively studied. Moreover, previous studies have either largely focused on the Western developed world or on the developing countries in Latin America to explain the factors

affecting the provision of social services. This study is an attempt to extend this analysis of the impact of imperfections in the political market to the less developed world, of South Asia, by focusing on its leading democracy, India.

The existing literature on the impact of regime type generally assumes a positive connection between democracy and the provision of social goods and economic growth. However, India provides an interesting counter example to this standard assumption. Despite being one of the oldest and most stable democracies in the world, literature does not properly cover India's problems in the public sector. This study attempts to explain some political market imperfections that exist in India that prevent the enjoyment of the full benefits of democratization.

Focus on India:

India is an ideal country to test the hypotheses made in this paper, as it is a multi-ethnic, multi-lingual, multi-religious democratic developing country with 29 States and 7 union territories (Etd2015india.in, 2015). As of 2014, there were 1703 political parties with distinctive ideological preferences in India (Dubbudu, 2015). India's enormous human resources, its software and engineering skills and known mathematical abilities, its vast market and its huge volume of renewable energy resources are going to be critical in the emerging global economy. However, it is still home to about 270 million people living below the poverty line (Povertydata.worldbank.org, 2016). It is evident that the country is actually living in different centuries. Thus, it is imperative to dig deep into the politico-economic interaction model in India and find sustainable solutions for its growth challenges. This paper aims to study the political market imperfections affecting the provision of social services in India, focusing on the developed state of Kerala and the under-developed state of Uttar Pradesh, between the period 1961 and 2011.

The states of Kerala and Uttar Pradesh have been selected, as the two states periodically maintained relatively similar levels of per capita income during the years studied, but experienced different social sector spending and development during the same period (Directorate of Economics & Statistics of the respective State Governments; various issues of the RBI Bulletin). Given that the political institutional framework in the two states have been identical since India's independence in 1947 - with both states being part of a single parliamentary democratic system and both having

regular elections which are conducted by the Election Commission of India - this study explains certain independent factors in the political economy that can hinder the efficient functioning of the political institutions. The time period studied is 1961 to 2011 so that the correlation between state level politics and policies can be effectively analyzed post-Independence. The case studies on the two states are based on both primary and secondary data. The primary data used is obtained primarily from the Country's Central Bank's (the Reserve Bank of India [RBI]) Annual Reports, Census Surveys and the Reports of India's Planning Commission (now *Niti Aayog*). This case study establishes that there is a direct correlation between the level of voter information, the dynamics of party competition, and the extent of ethnic identification and the quality of social services citizens can enjoy.

Theoretical Argument

The theoretical argument put forward here is going to rely on Keefer's work regarding political market imperfections. It will supplement his findings, especially in the context of India. As highlighted earlier, the independent factors of importance in a study of political market imperfections include the level of voter information, the dynamics of party competition and the degree of ethnic fragmentation. These three factors have the potential of affecting the electoral accountability of political parties, and thus, their political incentives for the provision of social services.

I. The Level of Information Available to Voters

The first independent factor considered is the level of information available to voters. A large section of the lower income group have difficulty in accessing important information regarding the political competence of the incumbent government because of factors such as illiteracy, unawareness, lack of mobility, and underdeveloped media facilities. Illiterate citizens, for instance, cannot be expected to be capable of observing the contribution individual politicians make towards policy-making, nor to understand the connection between such policies and their own welfare. In such a situation, the citizens cannot pin-point the source of services, which in turn favors the

politicians in prioritizing the distribution according to his or her own interests. Lack of information also results in denying the politicians the credit for delivering on promises.

Cultural factors, such as ethnicity and religion, also underline the need for citizens to make informed choices both in the democratic processes as well as in assessing the quality and relevance of social services. Alesina, Baqir and Easterly (1999), for instance, find that the shares of spending on productive public goods such as education and roads, in U. S. cities, are inversely related to the city's ethnic fragmentation. Ethnicity could thus contribute to the political class focusing on evolving narrow targeted policies aimed at particular ethnic groups, rather than policies for achieving national collective good. As a result, access to information about the incumbent government's efficiency in public service delivery is crucial for voters during elections.

In societies with low access to information, politicians prefer to distribute service provider jobs to their own constituents as they are easier to take credit for than policies that promote national collective good. They also find it more politically rewarding to offer the limited public employment opportunities to their supporters, regardless of merit (Keefer, 2005). Information access is also important because it has been noticed that major and frequent shuffling of policies are resorted to under conditions where the voters are economically weak and are ill-informed about the actual competence level of the politicians and of the true impact they make on their welfare (Shi and Svensson, 2000). The poor, being also lesser informed, are more likely to be carried away by political campaigns and rhetoric, rather than by actual performance records of politicians. As a result, social services may suffer because the politicians distribute targeted private goods to organized and informed groups, such as the business community, individual entrepreneurs, manufacturers and other special interests, who, in turn, support them with the necessary election funding (Baron, 1994; Grossman and Helpman, 1996).

It has been repeatedly observed in India that as elections draw nearer, most regional governments scale up expenditure on easily noticeable targeted social services ignoring the long-term national collective good. Several state governments have also been seen to increase tax breaks and offer sops to certain category of producers from whom contributions towards campaign funding can be elicited. (Khemani, 2004).

Inadequate voter information can also lead to exogenous factors, such as the weather or global oil prices, affecting voter behavior. Uninformed voters, at times, target the ruling politicians when

weather conditions turn unfavorable and reward them unduly when they are favorable. This is particularly so if these factors intervene during the period immediately preceding the election. Because of such electoral implications, democratic governments offer generous relief in election years (Cole, Healy and Werker, 2012).

The fact that promises regarding the provision of public services are difficult to verify, exacerbates the problem of inadequate voter information. This further makes it easier for politicians to underprovide and get away with it. When pre-electoral promises are not credible and voters are not in a position to effectively evaluate delivery, elections become less of a tool in fixing the accountability on politicians allowing them the leverage to ignore even narrow, targeted expenditures (Persson and Tabellini, 1999).

