Political Alignment and Economic Inequality

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Abstract

Political alignment may enhance redistribution through preferential policy implementation or have limited effects due to elite capture and inefficiencies in allocation. This paper contributes to this debate by investigating the causal impact of political alignment of local leaders (MLAs) with state and national leaders on economic inequality at the constituency level. Alignment of MLAs with both CM and PM (Triple aligned constituencies) lowers inequality (measured by Gini in nightlights) by approximately 0.015 (SE=0.005, $p<0.01$). This result remains statistically robust to different specifications, and alternative outcome indicators. Triple-aligned constituencies experience higher MGNREGA performance confirming the role of public employment programs as a redistributive mechanism. Another statistically significant mechanism is the higher financial activity under triple alignment. We further find that the inequality reducing impact of political alignment is more prominent in constituencies with higher share of SCST population (areas with more inequality). These constituencies have notably higher MGNREGA performance. Whereas the financial development responds more to the lower SCST population constituencies. These findings align with studies emphasizing that state-led interventions alone cannot substitute for market-driven growth.

Introduction

Economic inequality remains a defining challenge in the political economy of development, with governance structures playing a pivotal role in shaping distributive outcomes. A growing body of literature examines the intersection of political alignment and economic policy implementation, yet the empirical evidence remains contested. While some studies suggest that political alignment enhances redistribution through preferential policy implementation (Besley & Case, 1995; Brollo & Nannicini, 2012; Asher and Novosad, 2017), others find limited or even negative effects due to elite capture and inefficiencies in allocation (Bardhan & Mookherjee, 2012; Arora, 2022). The heterogeneity in these findings underscores the need for a more granular examination of how alignment at different levels of government influences economic outcomes at the local level.

Recent empirical studies provide mixed evidence on the economic effects of political alignment. For instance, Harding and Stasavage (2014) document that alignment improves public goods provision in African democracies, whereas Gagliarducci and Nannicini (2013) find that politically aligned mayors in Italy receive greater fiscal transfers but do not always translate these into equitable local development. Burgess et al. (2015) show that in Kenya, ruling party strongholds sometimes receive fewer development funds due to overconfidence in electoral support, whereas De la O (2013) finds that aligned governments in Mexico experience an increase in targeted social spending. Additionally, Callen, Gulzar, and Rezaee (2018) challenge the prevailing notion that political alignment is always beneficial, showing that in Pakistan, alignment may lead to an increase in service provision without improving service quality. This paper contributes to this debate by investigating the causal impact of political alignment of local leaders (MLAs) with state and national leaders on economic inequality at the constituency level.

Despite the extensive research on political alignment, existing studies have primarily focused on dual alignment—examining the relationship between constituency-level representatives and state-level governments. However, in federal systems like India, fiscal transfers and policy implementation are not merely the product of state-level governance but are also significantly influenced by alignment with the central government. Our study is the first to systematically examine the implications of triple alignment—constituency, state, and center—within the framework of Indian fiscal federalism. This distinction is crucial, as India's revenue-sharing mechanisms and centrally sponsored schemes rely heavily on coordination across all three

levels of government (Rao & Singh, 2005; Banerjee, Iyer, & Somanathan, 2007). Our findings demonstrate that triple alignment results in markedly different redistributive patterns compared to dual alignment, highlighting an overlooked mechanism in the literature on distributive politics. While previous studies such as Khemani (2007) and Arulampalam et al. (2009) have examined center-state fiscal transfers, they have not accounted for the interaction between constituency-level political alignment and national-level policy implementation. Maitra et al. (2023) further underscores the importance of political alignment in shaping public good provision, demonstrating that alignment reduces insurgency-related violence in conflict-affected regions of India. Our study expands on this by analyzing how alignment influences economic inequality, an outcome less studied in the Indian context.

