

Responses to the Rise of (Multilateral) Chinese Finance: Voter Perceptions of the World Bank and Asian Infrastructure Investment Bank in India

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How Recipient Countries Perceive Donors

What does the existing literature show?

Views of Domestic Government versus Multi-lateral Aid

- » Ugandans prefer multi-national funding to domestic (Milner, Nielson, and Findley 2016)
- » Foreign aid weakened support for Presidents in Nigeria, Senegal, and Uganda (Briggs 2019)
- » No difference between domestic and multi-lateral funding in India (Dietrich and Winters 2015)

Views of Foreign Aid Provider that Change After Funding

- » American foreign aid increased positive perceptions of US in Bangladesh (Dietrich 2018)
- » Chinese aid improved perceptions of China in many countries (Wellner et al. 2022)

Views of Projects depending on Prior Opinion of Provider

- » Egyptians less supportive of health projects if they learn that either France or the US funded them (Singh and Williamson 2022)

Our Study

Contribution

» We ask the respondents about four outcome variables: 1. Approval of the project,

2. Trust in implementers

3. Expected quality of project

4. Support of domestic government

in working with partner for a hypothetical road development project in India

» We vary the source of multi-lateral funding: World Bank or AIIB

» One version includes a brief description of the Bank's mission, notes the number of countries who are members, and notes that India is a member of the Bank

» A second version provides the same description but adds only the physical headquarters of the respective Bank (Beijing or Washington)

Our Findings

Through our survey, we find that..

- » Indians in the cities in our sample prefer local financing over financing from an MDB.
- » At the same time, the differences are only significant when “Beijing” is included in the AIIB script, with support dropping
- » Despite our expectations that there are differences across Indian cities, there is remarkable uniformity in the results across cities
- » Punchline: simple associations with an MDB affect one’s perception of the desirability of funding from it

