

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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ABSTRACT

If an investment project is to be built, would voters prefer that the local government or a multi-lateral development bank (MDBs) fund it? Do voters prefer one bank over another, and if so, why? We examine these questions through in-person survey evidence from 2572 individuals living in four Indian cities. We focus on two MDBs whose largest donor recipient is India, namely the World Bank and the Asian Infrastructure Investment Bank. We read a short version of the relevant Bank's description of itself in one treatment. In a second, we add the name of the city where the Bank is headquartered, namely Washington D.C. or Beijing. A control version focuses just on the local government. We have several findings. Counter to work done in other countries, where voters prefer international funding for projects over strictly domestic funding, our sample has the highest approval for a project when the local government does it alone. There is somewhat less support for MDB involvement when the Bank's location is not included. When the Bank's location is included, there is a significant drop in trust, approval, and positive perceptions for AIIB funding but not for World Bank funding. This suggests that preconceived notions about countries, and about China in particular, play a significant role in shaping public opinion. Our research emphasizes the multifaceted nature of public perception, highlighting the importance of factors such as awareness, location, and pre-existing beliefs.

INTRODUCTION

How do populations in recipient countries perceive the donor? How do these perceptions affect support for funded projects, and how does the rise of China affect these perceptions? Populations may care about the identity of the donor. They may care in particular if the funding comes from China rather than from other donor countries (Dreher 2015). China is a more recent major donor than other countries, and it is known both for including fewer financial concessions but also for not including the same governance conditions as other countries. At the same time, the funding may change the perception of the donor, with populations having a more positive view of a donor country after the money flows in. This “soft power” has been evident for China (Wellner, Dreher, Fuchs, Parks, and Strange 2022) as well as for the United States (Dietrich, Mahmud, and Winters 2018).

Less understood are population perceptions of multi-lateral aid from a multi-lateral development bank (MDB), or whether populations prefer this type of aid to bi-lateral aid. One of the few studies to look at the recipient populations, Findley, Milner, and Nielson (2017), find no notable difference in opinions about bi-lateral and multi-lateral aid in Uganda.

A related literature considers how international funding affects perceptions of domestic governments. Milner, Nielson, and Findley (2016) find in Uganda that voters prefer multi-national funding over domestic funding because of corruption concerns about the domestic government. Briggs (2019) similarly argues that foreign aid weakened support for incumbent presidents in Nigeria, Senegal, and Uganda.

We re-examine these arguments.

Previous work that compares multi-lateral and bi-lateral aid includes only multi-lateral development banks based in Washington. These banks have voting rules that mean that the United States alone holds a minority veto on many decisions based on its capital shares. Since 2016, however, a multi-lateral development bank with China rather than the United States as the largest shareholder, namely the Asian Infrastructure Investment Bank, and with its headquarters in Beijing,

began lending. How do populations perceive these different Banks? Does their opinion change if they learn where the Bank has its physical headquarters?

To address these questions, we present evidence from in-person surveys of 2572 individuals based in four cities in India. These cities have different constellations of parties in their local government, and we examine the extent to which place-specific satisfaction with local government finance varies. This country is a particularly interesting place to examine perceptions of American- and Chinese-based MDBs. At a broad level, the country has traditionally been a leader of the non-aligned movement, and it has kept its distance from the United States. At the same time, in Pew (2023) Research polling, around 65% of Indians have a favorable view of the country. The favorability ratio among Indians is the opposite for China, where about two-thirds of the Indian population have a negative view of the country. This divergence allows us to examine whether pre-conceptions about the country where an MDB is physically located affect support for projects, or whether learning about such support increases positive views of the given country that hosts the MDB.

We focus on Indian perceptions of the World Bank and the Asian Infrastructure Investment Bank. For each bank, India is an important recipient country. The World Bank provides funding to many countries, so the overall percentage of funding even for the largest recipient is small (generally below 1% of a given year's budget), but nevertheless, over the period 2010-2021 India received more funding than other countries in most years. The Asian Infrastructure Investment Bank (AIIB) similarly has become a prominent player in India's development landscape. As of October 2023, India was the largest borrower from the AIIB, and it also had the most projects of any country.¹

We present a survey experiment that has three versions. The first is to ask a subset of respondents about their perceptions when only the local government is the funder. The second and third subsets focus on the perceptions of the respective MDBs. *Ex ante*, we do not expect most Indians to know much, or anything, about the respective banks (which is confirmed in our surveys). In one version of the script, the interviewer reads out a description of the Bank that comes from that Bank. In this case, one is comparing local financing with MDB

¹ Data compiled from <https://www.aiib.org/en/about-aiib/index.html> . October 2023.

financing. In another version of this script, the interviewee reads out the same description, but adds the name of the city where the Bank has its headquarters. We find that Indians in all cities prefer the most local financing over financing from an MDB. At the same time, the differences are not statistically significant with the script that includes the AIIB without naming where it is headquartered, or with either version of the script that includes the World Bank. There is a clear drop in support for the funding, however, when “Beijing” is included in the AIIB script. Despite our expectations that there may be differences across Indian cities, there is remarkable uniformity in the results.

Our findings suggest that very simple associations with an MDB affect one’s perception of the desirability of funding from it. One should be careful about generalizing about differences in a population between perceptions of “bilateral” and “multilateral” aid. The definition of multilateral aid, as well as associations about where that aid is located, may be important.

PERCEPTION OF FOREIGN AID IN DONOR AND RECIPIENT COUNTRIES

The literature on foreign aid is increasingly nuanced. Initial work focused especially on the motives for, and perceptions of foreign aid within the donor countries (Chong & Gradstein, 2006; Paxton & Knack, 2011; Kaufmann et al., 2019; Prather, 2020). Milner and Tingley (2013), in their comprehensive review of public opinion on foreign aid, conclude that public attitudes towards foreign aid exhibit a greater degree of structure and consistency than previously believed.

An additional question considered on the donor side is when donors would prefer either bi-lateral or multi-lateral aid. Rodrik (1995) argues that multilateral lending serves an informational role, enhancing information provision and being less politicized compared to bilateral aid. Milner (2006) adds that public perception of foreign aid plays a crucial role in determining the allocation of aid through multilateral and bilateral channels. When the public in a donor country express doubt about aid, governments tend to opt for multilateral channels to reassure taxpayers that their funds are being utilized effectively (Milner, 2006). An open question is how recipient countries consider such multi-lateral aid.

Returning to the perceptions of populations, recent work considers perspectives of respondents in recipient countries concerning both their own governments and the governments that provide the aid. In a study also focused on India,

Dietrich and Winters (2015) find that foreign aid branding for an HIV/AIDS project did not undermine government legitimacy in India. Other studies, however, contend that foreign aid may hurt the domestic government. Briggs (2019) argues that foreign aid lowered voter support for incumbent presidents in Nigeria, Senegal, and Uganda. In Milner, Nielson, and Findley's (2016) study in Uganda, populations prefer foreign aid over domestic agencies irrespective of the donor. This preference was attributed to foreign aid being perceived as less susceptible to corruption and clientelism. The researchers note that this bias against local government financing might change as a country becomes wealthier and more democratic.

Looking at perceptions of the donor country, a common expectation is that aid will lead to more positive impressions of this country because populations are grateful for the assistance. Dietrich et al. (2018) argue that American foreign aid in Bangladesh increased positive attitudes toward the United States and did so without diminishing the domestic government's legitimacy.

There may be secondary effects in countries that depend upon the underlying political game that is being played out domestically. Tokdemir (2017) finds that the political losers from US aid in recipient countries develop negative attitudes towards the United States as the level of US aid increased. Conversely, the domestic winners from the aid exhibited a more positive view of the United States.

At the same time, pre-conceptions about a donor country may mean that foreign aid has no effect on perceptions about the donor. Kim and Lim (2023) consider how respondents in a third country that does not receive the aid value the country that made the aid available. They find that a project that South Korea would fund in Cambodia increased positive views of the donor in Australia, but when respondents were told that the donor was China there was no effect.

Based on data from the Donbas region in eastern Ukraine, Alrababa'h et al. (2020) note a similar split in attitudes based on the identity of the donor. They explore whether populations support such aid if it is framed as humanitarian aid or as political aid meant to help a given side. More respondents preferred political aid if the aid would come from the European Union. For aid from Russia, there was no difference in response by frame. While we will not vary the type of

funding in our survey experiment, what is interesting is that respondents have different perspectives on whether they want the aid depending upon their prior beliefs about the donor country.

Negative views about a donor may mean that respondents are less supportive of receiving the aid. Singh and Williamson (2022), in the survey experiment they conducted in Egypt, find that respondents are less supportive of public health programs if either French or US development agencies pay for them instead of the domestic government. This suggests that the identity of the donor colors whether the respondents approve of the domestic government less than the external funding.