We leverage a novel dataset spanning multiple election terms from 2011 to 2019 to examine whether alignment between Members of the Legislative Assembly (MLAs) at the constituency level and both the Chief Minister (CM) and Prime Minister (PM) influences changes in economic inequality, as proxied by nighttime luminosity data and Gini coefficients. Our empirical strategy employs a Regression Discontinuity Design (RDD) to exploit close electoral contests between aligned and non-aligned candidates, ensuring quasi-random variation in political alignment while controlling for potential confounders. The key explanatory variable—'Alignment'—is a binary indicator that takes the value of ‘one’ if an aligned candidate wins against a non-aligned candidate and zero if a non-aligned candidate wins against a aligned candidate. By distinguishing between different forms of alignment (with CM, CM but not PM, and with both CM and PM), we assess heterogeneous treatment effects. Unlike prior work that focuses predominantly on intergovernmental transfers and public goods provision (Asher & Novosad, 2017; Khemani, 2007), we shift the focus to economic inequality, providing a fresh perspective on the distributive implications of political coordination.

First, we show that key pre-treatment variables, such as the number of candidates, electors, votes, and electoral turnout, are balanced between aligned and non-aligned constituencies, supporting the quasi-random assignment of alignment and justifying the application of RDD for causal inference. The McCrary density test confirms the absence of manipulation at the electoral cutoff, as the density of close electoral victories is smooth across the alignment threshold ($p=0.54$). This supports the validity of RDD, ensuring quasi-random assignment (McCrary, 2008; Lee & Lemieux, 2010). We also examine the RD estimates with and without control variables to estimate the robustness of our findings and assess whether observed effects are driven by baseline differences or are consistent across specifications. The use of RDD in

close electoral races is a well-established identification strategy in political economy (Eggers et al., 2015; Amarasinghe et. al., 2024; Baskaran et. al., 2023; Asher and Novosad, 2017; and Cattaneo et al., 2019), ensuring that treatment effects are not confounded by systematic differences between treated and control groups.

Our main findings reveal significant and robust effects of political alignment on economic inequality. Our preferred specification estimates that alignment with both CM and PM reduces the Gini coefficient by approximately 0.015 (SE=0.005, $p<0.01$), a magnitude comparable to the effect of fiscal decentralization on inequality reported by Martinez-Vazquez et al. (2017). By contrast, alignment only with the CM has statistically insignificant effects. Averaged over the election term, the estimated reduction in the gini coefficient is 0.011 (SE=0.04, $p<0.01$). These findings are consistent with the results of Ferraz and Finan (2011), who show that aligned local governments in Brazil receive greater federal transfers, leading to reductions in regional inequality. Our findings also complement De la O (2013), who documents that political alignment drives higher social spending in Mexico, which in turn lowers inequality. However, our results diverge from Golden and Min (2013), who argue that alignment in autocratic regimes strengthens economic inequality by reinforcing elite capture. Additionally, Prakash et al. (2019) highlights how governance quality affects economic outcomes, showing that constituencies electing criminally accused politicians experience lower growth. Our study builds on this by examining whether alignment mitigates or exacerbates such governance-related disparities.

We further explore potential mechanisms that could drive these effects. One possibility is that aligned constituencies receive preferential access to fiscal transfers and social programs, thereby reducing disparities in resource distribution. This aligns with Hodler and Raschky (2014), who find that political favoritism influences fiscal transfers in decentralized economies. To test this, we analyze MGNREGA-related variables, including the number of households registered, total job cards, number of approved and completed works, and number of families that completed 100 days of work, as indicators of government-driven economic support. Our findings show that triple-aligned constituencies experience higher MNREGA participation and greater work completion, confirming the role of public employment programs as a redistributive mechanism. Another plausible mechanism is financial development, where improved governance efficiency could facilitate economic expansion. We examine growth in bank branches and credit to deposit ratio, which serve as proxies for financial access. Interestingly, our results suggest that only triple alignment increases financial activity.