Information about key policy outcomes would help citizens to be better aware of the relative performance of services in their neighborhood compared to others, decide on whom to fix the responsibility for deficiency in services, and to monitor improvements, if any, attributable to the interventions of particular politicians or political parties (Keefer, 2005). It has been observed that political parties and leaders in nascent democracies, operating without the benefit of past achievement-records to bank on, give greater attention to targeted investments in social goods. They rely more on ‘clientelist’ promises for the future (Keefer and Vlaicu, 2002). This is because the measurable impact of policies become clear only after allowing reasonable time periods which could sometimes go beyond specific electoral cycles. As a result, politicians promoting them could neither benefit electorally from such policies if they prove to be successful nor do they have to answer to failures. Unlike in the case of promises regarding jobs or infrastructure development, which can be delivered in the short run, the effects of education reform policies are difficult to verify until a few batches of students have benefitted from it for a reasonable length of time (Keefer, and Vlaicu, 2002).

Hypothesis I: Inadequate information on the part of the voters increases political incentives to provide targeted benefits at the expense of the provision of essential social services of health and education.

II. The Dynamics of Political Competition

A second important factor that has the potential of affecting the political incentives for the provision of essential social services is the dynamics or the nature of political competition. The two primary features of the nature of political competition that will be covered here are the number of effective parties (or political formations) competing for power in the state and their proven credibility. Both the features are not mutually exclusive. A state that sees competition between two effective political parties or formations is more likely to have greater credible political competition as compared to a state with only one effective political party or formation, due to the better access to information that is associated with democratic political competition. This is so because democratic political competition generates information. If governments adopt policies that will adversely affect its voters, their political adversaries have incentives to highlight them. Democratic political competition thus provides a double impetus for providing essential public services (Kono, 2006).

However, a study by Chibber and Nooruddin (2004) claims that two party competition and multi-party competition have different consequences for the provision of social services because of different mobilizing strategies. If there are only two effective parties (or political formations) competing in an election, each party (political formation) needs a majority of votes to win the elections, compelling each to strive to build support across a broad range of social groups. There are two reasons behind this. Firstly, the support from one or a few social groups may not be adequate in number to secure a seat. Secondly, excessive reliance on any one group can alienate the other groups. As the number of competing parties increase, however, each party can choose to reach out only to a particular segment of the population. This is because the proportion of seats needed to win elections is lesser there than in the case of two party competition. Political parties in a multiparty system could thus make appeals to “vote banks” and specific support groups.

In explaining the importance of the credibility of political party competition, Zuydam (2014) argues that there are several qualities of political parties that attract attention and these influence how citizens judge them and their policy preferences. Hovland, Janis and Kelley (1953) claim that credibility is linked to the perceived ‘competency’ and ‘trustworthiness’ of a political party. Competency relates to “the knowledge, expertise, and experience necessary to adequately address societal and political issues” (Hovland, Janis and Kelley, 1953). Trustworthiness refers to “the

extent to which an audience perceives a party to be honest and not deceitful” (O’Keefe, 1990). A third dimension to credibility, recognized since the 1990s is ‘perceived goodwill’. This entails that the voters need to be convinced that the party has the public’s interests at heart and that it is not in politics for monetary gains (McCroskey & Teven, 1999; Perloff, 2010).

When targeted public goods are promised to core voters, the importance of credibility may not be as much. However, credibility is essential for leaders to establish a loyal support base across a broad range of voters and for the later to believe in the policies promised by them so that they could make informed decisions during elections (Blondel, 1987, p. 34; Harvey & Novicevic, 2004). Voters often rely on the media to determine what a party is ‘really’ like. Here also, the credibility of political parties is linked to voter information. The issue of credibility has become increasingly important especially over the past two decades due to the growing presence of network governance and because of the increasing role of the media in political communication (Zuydam, 2014).

Hypothesis II: Competition among multiple non-credible political parties reduces the political incentives for the provision of the social services of health and education.

III. The Extent of Ethnic Fragmentation

The third and final independent factor studied here is the extent of the state’s ethnic fragmentation. In ethnically fragmented societies, citizens are inclined to vote for candidates they closely identify with, regardless of their performance record. In such a context, competition between parties is centered around identity issues. This is reflected at every stage, starting from the selection of candidates to the distribution of spoils after the elections. The first casualty of such situations is the provision for public goods and services, as the impact of a party’s policy decisions on the larger society is not a priority for them (Keefer, 2005). Empirical works from countries such as Pakistan, India, Indonesia, Kenya and even the United States has established the linkages between ethnic diversity and public goods (Habyarimana et al., 2007).

The impact of identity politics is more visible when different groups are not sharing political power adequately. Areas with a higher component of traditionally marginalized groups identified more with their caste and religion. For instance, the lower castes and Muslims in India are found to be

having lower public investment in health and education (Betancourt and Gleason, 2000). Banerjee and Somanathan (2001) found that in India, areas that are ethnically diverse are also more likely to be politically fragmented. Elections in such areas are characterized by a larger number of contestants along ethnic lines, with the winning candidates securing only a slightly higher vote share than others. Great disparities in educational opportunities, with the privileged castes in the same village enjoying near-universal adult literacy for several decades and the disadvantaged castes' manifesting rates close to zero in many cases, was also noticed. (Drèze and Sen, 1997). The ethnicity linked voting behavior noticed in India are not visible in most of the developed democracies (Campbell et al, 1966).