Data and Methods

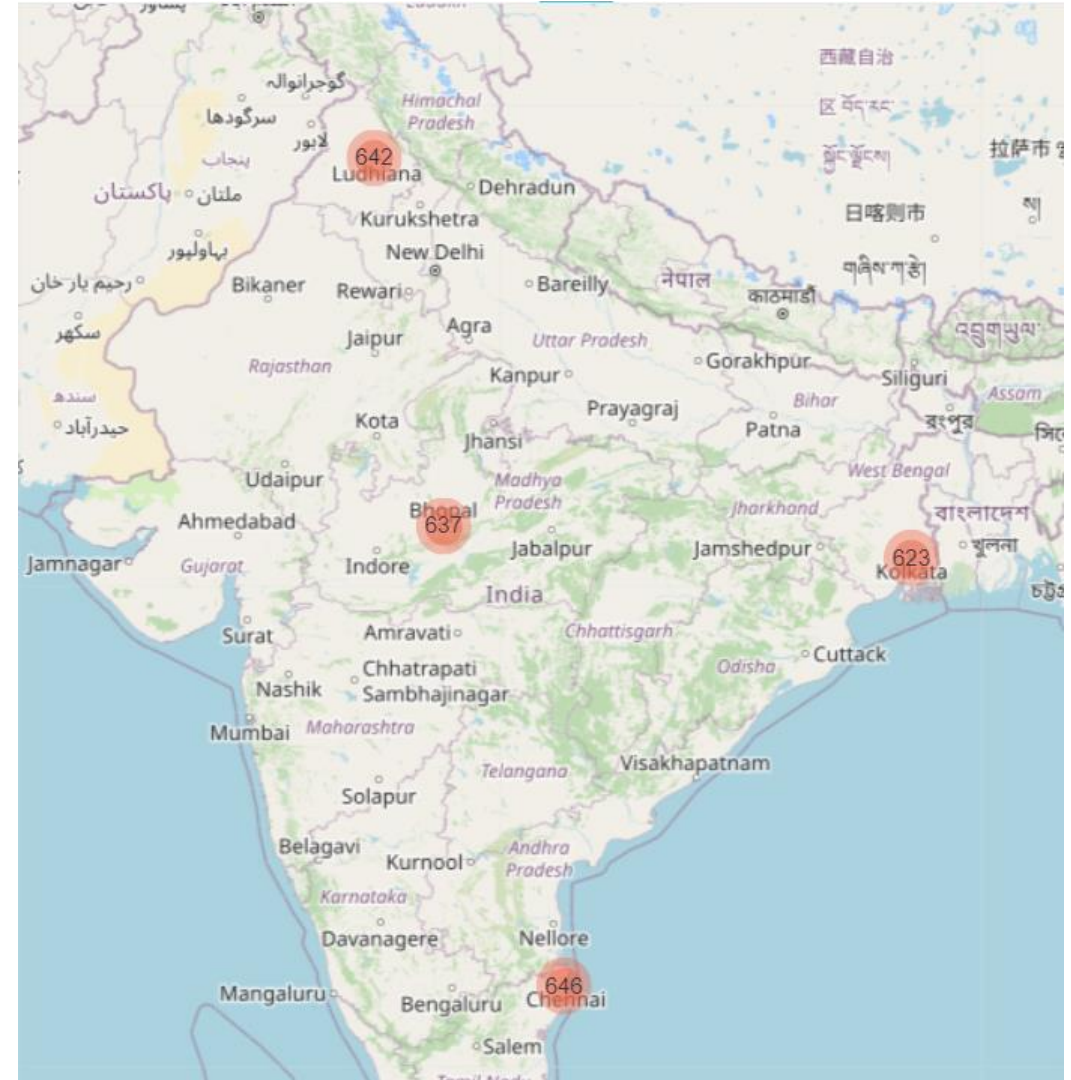
Survey Information

» In-person surveys in August-September 2023 of **2572** individuals based in four cities in India in the person's preferred language

- Hindi in Bhopal, Ludhiana, and Kolkata, Tamil in Chennai, and English in all four

» These cities have different constellations of parties in their local government, speak different languages, and differ in levels of prosperity

» We examine the extent to which place-specific satisfaction with local government finance varies



Data and Methods

Our Sample

- » Oversampled educated persons
- » Assumption that they would know more about the Banks, and be more influential on funding questions, so wanted narrower confidence intervals
- » Also sampled illiterate persons
- » Would not have been possible with an on-line survey, and they constitute 25% of voters in national elections
- » For next version—created a weighted sample that matches the underlying distribution of each city

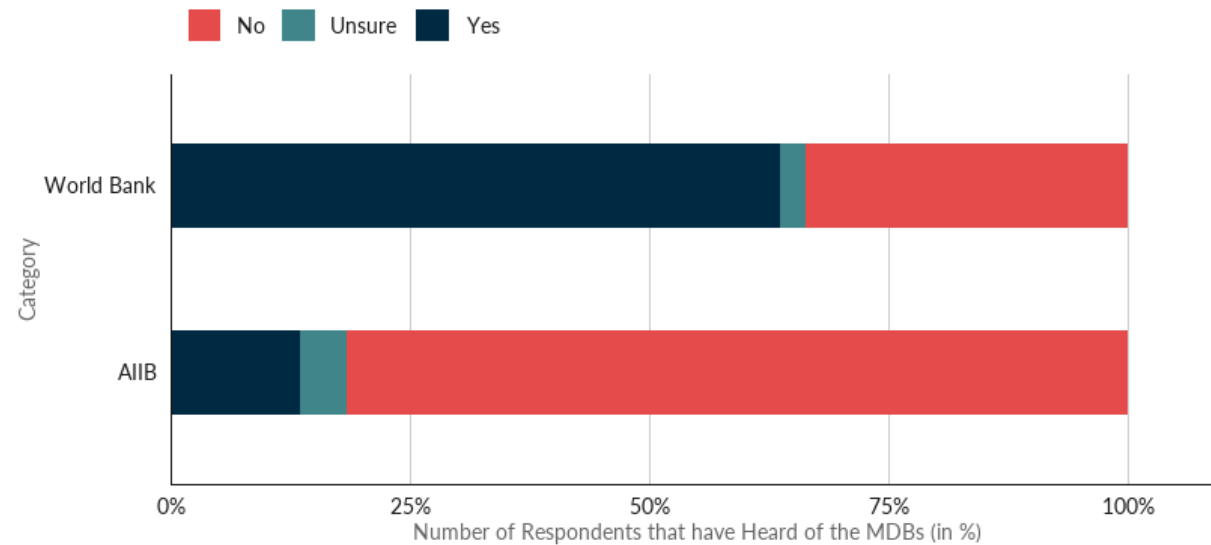
| Category | Survey Sample | Actual—2011 Census |
|------------------------|---------------|--------------------|
| Undergraduate or Above | 50% | 6% |
| Literate | 35% | 57% |
| Illiterate | 15% | 37% |