Our study contributes to this literature in the following ways. We compare perceptions of domestic and multilateral funding as others do. Rather than focus on bi-lateral funding, though, we provide one frame where we identify the city that is the physical location of the headquarters of the given multi-lateral development bank. We therefore can examine whether pre-conceptions of the donor affect one's support for the project, and/or whether that support improves one's views of the donor.

We also intend to pick up more nuances at the domestic level. Some studies find that population support for national governments declines when foreign aid increases. This begs the question whether preconceptions of the national government affect one's views of the aid. That is, one can imagine that members of the political opposition may be less supportive of aid that may be associated with the national government. As we explain below, we conduct surveys intentionally in cities where the parties in power vary, from supporters of the government to opponents.

THE WORLD BANK AND THE AIIB

A brief review of the two multilateral development banks used in the study is in order.

The World Bank was the first true multilateral development bank. It was created at a time where it was not obvious that the public sector should be responsible for channeling credit from where it was plentiful to where it was scarce, or

whether such a body should extend its own loans or merely guarantee private ones (Gavin and Rodrik 1995). The World Bank therefore broke new ground through its public ownership by many countries and through direct lending. The IBRD relies on core capital to raise money on world markets, which it then lends out. The IDA, in contrast, provides both concessional loans and grants to the poorest countries. The IBRD's membership encompasses the world, with 189 sovereign members as of October 2022.

The main institution of the World Bank Group is the International Bank for Reconstruction and Development (IBRD). It was one of the founding Bretton Woods organizations founded in 1944, and it is the largest part of the Bank. Other parts of the Bank Group include the International Development Cooperation (IDA), which is responsible for the world's poorest countries, and the International Finance Corporation, which lends to private sector companies.

Voting power depends on the shares of a given country in the IBRD as well as basic votes that every country receives. The World Bank has a resident board that approves all loans composed of 25 Executive Directors. They represent either a single country or a group of countries, and if a group then the Director has to vote as a block. The largest shareholder is the United States, with 15.72% of the total, followed by Japan (7.41%), China, (5.75%), Germany (4.24%), France (3.90%), and the United Kingdom (3.90%).²

The World Bank headquarters is in Washington, D.C., which fits the location of the capital of its most important shareholder. The World Bank President is an American in October 2023, David Malpass, and has always been an American.

In contrast to the oldest MDB, the AIIB is quite new. President Xi Jinping announced the creation of what would become the AIIB in October 2013. This step was seen as the culmination of increasing frustration on China's part with its role in the Washington institutions as well as frustration with the failure of the US Congress to approve of increases in Chinese shares in the International Monetary Fund and World Bank.

² <https://thedocs.worldbank.org/en/doc/1da86cb968275b94ab30b3d454882208-0330032021/original/IBRDEdVsVotingTable.pdf>

The AIIB opened in 2016. It started with 57 founding members. By October 2022, it had 105 members, with 47 considered "regional" and the remaining "nonregional," so that today there are a majority of non-regional members. These categories affect the governance of the Bank. "Founding members" receive slightly higher voting shares, with total shares calculated according to "basic votes" (each member gets the same such votes), share of capital stock, and founding member votes. Major decisions require a super majority vote. These include election or removal of the President, increases in both the Bank's and/or an individual member's capital stock, change in the regional capital stock, and amendments to the Articles of Agreement. A Super Majority is 2/3 of the Board of Governors, where every country has one member, and 3/4 of the voting power of members. Much like the United States alone can block a super-majority in the IMF, or like France and Germany separately can block a super majority in the European Stability Mechanism, China alone can block a super majority in this Bank with 26.6% of the vote shares.^{3 4}

It is also notable who is not a member. Japan and the United States are the most important G-20 countries missing. This contrasts with the organization of the World Bank - in the International Bank for Reconstruction and Development within the World Bank, these missing countries are the top two shareholders.

One can ask whether the two banks are rivals, or partners, or both. Qian et al. (2023) argue that there may be a rivalry between the two MDBs. They find an average reduction of 22 percent in the annual number of new World Bank infrastructure projects in countries that joined the AIIB. They note that AIIB founding membership has an effect only on infrastructure projects, while non-infrastructure projects continue to rely on World Bank projects since AIIB's focus on them is limited (Qian et al., 2023). At the same time, the banks co-sponsor many projects together. We ask our survey respondents to differentiate between the two.

³ This figure is as of October 2022. There are 13 prospective members, and if they join these shares would presumably decrease a bit. Note, too, that "Hong Kong, China" is a separate member with a vote share of .80% that is not included in the figure provided above.

⁴ Note that the AIIB was one of several initiatives that China introduced in this period. Another is One Belt One Road (OBOR). Cai (2018) explores the economic and geopolitical drivers behind Beijing's AIIB and OBOR initiatives, highlighting China's efforts to reform existing international institutions, especially the IMF and the World Bank. While India swiftly joined AIIB, recognizing it as a valuable source of infrastructure funding, it viewed Beijing's OBOR initiative with skepticism, primarily due to geopolitical and security concerns (Cai, 2018).

In sum, though both the World Bank and AIIB are multilateral organizations, the United States and China possess the highest voting shares and host the respective MDBs in their capital cities. They each play an outsized influence on the respective MDB. In this context, we explore how Indian citizens perceive these organizations, which, although multilateral, are influenced by two major countries. As mentioned in the introduction, according to a 2023 study by the Pew Research Center, Indians generally hold favorable views of the U.S., with 65% expressing a favorable opinion. Conversely, negative opinions of China have surged to historic highs, with two-thirds of Indians expressing an unfavorable view of China.

RESEARCH DESIGN

We crafted the experiment to gauge the perceptions of Indian citizens regarding the World Bank and AIIB. The respondents were categorized into five groups: a control group and four treatment groups. All participants were presented with a vignette depicting the same hypothetical road development project, that is, a physical infrastructure project that the local government as well as the two MDBs could plausibly support, and were asked to provide ratings on approval, trust in the implementors, and project quality.

For the **control** group, the survey began with the description of the hypothetical project. In contrast, participants in the treatment groups were initially asked whether they were familiar with the respective MDB of their treatment and were then provided with a brief description of the MDB. The Bank descriptions were short versions of how the individual Bank describes itself on its web page. We included information in all that India is a member of the respective MDB. Also, to make clear that a “multi-lateral development bank” means that many countries are members, we state the number of countries in the Treatment.

The exact text used is as follows:

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.”

After presenting this Bank description, all respondents were then informed about the hypothetical road development project. The project vignette read:

"We are now talking about an imaginary development project and how it is going to be financed. Suppose that your local government plans to make the road infrastructure in your city safer by using new technologies such as speed guns, traffic signal control, dynamic message signs, and surveillance cameras that monitor traffic conditions and improve traffic management, reducing the risk of accidents. This program is financed entirely by your **local government/World Bank along with the local government/AIIB along with the local government (Control Group/Treatment 1 & 2/Treatment 3 & 4).**"

The only variable across treatments in the project vignette was the last line, specifying the financer and implementor of the project. After this project description, respondents were asked to rate their approval of the project, their level of trust in the implementors' ability to achieve the project's goals, their support for the government seeking financing from MDBs for such projects, and their perception of the project's quality. These questions were designed based on the approaches of previous studies (Singh and Williamson, 2022; Dietrich and Winters, 2015; Milner et al., 2016).

Only in the treatment groups, the survey continued with a question presenting information about the alternate MDB and then asked respondents to express their preference between the two MDBs for the project. Demographic questions were asked at the end.

Additionally, in Treatment 2 and 4, where we mentioned the location of the MDB, we included an additional question to gauge whether respondents' opinions of the respective countries changed after hearing about the project.