One apparent reason why these divides in society drive politics and the provision of broad social services in some countries but not in others is that members of the same ethnic identity may support each other's well-being ignoring the welfare of members of other groups. Similarly, it has been observed that people of common ethnicity may find it easier to sanction each other for failing to cooperate than dissimilar groups (e.g., Fearon and Laitin 1996; Greif 1994; Miguel and Gugerty 2005). Desmet, Ortuo, and Weber (2009) show that redistribution is lower in countries with higher levels of linguistic diversity, a key indicator of cultural differences. Historic animosity between groups may lead to the perception that higher investments on the welfare of one group could be at the expense of the others. Also, the lack of credibility of politicians leads to a situation wherein voters feel more comfortable believing the promises made by those political competitors with whom they have some personal connection, even though such promises need not necessarily be in the best interest of their group or in the larger interest of the country (Keefer, 2005).

Effective collective action among ethnically homogenous groups could also be attributed to the existence of norms and institutions that monitor the desertion of non-contributors. Similar ethnic groups cooperate because of the forceful in-group reciprocity norms supported by the fear of sanctions relying on "findability" (Habyarimana et al., 2007). Co-ethnics are not necessarily more effective at collective action on common objectives. A major inference from these findings is that provisioning higher levels of public goods in diverse communities need not be contingent upon segregation of ethnic groups. This points to the importance of policies that incentivize greater social interaction and reliable information flow among ethnic groups, for effective provision of social goods. Therefore, by creating conditions for individuals to recognize that their conduct may

have an impact on the quality of social goods, their delivery can be more effective (Habyarimana et al., 2007).

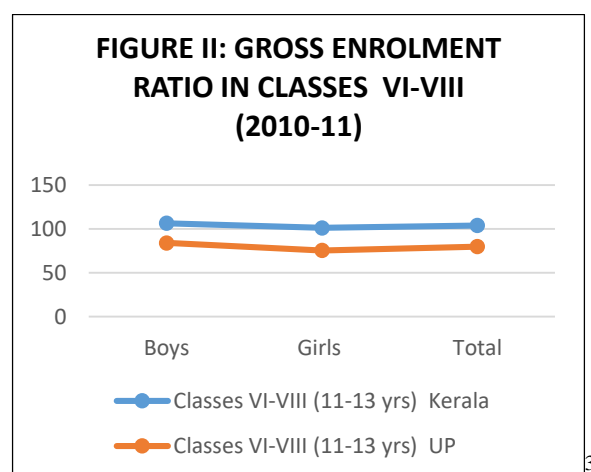
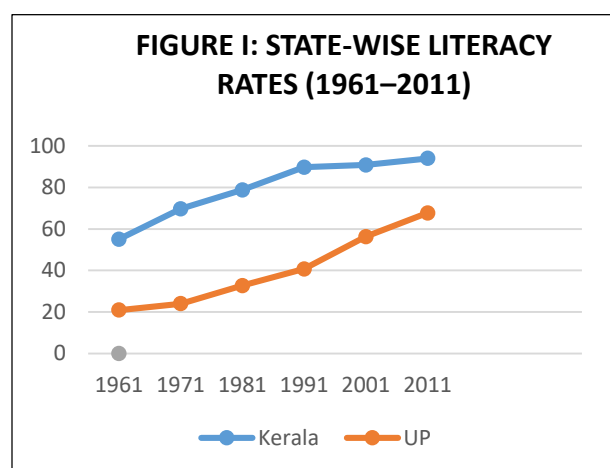
Pande (2003) finds that reservations in the state legislatures in India have contributed towards enhanced government job opportunities for the marginalized people, while at the same time reducing the public sector allocation for education. The historically practiced neglect and the subtle hostility of the majority towards the Scheduled Castes and Scheduled Tribes were sought to be reversed when the latter got the opportunity for power sharing. As the newly emergent political class associated with the disadvantaged sections could make credible appeals only to their social groups, they favored targeted delivery of public goods for ‘their people’, even when long-term benefits to their groups would have been higher from broader policies.

Economic disparities between different groups have not received adequate attention in academic research partly because of the lack of empirically verified information on group-based economic differences, across countries. However, there are enough reasons to establish that group-based economic differences would lead to varying group priorities for social services, feelings of discrimination by some groups, different attitudes towards redistribution among groups, and different “class” identities by different groups. If socio-economic disparities between groups lead them to prioritize public goods differently, it will be difficult for such groups to reach consensus on which public goods are warranted (e.g., Alesina, Baqir, and Easterly 1999; Alesina and Spolaore 1997; Alesina and Drazen 1991). Under such conditions, the leaders may try to win reelection by extending targeted public goods for each group, particularly when the number of groups is not too unwieldy for such targeting (Fernández and Levy 2008). Baldwin and Huber (2010) claim that ethnolinguistic fractionalization (ELF), cultural fractionalization (CF), and between group inequalities (BGI) indicate different things, and that the choice between them has an important bearing on our understanding of country-specific diversity indices. They find that BGI has a large, robust, and negative relationship with public goods provision, whereas CF, ELF, and overall inequality do not.

Hypothesis III: Higher the degree of ethnic fragmentation at the state level, the lower the provision for broad national collective goods.