Results

Previous Knowledge of Banks

- » **63% (641)** respondents reported that they had heard of the World Bank while **34% (339)** reported they had not
- » In contrast, only 13% (138) had heard of the AIIB.
- » World Bank awareness likely due to long-standing presence, including in selected Indian States
- » AIIB created only in 2016

Respondents' Knowledge of World Bank and AIIB



Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Results

Project Descriptions in Different Treatments

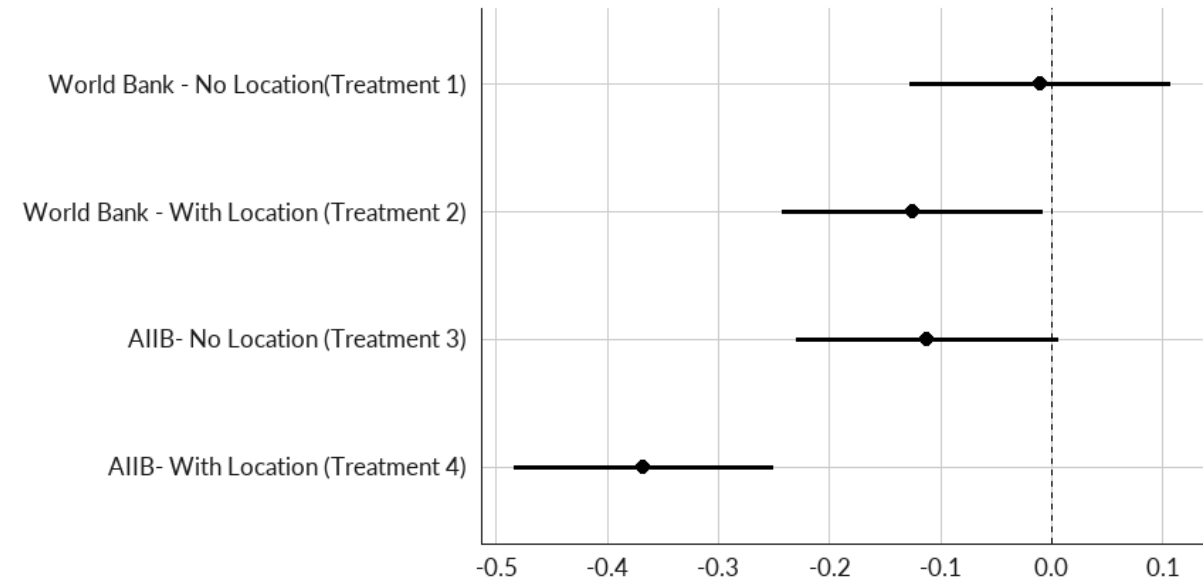
- » **Treatment 1:** “The World Bank provides financial and technical assistance to developing countries for projects aimed at reducing poverty and helping achieve economic growth. It has 189 member countries and India is one of them.”
- » **Treatment 2:** “The World Bank provides financial and technical assistance to developing countries for projects aimed at reducing poverty and helping achieve economic growth. It has 189 member countries and India is one of them. **Its physical headquarters is located in Washington, D.C., in the US.**”
- » **Treatment 3:** “The Asian Infrastructure Investment Bank (AIIB) is focused on infrastructure development and regional cooperation in Asia. The AIIB has 103 member countries and India is one of them.”
- » **Treatment 4:** “The Asian Infrastructure Investment Bank (AIIB) is focused on infrastructure development and regional cooperation in Asia. **The AIIB has 103 member countries and India is one of them. Its physical headquarters is located in in Beijing, China.**”