The following figure explains how the questionnaire was administered to the control and treatment groups:

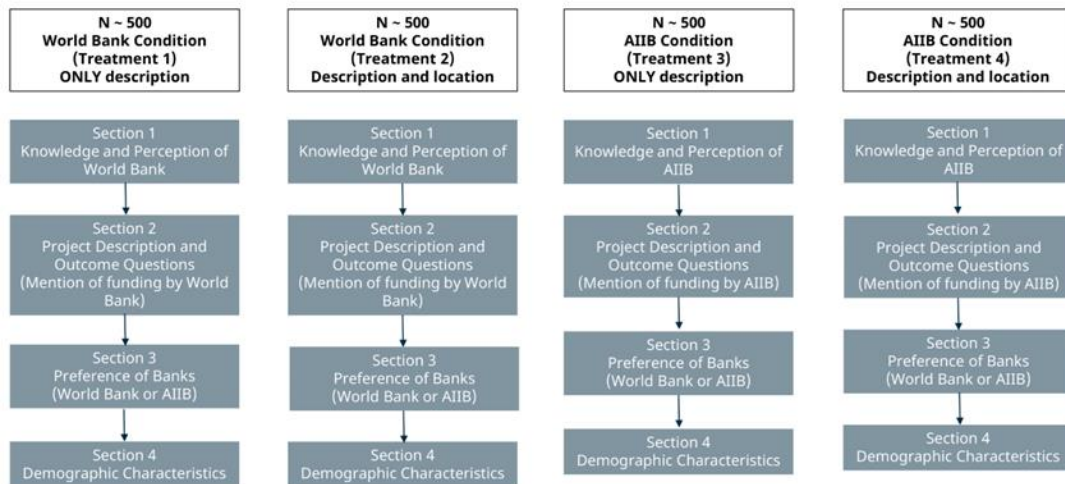


Figure 1: Treatment Groups

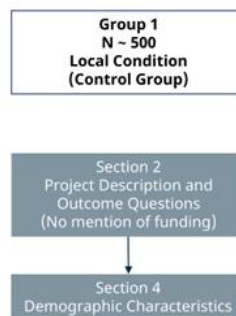


Figure 2: Control Group

To ensure our survey represented a diverse geographic cross-section, we conducted our experiment in four Indian states: Punjab (North), Madhya Pradesh (Central/West), West Bengal (East), and Tamil Nadu (South). These states were chosen for two reasons: one, because of their economic, political and geographic diversity, and two, because they host development projects co-financed by both the World Bank and AIIB.

State	Language	Population (2021 estimate)	MPs in Lok Sabha (out of 543)	Per Capita Income (2023, PIB)	Literacy Rate (Census 2011)
Punjab	Punjabi	30.69 million	13	Rs 173,873	83.7%
Madhya Pradesh	Hindi	85.27 million	29	Rs 140,583	73.7%
West Bengal	Bengali	103.68 million	42	Rs 141,373	80.5%
Tamil Nadu	Tamil	82.9 million	39	Rs 273,288	82.9%

Punjab, India's only Sikh-majority state, has been traditionally ruled by the Indian National Congress (INC) and the Shiromani Akali Dal (SAD), but since 2022 has been governed by a new entrant, the Aam Aadmi Party (AAP). Agriculture plays a crucial role in Punjab's economy, and political parties often focus on agrarian issues, including farm subsidies, water management, and rural development. Being a border state with Pakistan, Punjab's political dynamics are influenced by security concerns, cross-border tensions, and defence policies. Also, Punjab has been grappling with a drug abuse problem, which has become a significant social and political issue. It has led to increased focus on law enforcement, rehabilitation, and prevention programs.

Madhya Pradesh has a two-party system, with power alternating between the Bharatiya Janata Party (BJP) and the Indian National Congress (INC)– both national parties. Lagging behind on development indicators, Madhya Pradesh has been categorized among India's eight socioeconomically backward territories, the so-called Empowered Action Group (EAG) states. Issues related to agriculture, irrigation, rural development, and poverty alleviation are often at the forefront of political discourse.

West Bengal was ruled for decades by a coalition of India's communist parties, but since 2011 been ruled by the All India Trinamool Congress (AITC), an offshoot of the Indian National Congress (INC). The state shares international borders with Bangladesh, which influences the state's politics, particularly issues related to migration, and like Madhya Pradesh, it is also counted among India's more poorer states. West Bengal has a strong intellectual tradition, with notable contributions in literature, arts, science, and education, and has a history of social reform movements.

Tamil Nadu, among India's wealthiest states, is known for its unique brand of regional politics, with power alternating between the All India Anna Dravida Munnetra Kazhagam (AIADMK) and the Dravida Munnetra Kazhagam (DMK)- with both parties professing allegiance to Dravidian ideology. The state has historically been vocal about protecting its autonomy and preserving its lingual and cultural identity, and often takes a proactive stance on matters related to federalism. Tamil Nadu has among the highest literacy rates in India, has well-established educational institutions, and like West Bengal has a history of activist movements.

In Madhya Pradesh, West Bengal and Tamil Nadu, we surveyed in their respective capital cities of Bhopal, Chennai and Kolkata, while in Punjab, the survey was conducted in Ludhiana. Cities were chosen because urban voters are typically better informed about the topics under examination, given their higher literacy rates compared to rural areas. The choice of cities aimed to capture a wide range of socioeconomic backgrounds.

Our pre-analysis plan (PAP), which we registered in September 2023, provides detail on the sampling strategy. We selected four locations within each city for data collection: corporate offices/IT parks, educational institutions, metro stations/parks, and marketplaces. These locations were chosen to ensure respondents were drawn from various socioeconomic backgrounds. To allow for intra-state and inter-state comparisons, we aimed for an equal number of respondents in each city, totaling 625 per city.

SAMPLE

Through purposive heterogeneous sampling, we conducted an on-field survey in the four Indian cities in September 2023, recording 2,572 responses. We used the major languages spoken in the selected cities: Hindi in Bhopal, Ludhiana, and Kolkata, Tamil in Chennai, and English in all four, as and when it was necessary. The survey questionnaire was thus prepared in English, Hindi and Tamil through expert translators, and carried out on the ground via trained interpreters.

Table 1 shows the population demographic in the four cities as per Census 2011.

	Total Population	Total Population above 18+ (urban)	18+ Population (in %)		Literate Population above 18+	18+ Literacy Rates (in %)		Proportion of 18+ from each Age Group (in %)		
			Male	Female		Male	Female	18-34	35-59	60+
Bhopal	2371061	1532558	52	48	1182411	83.8	69.9	49.97	38.14	11.88
Chennai	4646732	3433326	49.93	50.07	3051743	93.10	84.68	43.29	43.39	13.32
Kolkata	4496694	3415890	52.5	47.5	2910454	87.7	82.44	40.23	44.16	15.59
Ludhiana	2069708	1424844	53.28	46.72	1190682	87.53	79.04	47.36	41.32	11.32

Table 1. Demographic Characteristics of Survey Cities
Source: Census 2011

For the purposes of our survey, we included a higher proportion of people from the educated section of the population, whom we expected to have a more informed opinion about the subject of our study, i.e., MDBs and foreign policy. Therefore, we aimed to have the following strata in our total sample. Our intention is to have narrower confidence bands for the parts of the population who are likely more influential on actual policy.

	Total	Undergraduate and above (12+years of education)	Literate but not Graduate (up to 12 years of education)	Illiterate
Proportion by education	100%	50%	35%	15%
Intended sample in each city	625	313	219	93

Table 2. Intended Sample composition

As seen from Table 2, our chosen proportions were 50% graduates, 35% literate but not graduates, and 15% illiterate. As mentioned before, this was an intentional departure from the 2011 census population profile, which had 5.6% graduates, 57.4% literate but not graduates, and 37% illiterate. In the sample, we also aimed for an equal proportion of males and females.

At the end of the survey, the generated sample profile deviated from the intended sample. There were fewer illiterate respondents and female respondents than we intended. Nevertheless, the sample sizes remain relatively large. As far as we know, our study is the only one on the topic to include illiterate respondents, who would generally be left out of on-line survey instruments.

Distribution of Actual Sample

City	Graduate and above	Literate but not Graduate	Illiterate
Bhopal	339	252	51
Chennai	489	141	16
Ludhiana	358	245	37
Kolkata	416	203	25

Table 3.1. Educational Category

City	Male	Female	Other
Bhopal	378	264	0
Chennai	408	234	4
Ludhiana	450	189	1
Kolkata	442	201	1

Table 3.2. Gender Distribution

Age Category	Number of Respondents	Percent
18-34	1806	70.22
35-59	712	27.68
59+	54	2.10

Table 3.3. Age Category

The generated sample had a fairly uniform number of respondents in each treatment condition (see Table 4). Respondents in Treatment 1 and 2 were given the World Bank treatments while those in Treatment 3 and 4 the AIIB treatments.

Category	Number of Respondents
Control	543
Treatment 1	508
Treatment 2	500
Treatment 3	501
Treatment 4	520

Table 4.1. Number of Respondents

To compensate for the deviation in the actual sample, weights were applied to balance strata proportions. Additional inverse-variance weights were applied so as to assign greater importance to strata that had a lower standard deviation and therefore greater reliability. These second set of weights were calculated on variances observed in the age profile of the survey participants (see Appendix). We report here the weighted results in most cases, but the unweighted results are available in the Appendix.

RESULTS

Our first question concerns whether the respondent claims to have heard of the respective MDB. Figure 3 indicates that while 63% (641) respondents reported that they had heard of the World Bank, 34% (339) claimed they had not. In contrast, only 13% (138) had heard of the AIIB. This distribution fits our expectations given the relative age of the two MDBs, though it may still be surprising that almost 2/3 of our sample knew of the World Bank.