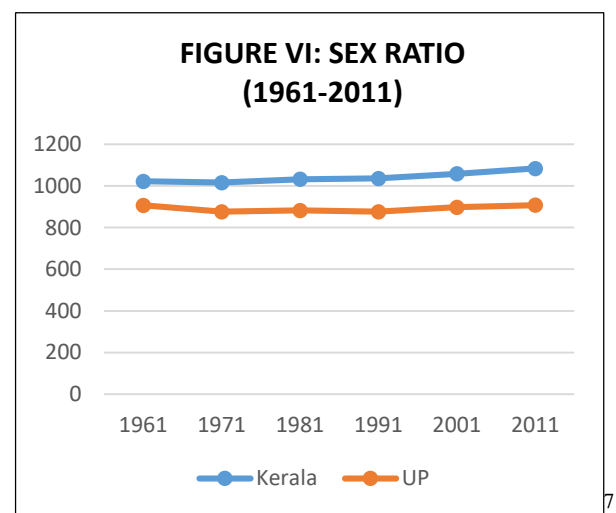
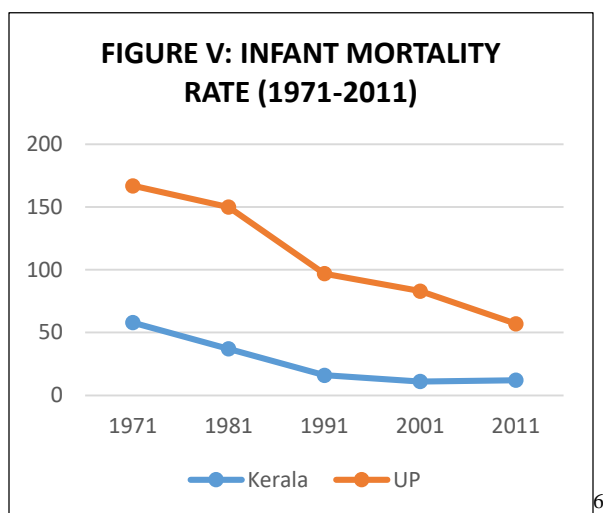
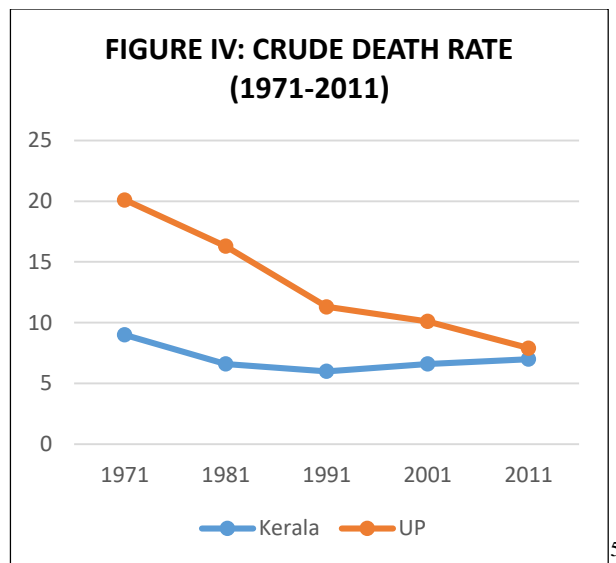
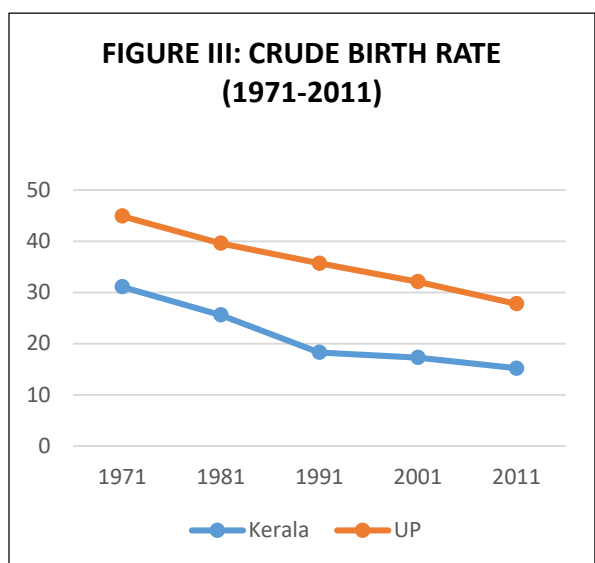
Case Study on Social Spending in Two States in India

Contrasting differences in basic health and education indicators can often be seen within the same country. This study will compare such differences between two states in India: Kerala and Uttar Pradesh. Using data obtained from the Reserve Bank of India, India's Planning Commission and the various Census Surveys for the period 1961 to 2011, the findings of this study are summarized below.



² Planning Commission, Government of India. *State-wise Literacy Rates (1951-11)*. Available at: http://planningcommission.nic.in/data/datatable/data_2312/DatabookDec2014%20224.pdf

³ Planning Commission, Government of India. *Gross Enrolment Ratio in Classes VI-VIII (2010-11)*. Available at: http://planningcommission.nic.in/data/datatable/data_2312/DatabookDec2014%20226.pdf



As shown in Figures I to VI, human development outcomes in Kerala exceed those in Uttar Pradesh by a huge margin. If we look at education alone, Kerala outperformed Uttar Pradesh in literacy