Results

Project Approval of Hypothetical Development Project

- » After hearing about the project description, respondents were asked how much they would approve of the project
- » Responses were recorded on a Likert scale and then converted into a scale from -2 to +2
- » Local government has highest approval (mean = 1.57)
- » Approval drop is statistically significant both when US and China locations mentioned (mean = 1.44 and 1.20 respectively)

Approval of the Project



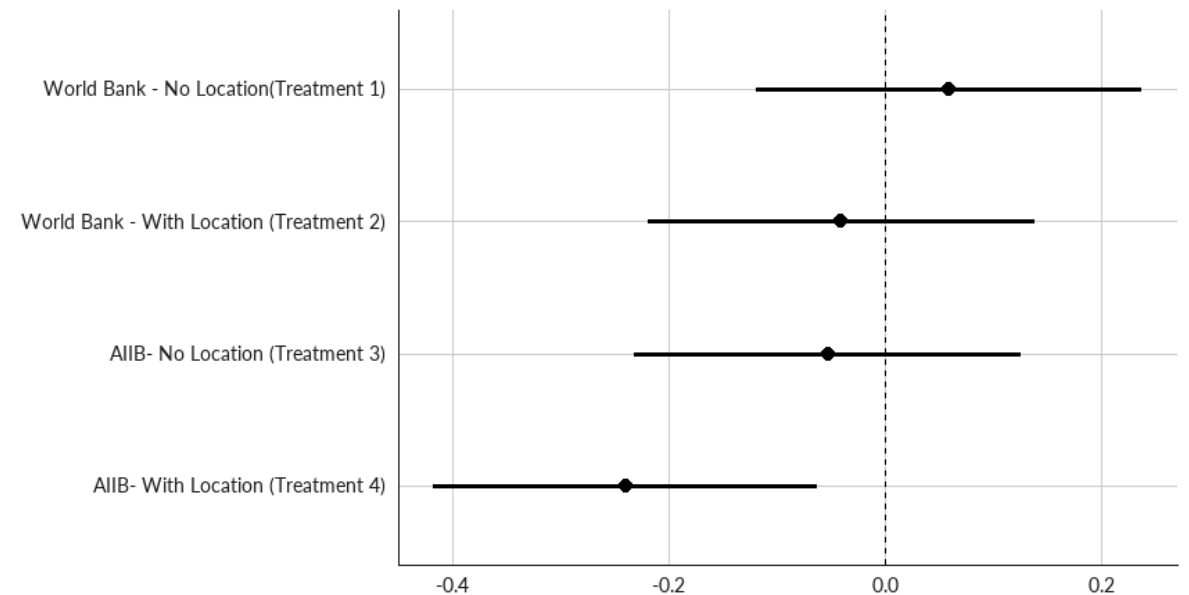
Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Results

Do people want their own government to take these loans?

- » Respondents were asked how much would they support the government for accepting project financing for projects like these
- » High support for asking the World Bank for support
- » Statistically significant drop in support, if government wants “China located” AIIB finance (mean = -0.02)