Respondents' Knowledge of World Bank and AIIB

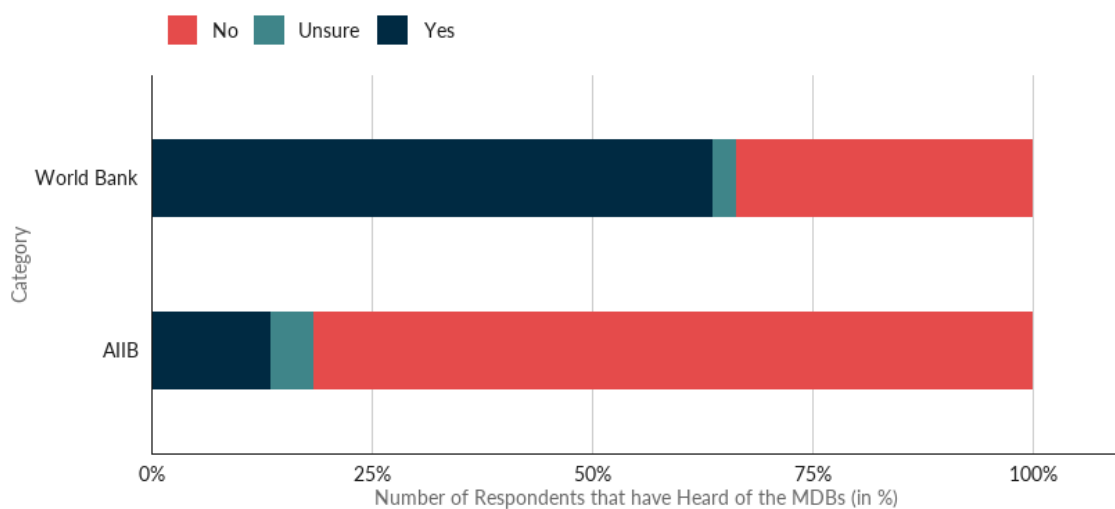


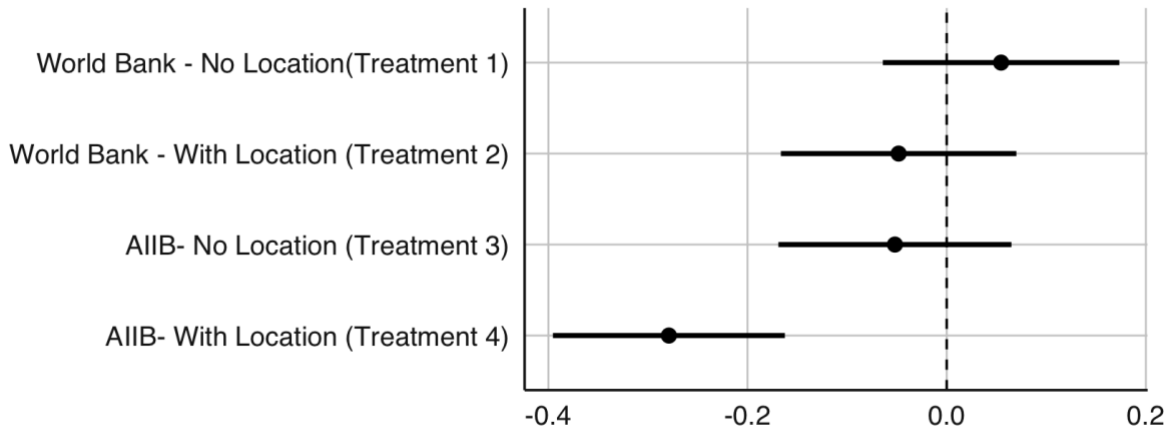
Figure 3. Respondents' Knowledge of World Bank and AIIB

We next ask about the relative approval of the infrastructure project with the different treatments on who would do the funding. Five rating options were provided ranging from -2 to +2 (strongly oppose; somewhat oppose; neutral; somewhat approve; strongly approve). Figures 4.1 and 4.2 show the outcome effects for approval rating for the development project and support for the government taking MDB financing for development projects, respectively.

In Figure 4.1, the control group, representing projects solely funded by the local government, exhibits the highest approval (mean = 1.57). As we progress through the treatment groups, we observe a consistent decline in approval. In Treatment 1 (mean = 1.56), where the local government collaborates with the World Bank, approval decreases only trivially and is insignificant. In Treatment 2, where the World Bank's U.S. location is known, approval experiences a more pronounced and significant drop, though the project is still viewed positively (mean = 1.44). Similarly, in Treatment 3, which involves funding by the Asian Infrastructure Investment Bank, approval decreases yet is insignificant from control (mean = 1.46). Finally, in Treatment 4, where the AIIB's location in China is disclosed, approval deteriorates the most and is highly significant (mean = 1.20). Nevertheless, the overall opinion of the funding is still positive given the positive mean (all lying between somewhat approve and strongly approve). For treatments revealing US and China locations, the drop in approval compared the local government financing alone is significant at the 95% confidence level. These findings underscore the impact of external financing and knowledge of international institutions' locations on public perception of development projects.

In Figure 4.2, where we measure support for the government taking loans for development projects, an interesting deviation appears compared to the previous result. Here, support is highest when the World Bank is the lender and its location unrevealed (mean = 0.28), but the effect relative to a locally financed project is small and insignificant. At close second place is the control group, meaning people wanting the local government to finance this project alone, and not opt for an MDB (mean = 0.22). Then onwards, we observe a declining level of support for taking a loan from the AIIB (mean = 0.17) and, finally, the lowest for AIIB-in-China, with a mean response of -0.02, the latter being significant at 95%. We expect the significant result to have arisen due to the mention of China, thus underscoring the significance of the implementing institution and its location in shaping public attitudes towards borrowing from them.

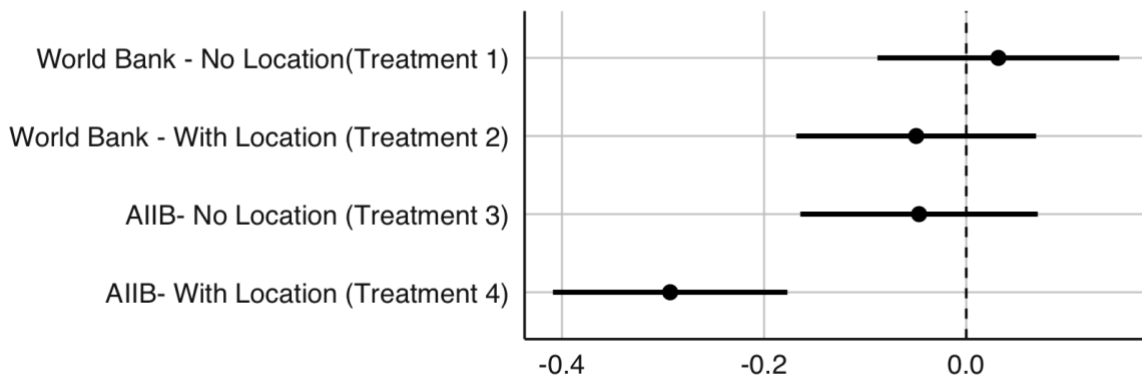
Approval of the Project (post-strata weights)



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

Figure 4.1.2. Approval for the Project Relative to Local Government Only Financing (post-strata weights)

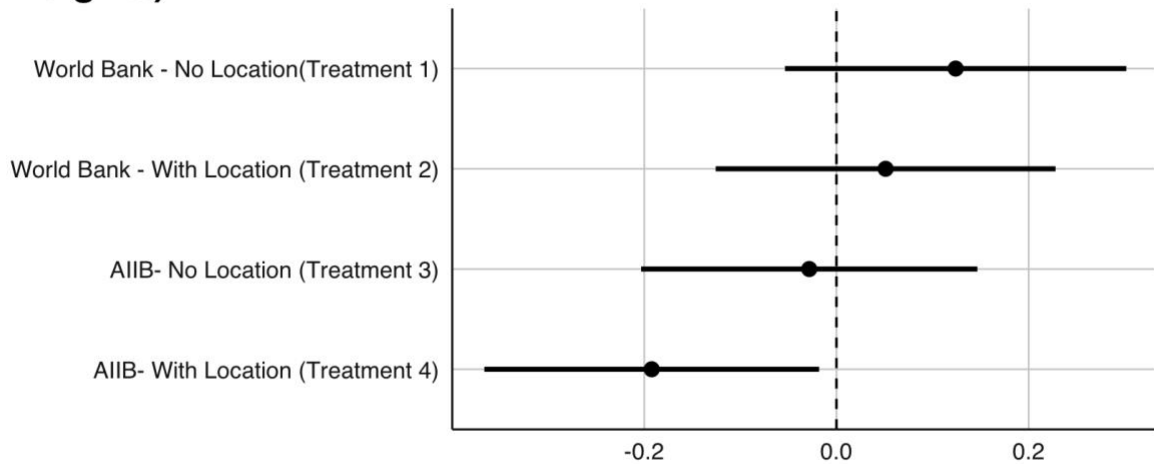
Approval of the Project (both post-strata, inv-var weights)