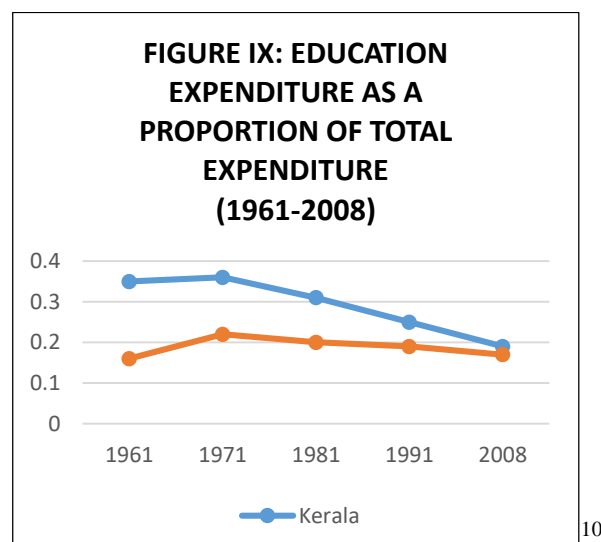
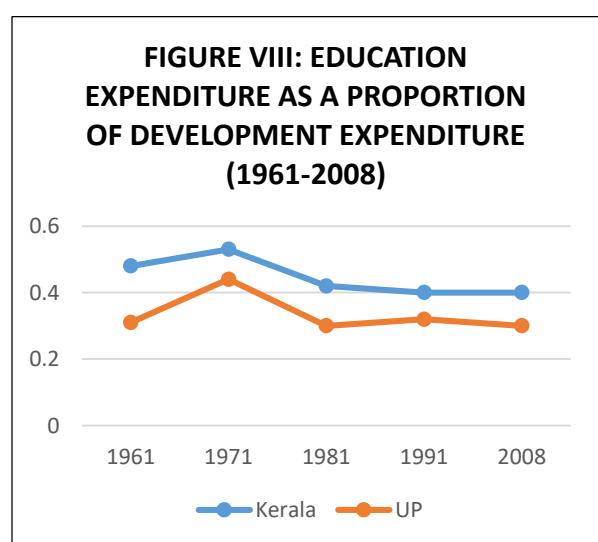
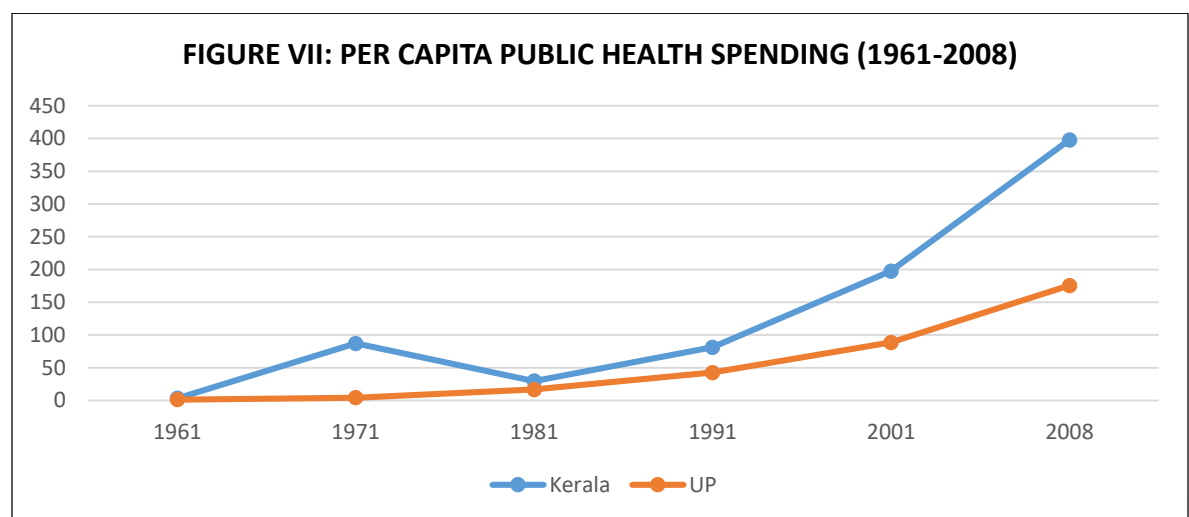
⁴ Planning Commission, Government of India (2014). *Basic Health Parametres (CBR, CDR & IMR) - State-wise Time Series Data*. Available at: http://planningcommission.nic.in/data/datatable/data_2312/DatabookDec2014%20195.pdf

⁵ Ibid.

⁶ Ibid.

⁷ Census of India (various issues), Office of the Registrar General and Census Commissioner, India. *State-wise Sex Ratio (Female per 1000 Males) in India (1951-11)*. Available at: http://planningcommission.nic.in/data/datatable/data_2312/DatabookDec2014%20215.pdf

rates between 1961 and 2011, as well as in gross enrolment ratio in classes VI-VIII in 2010-2011. In terms of health outcomes, Uttar Pradesh has a much higher crude birth rate, crude death rate and infant mortality rate between 1971 and 2011, and a lower sex ratio between 1961 and 2011, as compared to Kerala. These indicators imply that the social services of health and education are either ineffective or absent in the state of Uttar Pradesh when compared with Kerala.



⁸ Data on Public Health Spending from Various issues of the Reserve Bank of India Bulletin (1962-2009); Population data from Office of the Registrar General of India, Ministry of Home Affairs & Economic Survey 2013-14.

⁹ Various issues of the Reserve Bank of India Bulletin (1962-2009).

¹⁰ Ibid.

Figures VII to IX further show that the emphasis given to public policy is strikingly different across Kerala and Uttar Pradesh. Per capita public health expenditure (Figure VII) was higher in Kerala for the entire period studied, with the exception of 1981 where the per capita expenditure of the two states were similar. In the case of education expenditure as a proportion of total development expenditure of the state (Figure VIII), Kerala consistently did better than Uttar Pradesh. Surprisingly, when we look at the figure for education expenditure as a proportion of the total state outlay (Figure IX), we find a convergence between the two states by 2008, reflecting a decrease in Kerala's education allocation as a proportion of the total outgoings and a rise in Uttar Pradesh's education outlay as a proportion of total spending. The fact that education spending as a proportion of total government expenditure is extremely low in Uttar Pradesh, reflects the greater emphasis laid by the government on areas other than education, whose benefits are more easily visible and for which the government can readily take credit.

According to Dreze and Sen (1995, 1997), the quality of public expenditure is also higher in Kerala than in Uttar Pradesh. The first five decades of independence saw literacy rates doubling in Kerala from 47.18 in 1951 to 90.92 in 2001 (Census of India 2001). By 1969, the entire school education in Kerala was made absolutely free, providing greater incentives for the poor to allow their children to complete their secondary schooling also (James, 2004).