Government Support for Project Financing



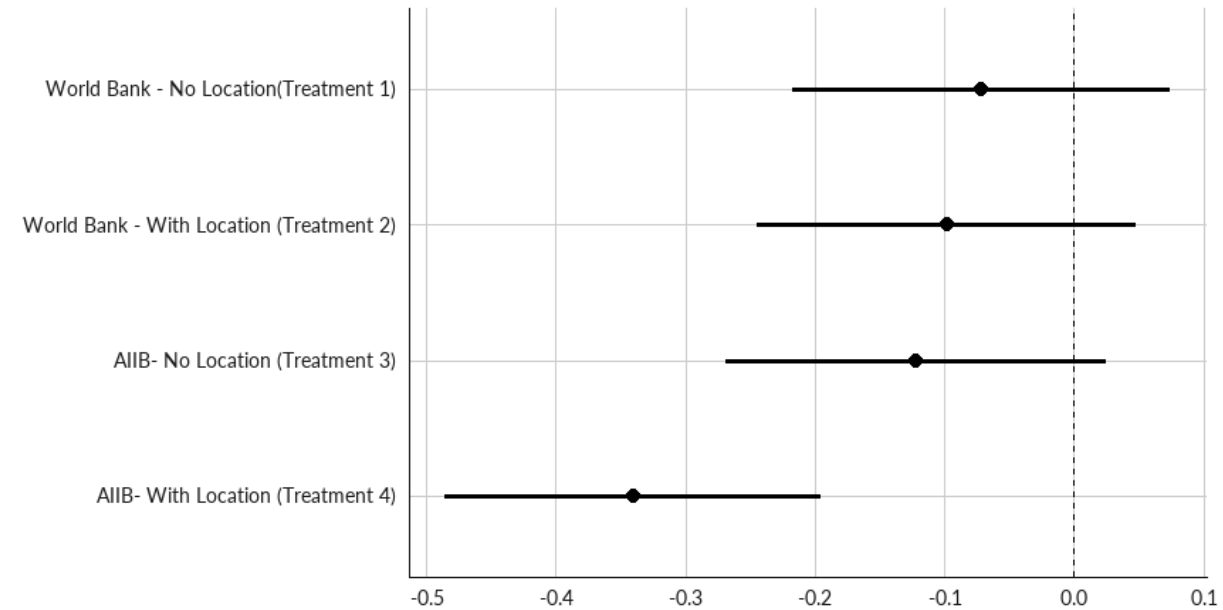
Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Results

Trust in the Implementors

- » Respondents were asked how much they trust the implementors to achieve the aim of the project
- » Trust in the local government highest (mean = 1.042)
- » This aligns with the perception of locally funded projects as more accountable and trustworthy
- » Like in last slide, statistically significant drop in trust in “China located” AIIB (mean = 0.702)

Trust in the Implementors of the Project



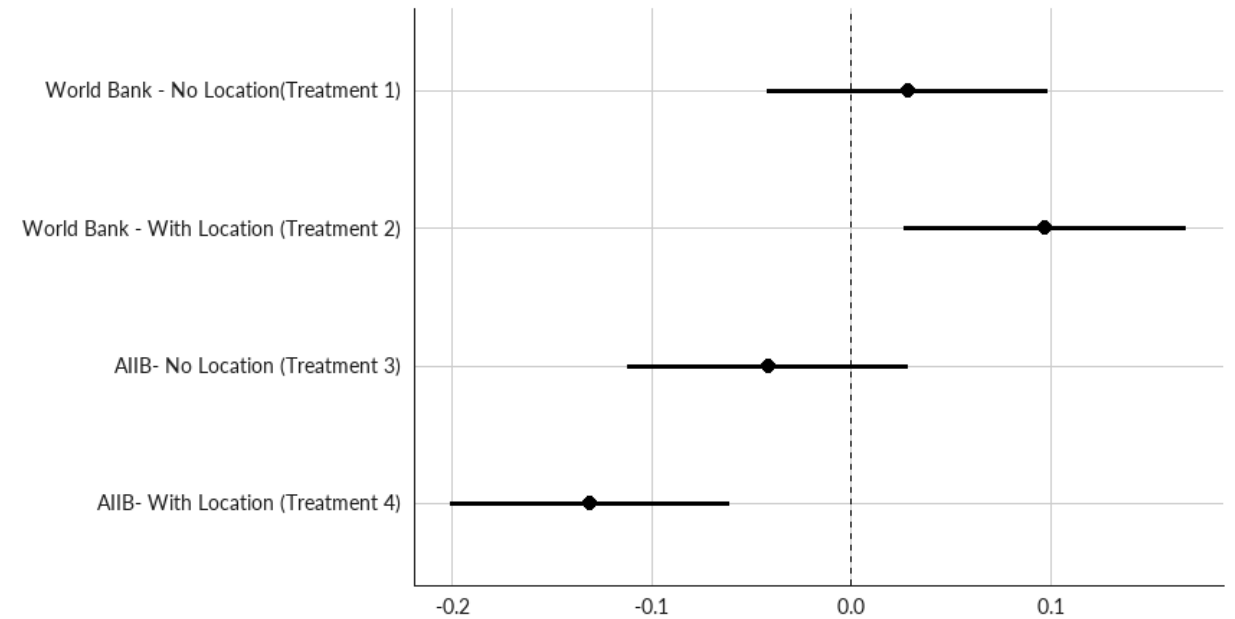
Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Results