An important dimension of our findings pertains to the differential impact of alignment on MNREGA implementation and financial development, particularly in constituencies with a high share (above median) of Scheduled Caste (SC) and Scheduled Tribe (ST) populations. Our results indicate that triple alignment significantly increases MNREGA employment provision, particularly in constituencies with high SC/ST population, where social safety nets are most critical. This effect is consistent with the role of political coordination in enhancing welfare implementation (Cook and Shah, 2022; and Imbert and Paap, 2015). However, our analysis also reveals that triple alignment does not lead to significant bank expansion or credit growth in these constituencies. Instead, financial development primarily increases in regions with lower (below median) SC/ST populations. Unlike MNREGA and other social programs, which rely directly on government intervention, financial expansion is largely driven by market incentives, institutional stability, and credit demand (Banerjee & Duflo, 2014). The lack of financial deepening in SC/ST populated regions suggests that while political coordination can enhance public welfare programs, it may not be sufficient to stimulate private sector-driven development, which requires broader institutional reforms, financial infrastructure, and investor confidence (Burgess & Pande, 2005). This finding aligns with studies emphasizing that state-led interventions alone cannot substitute for market-driven growth, reinforcing the need for complementary policies that promote financial inclusion and entrepreneurial activity in marginalized communities.

Our results contribute to the broader discourse on the role of political institutions in shaping economic outcomes. They suggest that the alignment of subnational and national political actors is a key mechanism through which redistribution occurs, with implications for policy design in federal democracies. Moreover, the findings provide empirical support for theories of political favoritism, whereby aligned constituencies receive preferential treatment in resource allocation. The study also informs the ongoing debate on the effectiveness of decentralized governance in mitigating inequality, illustrating the conditions under which alignment enhances policy efficacy. By extending the literature on distributive politics, our findings have direct policy implications for countries with multi-tiered governance structures, highlighting the trade-offs between alignment-driven efficiency and potential risks of patronage.

The remainder of the paper proceeds as follows. Section 2 situates our contribution within the existing literature on political alignment and economic inequality, drawing from related work on political economy and fiscal federalism. Section 3 describes the data and empirical strategy,

detailing the RDD framework and robustness checks. Section 4 presents the main results and discusses their implications, while Section 5 explores mechanisms driving the observed effects through additional tests and heterogeneity analysis. Section 6 concludes by discussing broader implications for development policy, governance, and future research directions.

Data

To examine the causal link between partisan alignment and economic inequality at the constituency level, we compile multiple datasets, each providing complementary information on electoral outcomes, economic inequality, social welfare programs, and financial development. Given the need for high-frequency constituency-level estimates, our approach integrates satellite-based measures with administrative and survey-based data sources to construct a panel spanning multiple election cycles.

Our primary electoral data source is the Trivedi Centre for Political Data (TCPD), which consolidates election results from the Election Commission of India (ECI). The dataset includes detailed information on State Legislative Assembly elections, capturing the characteristics of individual candidates, including their name, gender, education, age, caste, party affiliation, and total votes received, as well as key constituency-level characteristics, such as the number of candidates contesting, proportion of female candidates, total electorate size, reserved status, voter turnout, and victory margins. The primary electoral variable of interest is the party affiliation of the winning and runner-up candidates, which allows us to determine the partisan alignment of each constituency with the ruling party in the state. State elections occur approximately every five years, though their timing varies across states due to staggered electoral cycles. A key challenge in constituency-level analysis arises from periodic delimitation exercises, which redefine electoral boundaries to maintain demographic balance. Based on the 1971 Census, constituency boundaries were redrawn, but subsequent adjustments were frozen under the 42nd Constitutional Amendment (1976) until the year 2000 (Verma, 2006). The most recent Delimitation Commission (2002) redefined electoral boundaries based on the 2001 Census, with the changes implemented in 2008. Given the structural discontinuity in constituency characteristics before and after 2008, our analysis is restricted to elections held from 2011 to 2019 to ensure comparability.

The primary dependent variable is economic inequality at the constituency level. Traditional measures of inequality, derived from household consumption expenditure surveys, are typically aggregated at the state level, making them unsuitable for sub-state analysis. Moreover, these