When the state of Kerala was formed in 1956, there were huge disparities in the level of educational attainment among its districts. The state took the initiative to sanction new schools, upgrade existing ones, and allocate funds to narrow down the regional gaps. The Kerala Education Act and the Kerala Education Rules, were introduced in 1958 and 1959 respectively, with the objective of putting an end to the growing corruption associated with the appointment of teachers, student admissions, and management of schools in the private sector. The state government also took it upon itself to spread education among the backward communities, through concessions such as free supply of uniforms and textbooks, and exemption from all kinds of fees. The Backward Community Department organized night schools, tribal schools and libraries for the marginalized sections. To attract the girl students from the educationally backward sections, special scholarships were provided to the Muslim, Nadar, and SC/ST girls (James, 2004). The Kerala State Literacy Mission Authority was established to develop literacy skills through continuing education and to

provide chances to all interested in learning. This helped Kerala to become the 'State with Total Literacy' in 1991 (Literacymissionkerala.org, 2016).

In Uttar Pradesh, however, absenteeism and other such shortfalls in the delivery of educational services existed since independence. According to the ASER 2010 report, teacher absenteeism was on the rise with 19% of primary school teachers not being present for duty on the day of the survey. In the upper-primary segment, teacher absenteeism increased from 10.2% in 2007 to 20.2% in 2010. Only about 53.1% primary schools and 46.9% upper primary schools were devoid of teacher absenteeism. In terms of quality of education, the trends were disheartening too. Almost 50% of the children in grade three could not recognize numbers, three out of four children in grade eight could not do subtraction and more than 45% of them could not perform division, and about 45% children from grade one to 1.1% in grade eight could not read anything even in their native language. The Right to Education Act states that it is mandatory that there be one teacher for every 30 students. 50.3% of schools in Uttar Pradesh do not meet this criteria (ASER Report 2010). Schools in several villages in the state remain non-operational for years together due to teacher absenteeism, without any mass protests being organized in response to it (Drèze and Gazdar, 1996).

Figure III shows that the Infant Mortality Rate was reduced from 58 in 1971 to 12 in 2011 in Kerala. In Uttar Pradesh, infant mortality rate decreased from 167 to 57 during the same period. According to Zachariah (1997), this huge decline in IMR in Kerala was primarily due to easy access to state-run primary health care centers and programs of infant and child immunization. Mencher (1980) shows that if a primary health center in Kerala remains unmanned for a few days, there are large-scale protests at the nearest district office. The established health infrastructure in Uttar Pradesh has been inadequate for years together, when compared with the national average, and it fails to meet the demand for health services in the state. As a result, the state is facing a hard challenge in fighting communicable and non-communicable diseases, maternity and child health issues, malnutrition, and fatal diseases like cancer and AIDS (Jahan, 2009.).

According to the Economic Survey of 2007-2008, the per capita health expenditure by the state government of Uttar Pradesh was Rs 1,152 in 2006 as compared to Rs 2,952 in Kerala in the same year. These figures show that Kerala invests more than two and a half times on providing health facilities to its residents than UP. It was also found that 11% of the residents in Uttar Pradesh are

unable to access medical care due to locational reasons. Even when they are able to access it, there is no guarantee of sustained and long-term care. Several factors such as bad connectivity, unreliable diagnosis, unaffordable transport cost, possible wage loss, etc.; make it cheaper for a villager to be treated by the local quacks (Jahan, 2009). Based on the norm of one medical college for every 50 lakhs population, there ought to be 35 medical colleges in Uttar Pradesh. However, there are only 7 medical colleges in the state. Kerala has 14 medical colleges against the requirement of 7 (Jahan, 2009). In UP, the doctor-population and nurse-population ratio is 1:4202 and 1: 10796 respectively whereas in Kerala the doctor-population ratio is 1:1141 and nurse-population ratio is 1:542 (Jahan, 2009). This shows the heavy population pressure on doctors and nurses in UP. Each sub centre in UP is covering as many as over 6400 people against the prescribed norm of 5000, while each sub-centre in Kerala covers only 4628 people (Bulletin on Rural Health Statistics in India, 2007).

These differences in the social sector performances of the two states raise questions of why they emerged in the first place and then continued to persist for years together. This paper argues that voters in Kerala are better informed due to higher literacy rates, they are less ethnically fragmented on policy issues, and the state's two leading political parties compete in a more credible environment than in Uttar Pradesh. They are thus more committed and efficient in delivering broad national collective services as compared to the clientelist tendencies in Uttar Pradesh.

In order to establish a correlation between the first hypothesis that inadequate information on the part of the voters affects the political incentive for the provision of social services and our case study, this paper will now explain what led to relative differences in the level of information available to voters in the two states studied. As mentioned earlier, as early as in 1961, literacy rates in Kerala were almost three times those in Uttar Pradesh. This was a crucial factor behind voters in Kerala having better access to information about political decisions and their relation with their personal well-being, and for their ability to better interpret this information. This increased political parties' ability to make credible promises to voters, since it is easier to establish a reputation with the voters if they are well informed.

Social discrimination combined with illiteracy in Uttar Pradesh prevented backward castes from participating in political processes and from taking advantage of public goods and services. The caste system was prevalent in Kerala as well. However, socially disadvantaged groups were given

greater opportunities to involve in the political process to influence policies that affected their welfare (Nossiter, 1982; Chander, 1986). Differences in literacy, social discrimination and the resultant differences in the nature of political competition thus affected the likelihood that information is correctly disseminated about the political performance of the incumbent government. This in turn could determine the political incentives for effective social service provision.