Perception of Project Quality

- » Respondents were asked what would they perceive the quality of this project to be
- » People associate “US located” with higher quality; statistically significant (mean = 0.62)
- » “China located” with lower quality; also significant (mean = 0.396)

Quality of the Project



Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Conclusion

And next steps!

- » Priming respondents with the location of the MDB affects both their support and their perception of project quality
- » Local government funding as good as funding with the World Bank
- » Views of US improve after World Bank location given but views of China decline after AIIB location given

However...

- » We have multi-variate analyses of the sample but need to weight it appropriately
- » Much more to be done on components from the survey

Additional Slides

Why India

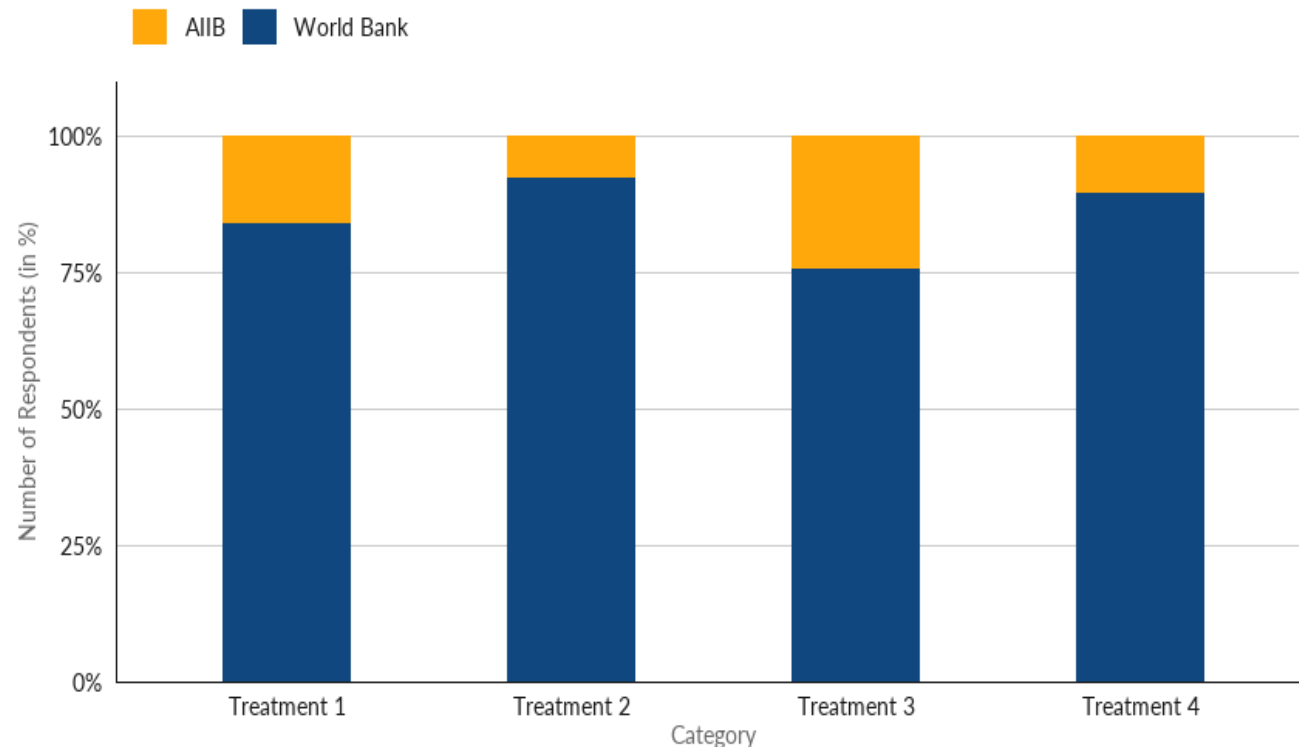
- » The country has traditionally been a leader of the non-aligned movement, and it has kept its distance from the United States
- » More recently, 65% of Indians have a favorable view of the US, and two-thirds view China negatively (Pew 2023), so clear variance in views of the two powers