surveys are conducted at irregular intervals, often every five years, further limiting their utility for analyzing short-term political dynamics. To construct a constituency-level measure of inequality with annual frequency, we utilize night-time light (NTL) intensity, a widely used proxy for local economic activity and development. Night-light data has been extensively validated in the literature as a measure of regional economic disparities, with applications in studying the impact of political characteristics on economic growth (Prakash et al., 2019; Jain et al., 2023; Baskaran et al., 2023). The advantage of NTL data lies in its granularity, as it is available at the village/town level on an annual basis. By aggregating village/town-level NTL values to the constituency level, we construct an inequality index based on the Gini coefficient of night-light intensity within each constituency. The spatial mapping follows a systematic procedure: villages and towns are first linked to their respective constituencies using geographic shape files. In cases where a village or town overlaps multiple constituencies, it is assigned to the constituency covering at least 50% of its geographic area. Instances where a village is fragmented across three or more constituencies without a clear majority assignment are excluded from the analysis. Using this spatial mapping, we compute the Gini coefficient of night lights for each constituency on an annual basis, ensuring a consistent and high-frequency measure of local economic inequality.

To supplement our night-light-based measure of economic inequality, we also examine the performance of MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) as an alternative measure of economic development and redistribution. MGNREGA, introduced in 2005, provides 100 days of guaranteed manual wage employment to rural households and represents one of India's largest social welfare programs. Given its explicit pro-poor targeting, MGNREGA has the potential to reduce economic inequality and poverty at the local level, particularly in rural constituencies. We analyze whether partisan alignment influences MGNREGA implementation by compiling block-level administrative data on key program performance indicators, including the total number of job cards issued, the number of registered households, the number of families completing 100 days of work, and the total number of approved and completed works. Since spatial maps of administrative blocks are unavailable, we assign blocks to constituencies using a village/town mapping approach. In cases where a block spans multiple constituencies, it is assigned to the constituency containing at least half of its villages, ensuring consistency in constituency-level aggregation.

In addition to inequality and employment-based measures, we examine financial development indicators, given the role of local financial institutions in influencing economic growth and

redistribution. Financial development is commonly linked to reductions in economic inequality, as improved credit access facilitates upward mobility for marginalized groups. However, constituency-level financial data is limited, necessitating the use of two key proxies: bank branch expansion and the credit-to-deposit ratio. To measure bank branch expansion, we utilize the Bank Directory compiled by Garg and Gupta (2020), which provides information on 154,505 bank branches across India, of which 151,104 are spatially linked to villages and towns in the 2011 Population Census (PC2011). Each branch's year of establishment is recorded, allowing us to track annual bank branch growth at the village/town level. These branches are then aggregated at the constituency level using the same spatial mapping methodology described above. This enables us to construct a constituency-level measure of bank branch expansion for each year from 2012 to 2019.

To complement this, we compute the credit-to-deposit ratio (CDR) as an alternative proxy for financial development. The Reserve Bank of India (RBI) provides bank-center-level quarterly data on total credit and total deposits, where a bank center refers to any village or town with an operational bank branch. We first merge bank centers with PC2011 data and then aggregate the figures to the constituency level using spatial mapping. This allows us to compute annual constituency-level credit-to-deposit ratios from 2012 to 2019, providing an additional metric to assess the impact of partisan alignment on financial access and economic outcomes.

The Table A1 (Appendix) summarizes the key variables used in our analysis, along with their definitions and data sources.

Results

A. Sample Balance Check

Table 1 presents a balance check to ensure that constituencies with aligned and non-aligned MLAs are comparable on key observables. The estimates indicate that there are no systematic differences in pre-treatment characteristics between aligned and non-aligned constituencies. The coefficients on variables such as the number of candidates, voter turnout, education rank, and share of SC/ST winners are all statistically insignificant, with p-values well above conventional significance thresholds. This balance confirms that the close election regression discontinuity design is valid, as constituencies just above and below the alignment threshold appear similar on pre-treatment covariates. These balances across MLAs show the credibility of our identification strategy, as they confirm that alignment status is quasi-random in close elections, minimizing concerns about selection bias. Figure 2 shows the cmograms for the sample balance check for voter margins of +-8%. We find no significant differences across the treatment and control groups in the baseline characteristics of the sample.