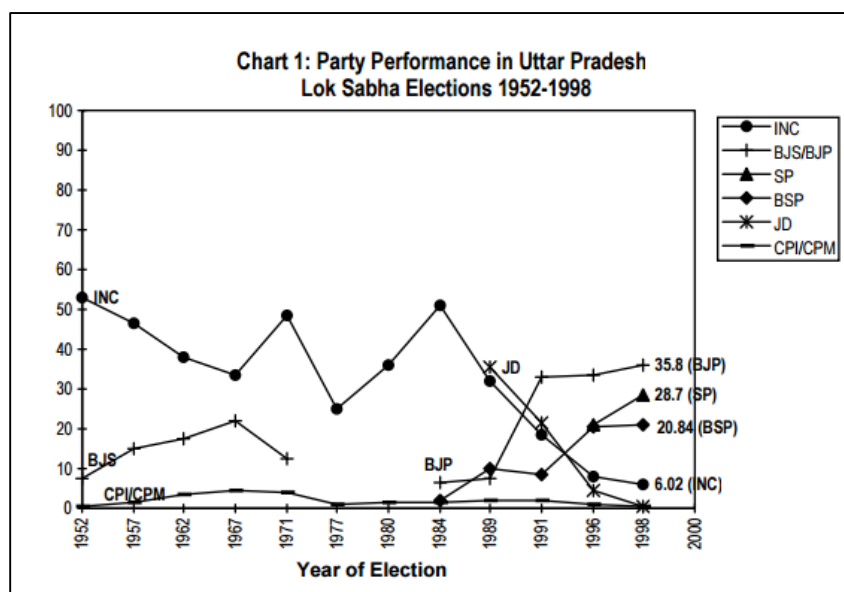
It is critical to understand the dynamics of political competition in the two states. Following independence in 1947, the left of the center party, the Indian National Congress (INC), dominated the political space in the country. It was regarded as the most powerful party due to its well-established association with the freedom struggle against British rule and its presence in India as the oldest political party. At the national level, the INC followed a socialist approach by laying emphasis on state-led economic development and the redistribution of resources from the rich to the poor. However, at the state level, there were considerable variations in the extent and nature of competition the INC was confronted with. For instance, in Uttar Pradesh, the INC did not face much competition from well-established political parties. Its only opposition came from personalized parties. As a result, the Congress Party in UP could win elections with relatively modest promises. On average, the Congress won more than 70% of the seats in the Uttar Pradesh state elections until the late 1980s (Butler, Lahiri, and Roy, 1995). This lack of effective competition in Uttar Pradesh implied that less information got circulated about the political performance of the incumbent government and thus less credible promises were made and the provision of targeted private goods rose at the expense of broad social services (Kono, 2006).

On the other hand, in Kerala, since the late 1960s, the INC was subject to competition from Communist parties who were extremely successful in garnering support of the poorest voters (Chander, 1986; Nossiter, 1982). The credibility of the Communist parties in Kerala came from two sources. Firstly, it is associated with access to information that comes with increased political competition. This is so because democratic political competition generates information. If governments adopt policies that will adversely affect its voters, their political adversaries have incentives to bring this to the notice of the people (Kono, 2006). Secondly, instead of using their personal contacts to focus on providing targeted services to their core constituencies and strengthening their personal position, the Communist parties focused on banking on the merit of

their parties' policy. Without this they wouldn't have been able to position themselves as a tenable alternative to the Congress. Thus, competition in Kerala has been taking place between two credible political formations: the Communist Party of India (Marxist)-led Left Democratic Front (LDF) and the Indian National Congress-led United Democratic Front (UDF) (Herring, 1988). Both these grand coalitions are able to make impressive promises to wide sections of society regarding the provision of quality social goods. This, thus, decreased the relevance of patron-client relationships in the state.

As a result of more widespread access to information in Kerala regarding government performance and policy initiatives, and the greater credibility of the political formations, voter turnout in the state has been averaging over 75% ever since the first few state elections. In Uttar Pradesh, however, it averaged 55% (Keefer, 2005). The relatively low voter turnout in Uttar Pradesh, was indicative of greater voter apathy to policy issues, because of the aforementioned imperfections in the political market.

FIGURE X: PARTY PERFORMANCE IN UTTAR PRADESH LOK SABHA ELECTIONS (1952-1998)¹¹



¹¹ Chandra, K. (1999). The Ethnification of the Party System in Uttar Pradesh and its Consequences. In: R. Ramashray and P. Wallace, ed., *Indian Politics and the 1998 Elections: Regionalism, Hindutva, and State Politics*, 1st ed. [online] London: Sage Publications.

In a political environment that otherwise lacks credibility, there are enormous advantages in mobilizing voters along ethnic or caste lines since people here take intra-caste promises more seriously. Ethnicity based parties have been very important players in Uttar Pradesh (Figure X). This transformation to political competition along ethnic and caste lines can be traced back to 1989 when Congress began to lose its popularity to parties with more targeted bases of support (Min, 2015). According to Chandra (1999), the period 1989 onwards has been characterized by two transformations in the politics of Uttar Pradesh. The first is the dramatic rise in political participation from the socially disadvantaged groups. The second is the emergence of a party system in which all the major players open their campaigns around identity-based groups. The gradual decline in the Congress' strength created space for the "ethnification" of the party system in Uttar Pradesh. This space has come to be occupied by three successor parties: the Bharatiya Janata Party (BJP), the Samajwadi Party (SP) and the Bahujan Samaj Party (BSP). All three parties are multi-ethnic as they draw support from different identity-based groups. However, they thrive on building narrower coalitions than those built by the 'umbrella party', the Congress. While the BJP has tried to bring together all Hindu castes, the SP and the BSP have tried to weld together all subordinate Hindu castes and Muslims.