Results

Would people replace their assigned bank?

- » After the questions on outcome variables, we introduced the respondents to the alternative bank (not the one in their treatment) and asked them to choose their bank of preference for the project
- » World Bank overwhelmingly chosen as an alternative to AIIB when offered
- » Also retained as the preferred bank when AIIB is given as an option
- » Treatment 3 (AIIB with no location) sees a slight increase in people choosing AIIB

Choice between World Bank and AIIB



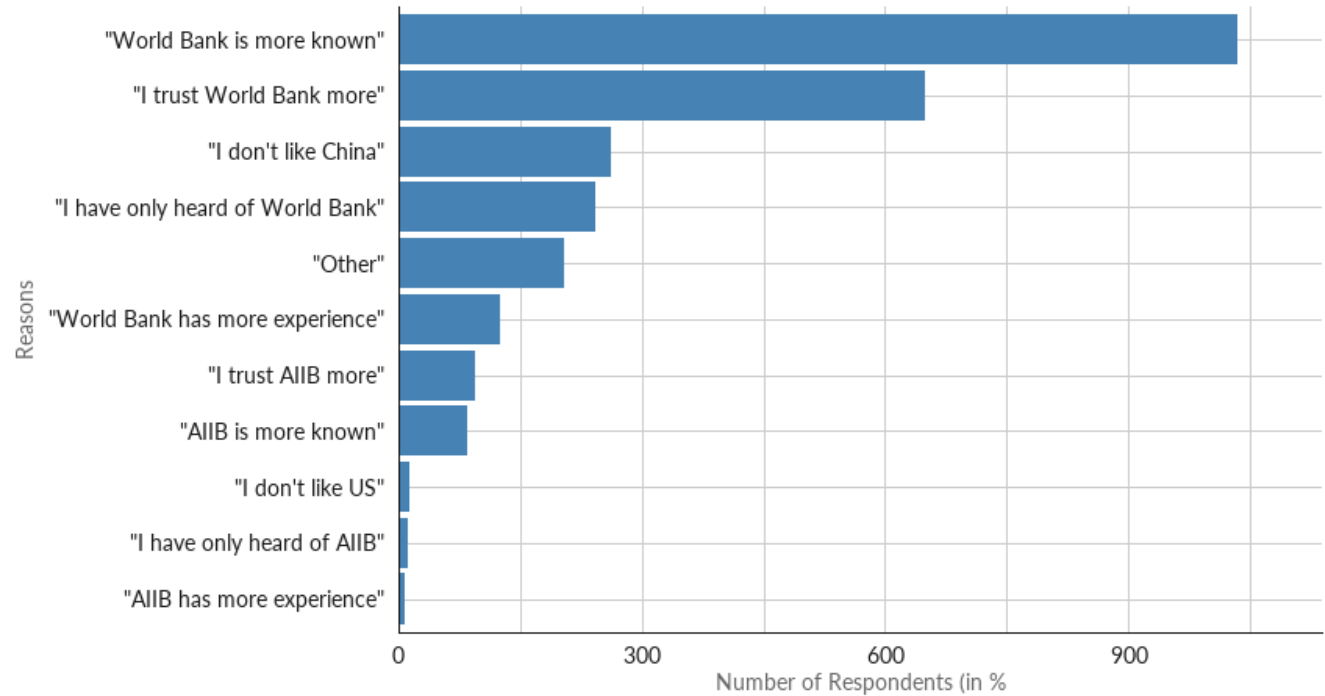
Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Results

But why they reassign?