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

Figure 4.1.3. Approval for the Project Relative to Local Government Only Financing (both post-strata and inverse-variance weights)

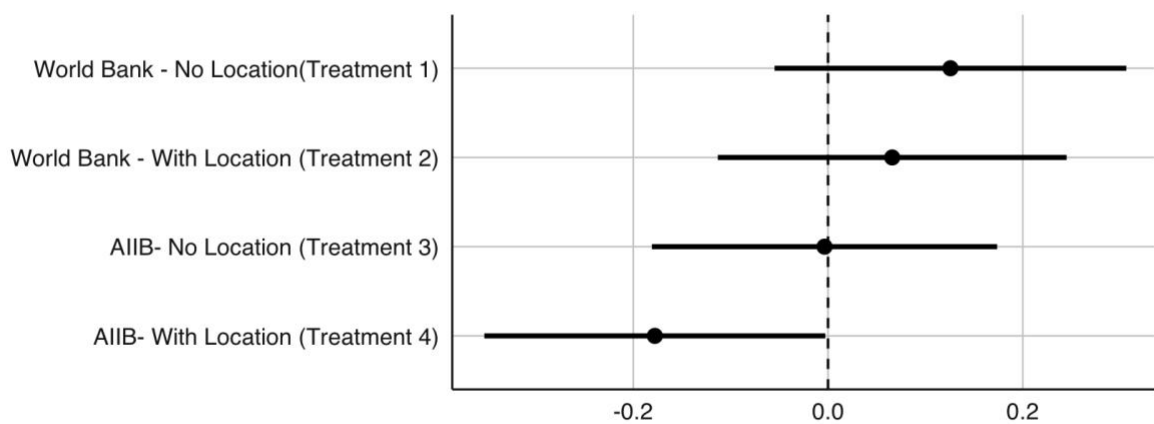
Government Support for Project Financing (post-strata weights)



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

Figure 4.2.2. Government Support for Project Financing Relative to Local Government Only Financing (post-strata weights)

Government Support for Project Financing (both post-strata, inv-var weights)



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

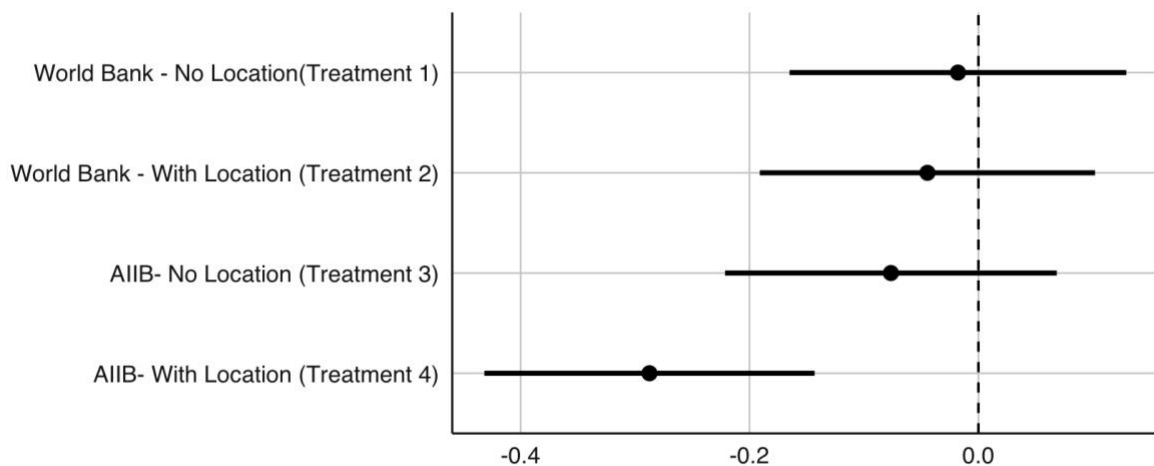
Figure 4.2.3. Government Support for Project Financing Relative to Local Government Only Financing (post-strata and inverse-variance weights)

Similar to the trend observed in project approval ratings (Figure 4.1), we find that levels of trust also exhibit a consistent decline across different funding scenarios for development projects, as seen in Figure 5.1, with the control group (local government) securing the highest level of trust among respondents (mean = 1.042)– aligns with the perception of locally funded projects as more accountable

and trustworthy– and the AIIB-in-China group experiencing the lowest level of trust (mean =0.702), the latter again significant at 95%. This highlights the notable erosion in acceptance when the China location is known. Effects for all other treatment groups are small and insignificant. These trust dynamics emphasize the complexities surrounding international funding arrangements and their impact on public confidence in the successful execution and transparency of development projects.

Next, for expected project quality, we gave three options of -1, 0 and +1 (bad; neutral; good). Here, we picked up the preconceived notions related to China and the US that we had already seen in the literature. When the World Bank’s US location was revealed, we received the highest rating for expected project quality (mean = 0.62), with its lead over the control group score significant at 95%. This finding suggests that respondents tend to perceive projects which are associated with the US– a country most Indians like– as having a higher quality. In second place is the World Bank when its location is not known (mean = 0.55), followed closely and within confidence intervals by the control group, showcasing the confidence in quality of locally funded initiatives. Second-to-last is the AIIB (mean = 0.485) and last AIIB-in-China (mean = 0.396), the latter significant at 95%.

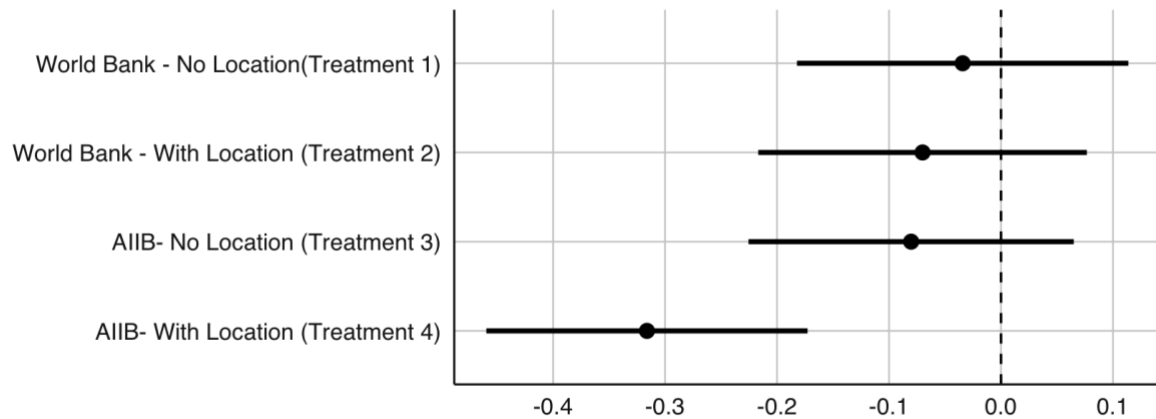
Trust in the Implementors of the Project (post-strata weights)



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

Figure 5.1.2. Trust in Implementors of the Project Relative to Local Government Only Financing (post-strata weights)

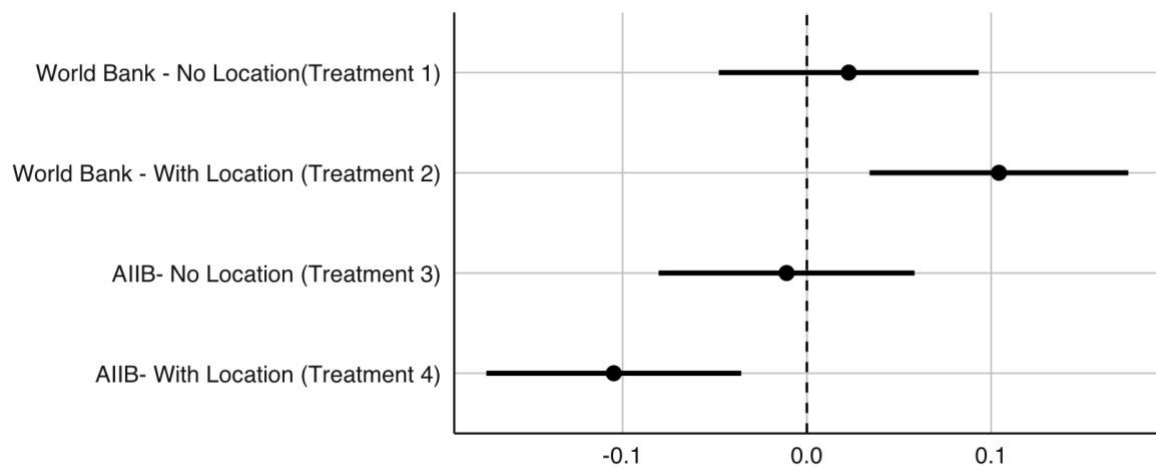
Trust in the Implementors of the Project (both post-strata, inv-var weights)