The BJP's influence in the state grew between 1989 and 1991, when it declared itself to be a primarily Hindu party. No significant effort has been made to gain the support of the Scheduled Castes and Muslims (Chandra, 1999). The Bahujan Samaj Party distinguishes between the minority ("*alpjan*") and majority ("*bahujan*"). The minority is made up of the three Hindu upper castes, while the majority consists of Backward Castes, Scheduled Castes, Scheduled Tribes, Muslims, Christians and the Sikhs. The BSP views the upper castes as oppressive and dominating over the majority. The BSP appeals to its ethnic categories by promising population-based representation for every ethnic group, including the upper caste, in the state institutions. The party does not print election manifestoes. Instead, it treats its candidate list as its manifesto, projecting the ethnocentric composition of its candidates' list as proof of its commitment to giving each category its due share in power (Shodhganga, n.d.). The BSP made efforts to gain popular support from the upper castes in the 1996 parliamentary elections due to the heterogeneous composition of the electoral constituencies. The Scheduled Castes, who formed the backbone of the BSP, were not enough in number to ensure the party's victory in any constituency (Chandra, 1999). The Samajwadi Party categorizes the electorate according to religion and caste. It recognizes two

religious communities – a Muslim “minority” and a Hindu “majority”. These religious communities are further categorized by caste. This party, which positions itself as committed towards the upliftment of weaker sections of society and stands against communal forces, also has its ethno-centric biases (Samajwadiparty.in, 2015).

Given the rewards of winning dominant party control of the state, political parties occasionally turn towards new ways of forming ethnic majorities. Every time the need for political mobilization and counter-mobilization is felt, it is characterized by accompanying confusion in its initial stages before settling down for co-existence of different ethnically oriented groups and political parties (Chandra, 1999). As already stated, the degree to which patronage politics can influence the prosperity of different ethnic communities is restricted. Educational and health reform, for instance, cannot be accomplished in the short-term. It is a long-term project warranting substantial initial allocation. Where the returns are unquantifiable and uncertain in the short-run, no party has the inclination to engage in such reforms. Therefore, we find that none of the parties in Uttar Pradesh regard issues of educational and health reforms as important to their political agenda, though they often seek electoral backing from educationally backward ethnic groups. They garner support by making promises regarding policies they can readily and visibly implement and yield immediate payoffs. Thus, as this paper hypothesizes, the most common promise made by political parties to ethnic groups is that they shall increase representation in the party and the state institutions.

In Kerala, however, politics has been dominated by the Communist-led Front and the Congress-led Front since the late 1970s. These two coalitions have been alternatively voted to power since 1982. The BJP so far has failed to register its presence in the State Assembly in spite of it being one of the largest parties in Kerala after the Congress and the Communist Party of India (Marxist) (Keralaassembly.org, 2016). The social thought and behavior of the state in general has a strong egalitarian content giving the Communist parties a strong hold over politics in Kerala. There has been limited influence of ethnicity in vote mobilization strategies. The high literacy rate also creates conditions for the peasants and working-class citizens to engage in politics. (Robinson, n.d.). The alternating coalitions formulated a Health Model in Kerala that is even seen as an example globally for achieving good public health results by addressing the core determinants of health: investments in basic education, public health and primary care (Nabae, 2003).

The vast differences in state expenditure on social services and the resultant human development indicators in Kerala and Uttar Pradesh show that the same democratic institutions can lead to extremely different kinds of electoral competition which in turn have substantial impact on the level and quality of the provision of public services. This also shows that the existence of democracy is no guarantee for a perfectly functioning political market. This analysis implies that any attempt to improve the electoral accountability of political parties and the resultant quality of social services, should lay emphasis on expanding the information base of voters, improving the credibility of political competition, and effectively dealing with ethnic fragmentation.

Conclusion: Implications for Policy Implementation

This paper argues that the level of information available to voters, the dynamics of political competition, and the extent of ethnic fragmentation in a state affect the political incentives for the provision of the social services of health and education in the given state.

The case study undertaken in this research on Kerala and Uttar Pradesh provides testimony to the central hypotheses. The Kerala example shows that well-informed voters play a significant role in increasing the standards of electoral accountability. The Kerala model also provides the template for effective political mobilization, in a developing economy, for broad based social services. When both the alternating coalitions in Kerala competed for the delivery-oriented image space, both gained significantly, creating a political level-playing field for both, resulting in good rewards in the form of alternating opportunities for governance. This model helped establish the credibility of both the competing parties, while the ethnicity of voters was also not exploited for electoral purposes. From the example of Uttar Pradesh, on the other hand, it becomes apparent that ill-informed voters, non-credible political posturing, and the tendency to politically exploit social fragmentations could prove to be the recipe for depriving people of essential social services like health and education.

There are clearly numerous challenges in the political institutional arena that need to be effectively addressed in order to ensure efficient public expenditure policies by the government. Different models of political systems have been developed in order to help bring about broad based social services. The Indian experiments with political decentralization and protective discriminative

policies for political representation for the socially disadvantaged, offer good examples directed towards achieving social equity and targeted development. However, decentralization of power to locally elected bodies, in the face of several imperfections in the political market, could undermine the very purpose for which the decentralized governance-model is often adopted, i.e.; they fail to improve the standard of living at the local level. Decentralization is ineffective if voters are unaware of the resources and competency of local parties, if targeted distribution is easier at the local level than the provision of social services to all the residents of the area, if the competition at the local level is between multiple non-credible political parties, and if there is more ethnic diversity and socio-economic disparities at the local level than at the central or state level.

Non-governmental validation about the policy performance of political parties in a state is an effective way to partially address the inadequacy of information available to voters and the non-credibility of political competition. The media, think tanks, non-profit organizations, and international organizations help voters judge the quality of public services provided. Most importantly, policy reforms to bring about effective social service delivery will ultimately, directly help the political class themselves in claiming the credit for whatever social services are provided — better the provisions, more the reward.

Ethnocentric social polarization in societies with inadequate information can have harmful effects on social service provisions. Ill-informed voters in ethnically fragmented societies have a tendency to support the groups with which they have the strongest emotive connections on the false premise that such linkages in themselves could help address the deficiencies in the social service delivery. For the good of the society as a whole, it is thus imperative that access to resources is determined by criteria other than cultural or religious factors. However, this isn't always feasible as there often exist certain ethnic or religious groups that have been economically backward for generations and require affirmative action to improve their economic status. Hence, policy implementations to counter the problem of ethnic fragmentation are fraught with difficulties.

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