- » We asked the respondents why they chose the particular bank
- » A text analysis of why people want to stick/leave their assigned Bank

Reasons for Choosing Banks



Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Results

How Demographic Profile affects Approval

- » In OLS, we take as covariates the demographic parameters of age, city location, education level and voting behavior
- » Except for the World Bank when its location is not revealed, the three other treatment groups show significant drop in approval when covariates included
- » Higher education bumps up approval

Table 1: Regression Models for Approval Ratings

| | <i>Dependent variable:</i> | |
|----------------------------------|----------------------------|----------------------|
| | Approval Rating | |
| | (1) | (2) |
| CategoryTreatment 1 | -0.022 (0.061) | -0.032 (0.060) |
| CategoryTreatment 2 | -0.133** (0.061) | -0.118** (0.060) |
| CategoryTreatment 3 | -0.105* (0.061) | -0.094 (0.060) |
| CategoryTreatment 4 | -0.373*** (0.061) | -0.386*** (0.060) |
| Age_Category35-59 | -0.052 (0.047) | -0.114** (0.047) |
| Age_Category59+ | -0.072 (0.139) | -0.134 (0.138) |
| CityChennai | 0.012 (0.055) | 0.054 (0.055) |
| CityKolkata | 0.053 (0.054) | 0.085 (0.054) |
| CityLudhiana | 0.015 (0.055) | 0.050 (0.054) |
| EducationDiploma | -0.053 (0.171) | 0.028 (0.168) |
| EducationGraduate | 0.234** (0.097) | 0.202** (0.095) |
| EducationHigh School | 0.285*** (0.099) | 0.280*** (0.098) |
| EducationMiddle School | 0.258** (0.107) | 0.220** (0.105) |
| EducationPost Graduate | 0.135 (0.106) | 0.070 (0.106) |
| EducationVocational Training | -0.208 (0.568) | -0.058 (0.560) |
| Voting_ElectionPrefer not to say | | -0.538*** (0.092) |
| Voting_ElectionYes | | 0.217*** (0.041) |
| Constant | 1.352*** (0.103) | 1.275*** (0.103) |

Results

How Demographic Profile affects Trust

- » Even with covariates, Treatment 4 (“China located”) continues to remain significant, just as in t-test seen before
- » The city of Ludhiana shows a pronounced drop in trust

Table 2: Regression Models for Trust Ratings

| | <i>Dependent variable:</i> | |
|----------------------------------|----------------------------|----------------------|
| | Trust Rating | |
| | (1) | (2) |
| CategoryTreatment 1 | -0.074 (0.075) | -0.078 (0.075) |
| CategoryTreatment 2 | -0.105 (0.075) | -0.100 (0.075) |
| CategoryTreatment 3 | -0.122 (0.076) | -0.118 (0.076) |
| CategoryTreatment 4 | -0.355*** (0.075) | -0.360*** (0.075) |
| Age_Category35-59 | 0.046 (0.058) | 0.023 (0.059) |
| Age_Category59+ | -0.204 (0.172) | -0.226 (0.173) |
| CityChennai | 0.077 (0.068) | 0.092 (0.069) |
| CityKolkata | 0.042 (0.067) | 0.054 (0.068) |
| CityLudhiana | -0.165** (0.068) | -0.152** (0.068) |
| EducationDiploma | -0.194 (0.211) | -0.164 (0.212) |
| EducationGraduate | 0.196 (0.120) | 0.185 (0.120) |
| EducationHigh School | 0.194 (0.123) | 0.192 (0.123) |
| EducationMiddle School | -0.014 (0.132) | -0.028 (0.132) |
| EducationPost Graduate | -0.067 (0.132) | -0.091 (0.133) |
| EducationVocational Training | -0.269 (0.703) | -0.211 (0.704) |
| Voting_ElectionPrefer not to say | 2 | -0.206* (0.115) |
| Voting_ElectionYes | | 0.079 (0.052) |
| Constant | 0.926*** (0.128) | 0.899*** (0.130) |

Thank You!