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

Figure 5.1.3. Trust in Implementors of the Project Relative to Local Government Only Financing (post-strata and inverse-variance weights)

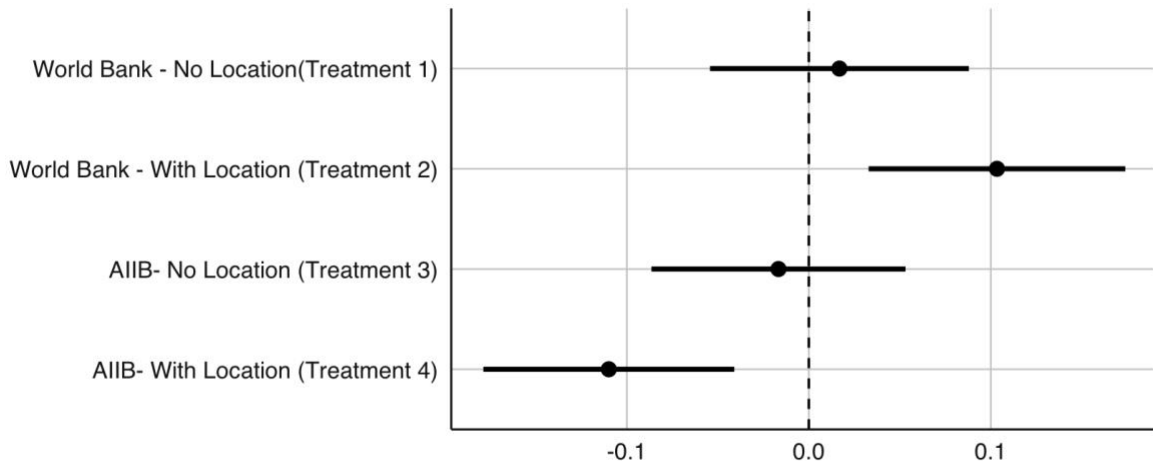
Quality of the Project (post-strata weights)



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

Figure 5.2.2. Perception about Quality of the Project Relative to Local Government Only Financing (post-strata weights)

Quality of the Project (both post-strata, inv-var weights)



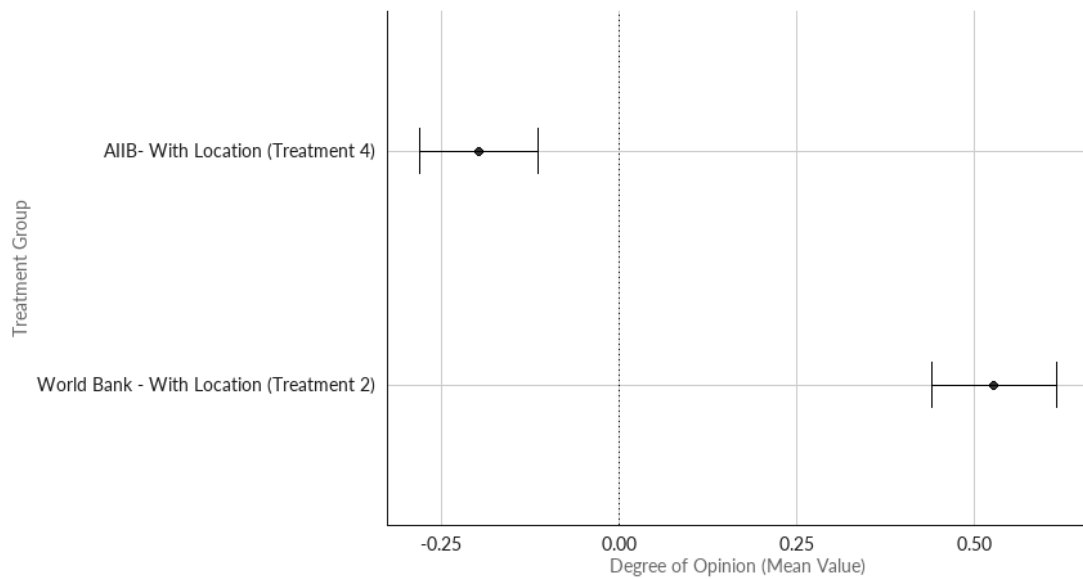
Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Figure 5.2.3. Perception about Quality of the Project Relative to Local Government Only Financing (post-strata and inverse-variance weights)

After we indicate the possible financial support of a given MDB, we ask whether one's opinion of the country where the MDB is based has changed. Contrary to our expectation that financing may boost positive opinions about a given country, there is a clear split, with more positive views of the United States when the script that includes Washington as the World Bank's headquarters but more negative views of China when the script includes Beijing as the AIIB's headquarters.

Figure 6 shows the difference-in-means plot of change in opinion of the country where the MDB is located in. When asked whether their opinion about China or the US changed after learning about the respectively hosted MDB's financing, respondents' attitudes towards China deteriorated and towards the US improved. Naturally, this question was only asked in two of the five groups where we provided the headquarters city. When respondents formed the impression that China could be involved in an infrastructure project in their city, a notable negative sentiment emerged (mean = -0.19). Conversely, a contrasting trend emerges when respondents hear the name of the United States in connection with a development project. In this scenario, opinion about the US improves (mean = 0.52). This suggests that the strong pre-existing beliefs and opinions about China and the US as captured in the Pew (2023) survey may have influenced such a sentiment.

Change in Opinion of Country

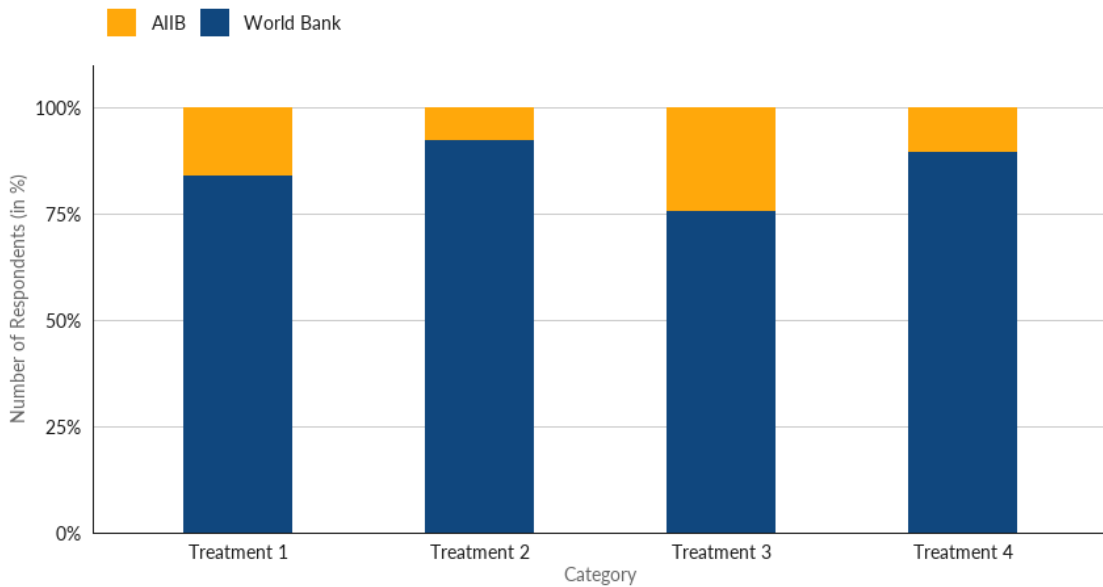


Source: Author's Calculations; N= 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Figure 6. Change in Opinion of the Country the MDB is Located in

Finally, we ask respondents if they would like to retain or replace their assigned Bank (Figure 7). This particular finding substantiates our initial hypothesis, indicating an overwhelmingly choice to stick to the World Bank. When participants were allocated to the World Bank treatment groups, they overwhelmingly maintained their support for this institution. When its US location was revealed, retention in fact increased to 92% (461 respondents). When respondents were assigned to AIIB groups, however, the choice for retaining AIIB was 24% (122 respondents). When the China location was revealed, retention slid to 10% (54 respondents), with all else moving to the World Bank.

Choice between World Bank and AIIB

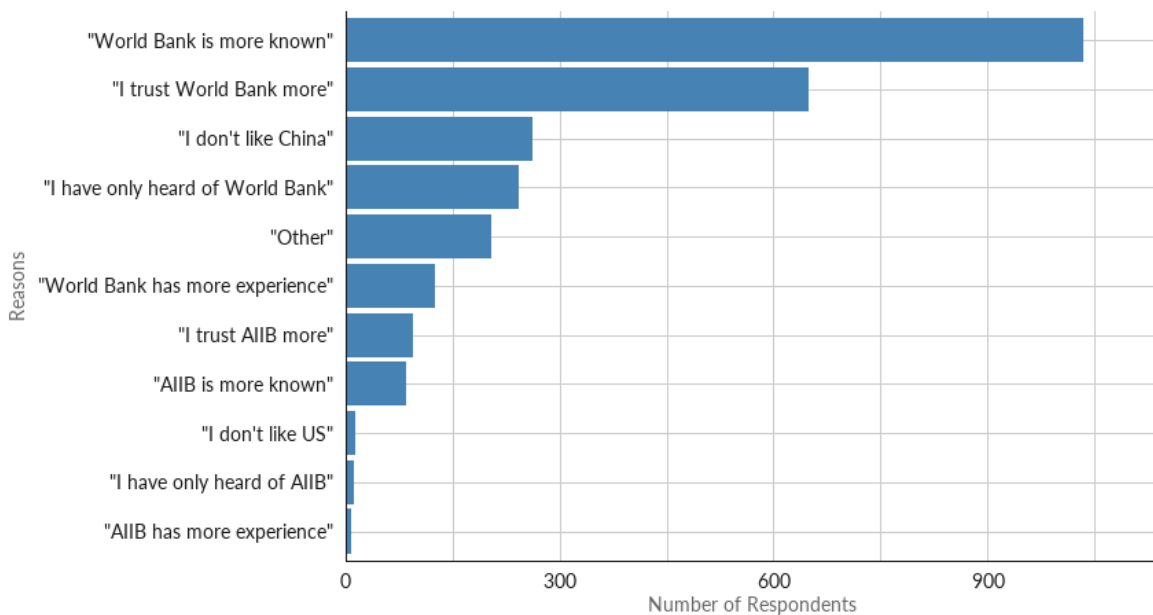


Source: Author's Calculations; N = 2572, Locations - Bhopal, Chennai, Kolkata, Ludhiana

Figure 7. Choice between World Bank and AIIB

Connected to the last question, we asked respondents to tell us why they chose to retain or drop their assigned Bank (Figure 8). Most respondents who chose the World Bank did so because of its long-standing presence that made it more known and trustworthy. "I don't like China" was a popular straightforward answer among those who dropped the AIIB for the World Bank. Among those who retained the AIIB, a popular reason was dislike of the US, though relative to the answers for the World Bank and for China the number of such cases is low.

Reasons for Choosing Banks



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

Figure 8. Reasons for Choosing the Bank

MULTIVARIATE ANALYSIS

We consider a set of variables that may affect the approval of the project. Do answers vary systematically depending upon the age, gender, or educational backgrounds of the respondents? We include two dependent variables listed above, namely approval ratings for the project as well as trust ratings.

Approval Ratings:

In the regression model for 'Approval Ratings,' we examined the influence of various factors on respondents' approval of the road development project. The dependent variable is the approval rating.

The key findings are as follows:

Treatment Effects: Treatment groups had negative coefficients, indicating that when respondents were provided with information about the Multilateral Development Banks (MDBs) and their locations (Treatment 2 and 4), their approval ratings for the road development project decreased. The negative coefficients are statistically significant in both models ($p < 0.05$), suggesting a significant impact of treatments.

Age Categories: As compared to young respondents (18-34), middle-aged respondents (35-59) tended to have lower approval ratings for the project, with the coefficients being statistically significant in Model 2 ($p < 0.05$).

Education: As compared to respondents in the non-literate category, respondents with higher education levels (Graduate, High School, Middle School) tended to have higher approval ratings for the project, with statistically significant coefficients in both models ($p < 0.01$).

Voting in Elections: With people who did not vote in the last elections as the reference category, respondents who preferred not to disclose their voting preferences had significantly lower approval ratings for the project in Model 2 ($p < 0.001$), while those who indicated they voted in elections had higher approval ratings ($p < 0.001$).

Trust Ratings:

In the regression model for 'Trust Ratings,' we investigated the factors influencing respondents' trust in the implementors of the road development project. The key findings are as follows:

Treatment Effects: Similar to the approval ratings, treatment groups had negative coefficients, indicating that providing information about the MDBs and their locations (Treatment 2 and 4) led to decreased trust in the implementors of the project. These coefficients were statistically significant in both models ($p < 0.05$) for Treatment 4.

City: Respondents from Chennai, Kolkata, and Ludhiana generally had higher trust ratings compared to the reference category (Bhopal). This difference was statistically significant in both models for Ludhiana ($p < 0.05$).

Voting in Elections: In comparison to respondents who reported that they did not vote, respondents who preferred not to disclose their voting preferences had significantly lower trust ratings for the implementors in Model 2 ($p < 0.05$), while those who indicated they voted in elections had slightly higher trust ratings (not statistically significant).

DISCUSSION

Through our experiment, we consider how people perceive financing from MDBs like World Bank and AIIB. For effects in the treatments 1 and 3 where location of the MDB is not revealed, we mainly see small and insignificant effects in approval, trust, support for government and quality of the project. However, in conditions where the location of these MDBs is disclosed, we observe significant effects. While approval ratings show a small decrease for Treatment 2, people perceive the quality of a project to be significantly higher when it is being implemented by an MDB based in the US. Support for government and trust, however, have mixed findings as the results are insignificant. On the other hand, effects in Treatment 4, when the location of China is mentioned, leads to a significant decrease in approval, trust, support for government, and quality of the project. This effect could be a result of very strong opinions amongst Indian citizens about China (Pew 2023). Even when people are given a choice between the two banks, the majority prefers the World Bank, the reasons for which can be attributed to its earlier establishment. Our results point towards the fact that while Indians are the most accepting and trusting of development projects that are financed and implemented by their own government, they think of financing that is associated

with US of high quality even than their own government. This is a curious finding. It suggests that the reason for differences is do to perceptions of who built the project and not differences in the perceived quality of the “output.” Perceptions about foreign financing are influenced heavily by how Indians perceive the country which heads the MDB, as can be seen in the case of AIIB, with lesser approval and support for the government taking the financing.

CONCLUSION

This study delves into the complex landscape of public perception in India concerning multilateral development banks and their involvement in development projects. Our analysis reveals several critical insights that shed light on the dynamics shaping public attitudes toward project financing and foreign institutions.

First and foremost, our research underscores the significance of awareness and knowledge of international financial institutions. While respondents exhibited relatively high awareness of the World Bank, the Asian Infrastructure Investment Bank (AIIB) remained largely unknown. This knowledge gap highlights the need for greater public education and outreach efforts to enhance awareness and understanding of these institutions.

Furthermore, our findings demonstrate that public sentiment is intricately linked to factors such as the implementing institution, its location, and existing beliefs about countries associated with the institution. Respondents tended to express greater trust, approval, and positive perceptions when the World Bank was involved, especially when compared to the AIIB-in-China. This suggests that preconceived notions about countries and institutions play a significant role in shaping public opinion.

In sum, our research emphasizes the multifaceted nature of public perception, highlighting the importance of factors such as awareness, location, and pre-existing beliefs. These insights are vital for policymakers, international organizations, and development practitioners as they navigate the complexities of public sentiment in the context of international development projects and financing. Ultimately, understanding and addressing these dynamics can contribute to more informed decision-making and enhanced public support for development initiatives.

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Appendix

a. Calculation of Weights

	Males	Females
Target proportion	50.000	50.000
Actual proportion	65.241	34.526
Weights (target/actual)	0.766	1.448

Table 4.2. Post-strata weighting scheme for gender

	Graduates	Literates	Illiterates
Target proportion	50.000	35.000	15.000
Actual proportion	62.286	32.698	5.016
Weights (target/actual)	0.803	1.070	2.990

Table 4.3. Post-strata weighting scheme for education

	Males	Females
Standard deviation	10.987	10.049
Weights (10/s.d.)	0.910	0.995

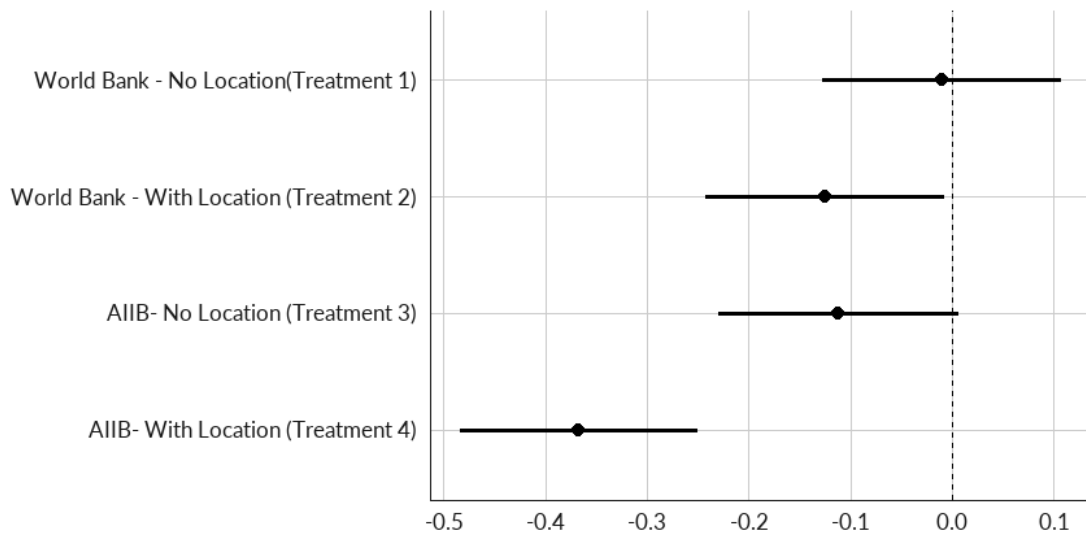
Table 4.4. Inverse-variance weighting scheme for gender

	Graduates	Literates	Illiterates
Standard deviation	7.995	12.314	12.488
Weights (10/s.d.)	1.251	0.812	0.801

Table 4.4. Inverse-variance weighting scheme for education

b. Unweighted Results

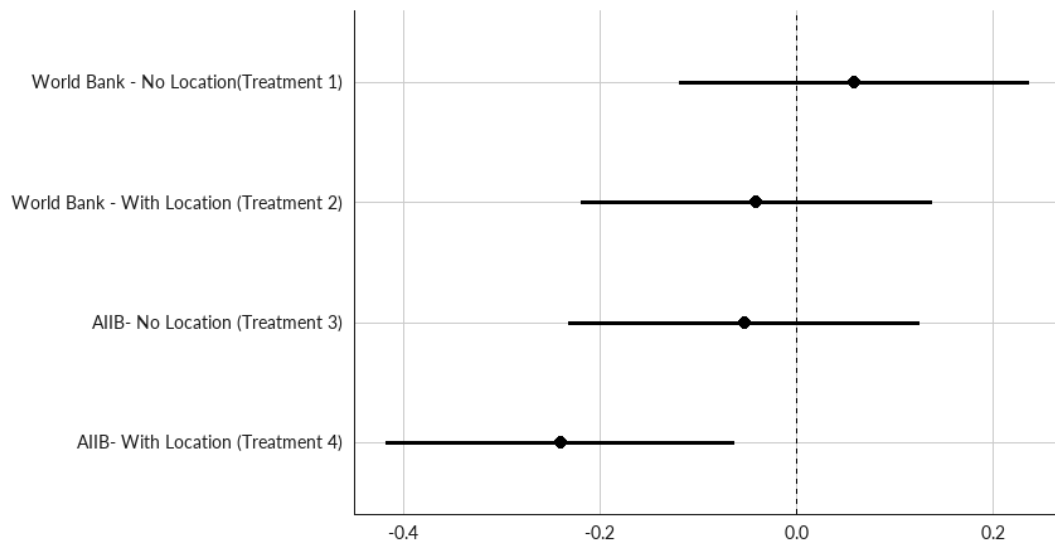
Approval of the Project



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

Figure 4.1.1. Approval for the Project Relative to Local Government Only Financing (no weights)

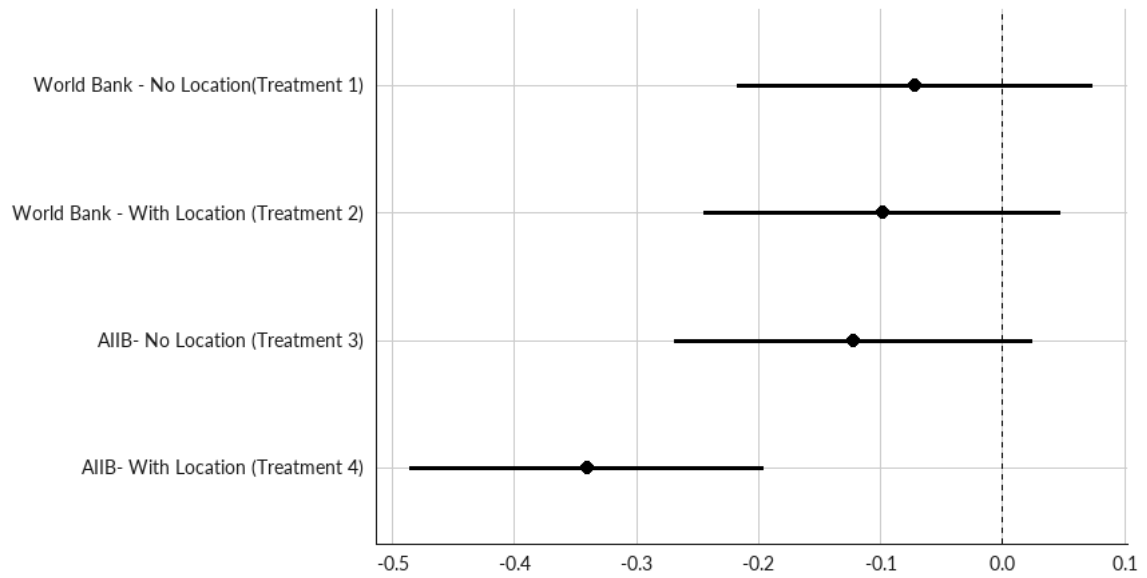
Government Support for Project Financing



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

Figure 4.2.1. Government Support for Project Financing Relative to Local Government Only Financing (no weights)

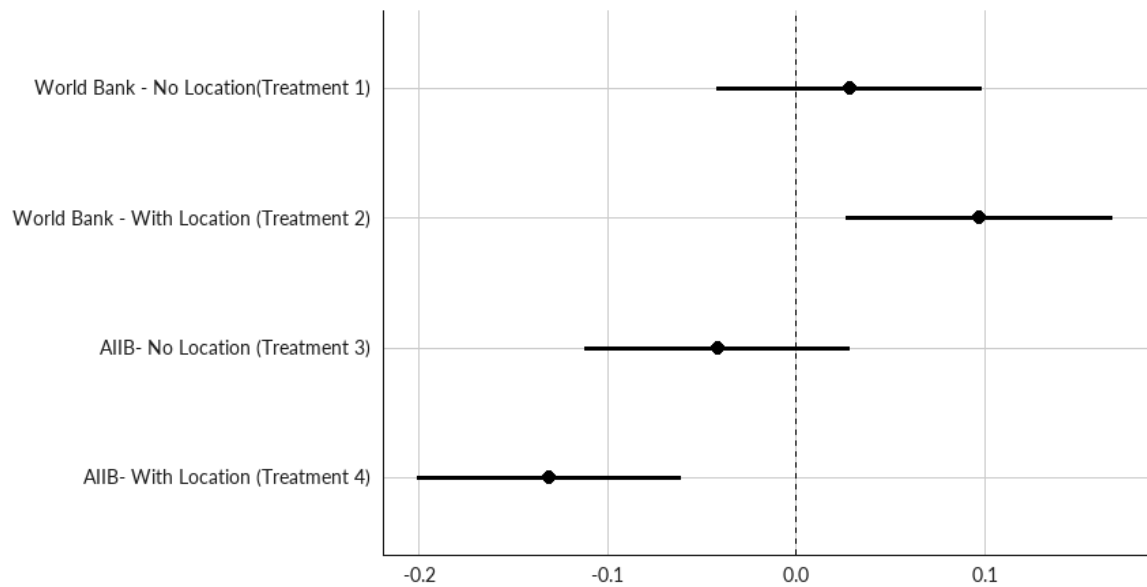
Trust in the Implementors of the Project



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

Figure 5.1.1. Trust in Implementors of the Project Relative to Local Government Only Financing (no weights)

Quality of the Project



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

Figure 5.2.1. Perception about Quality of the Project Relative to Local Government Only Financing (no weights)