B. Impact of Political Alignment on Economic Inequality (Nightlight Gini)

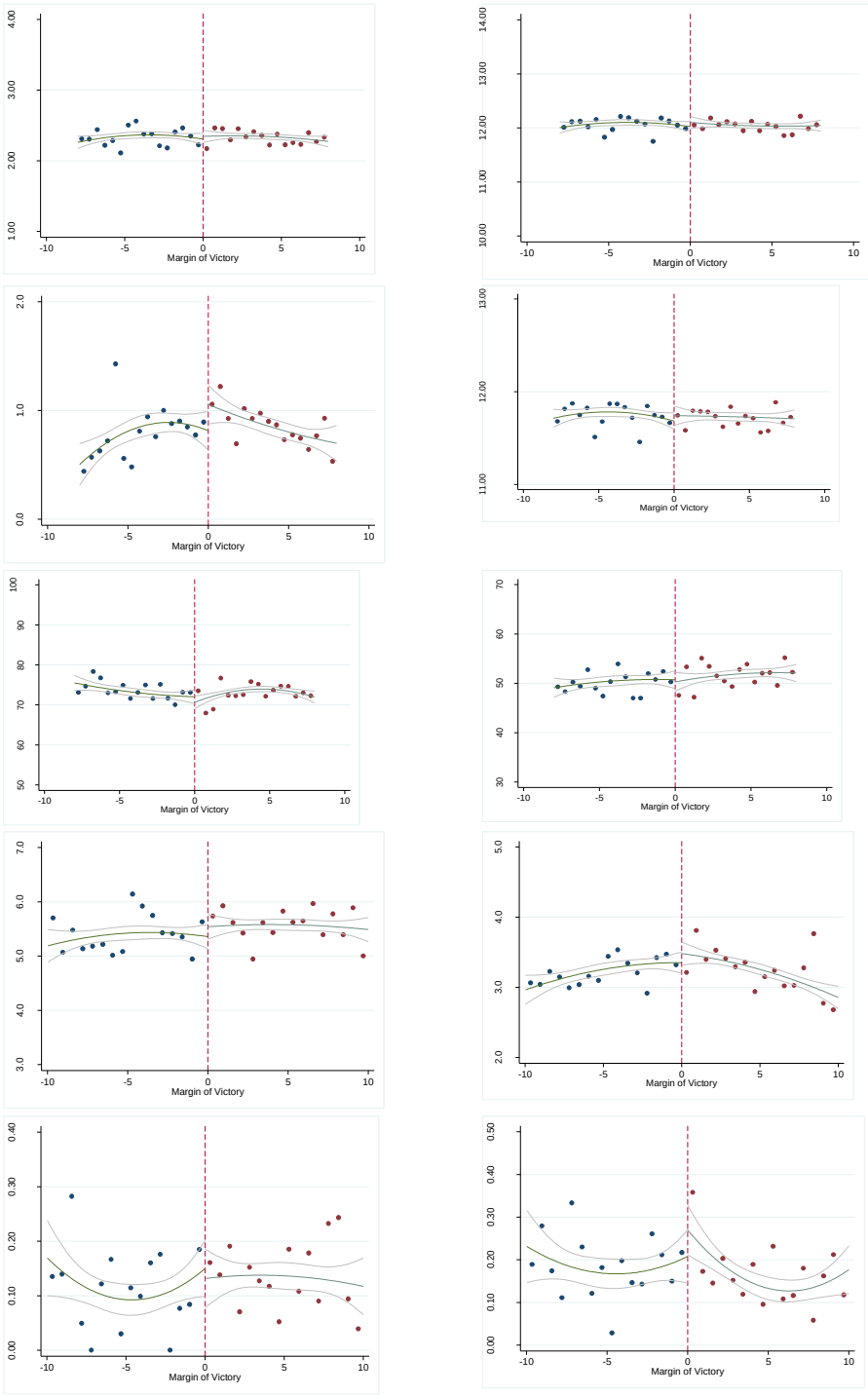
Table 2 estimates the impact of political alignment on economic inequality at the constituency level, measured using changes in the Gini coefficient of nightlights. Our base model in column (1) compares constituencies where a candidate aligned with CM barely wins with those constituencies where a non-aligned candidate barely wins. We do not find any significant impact of political alignment on inequality in such constituencies. However, when we segregate those constituencies further based on alignment with PM, the results provide evidence that alignment significantly reduces economic inequality. In other words, when an MLA is aligned with both the Chief Minister (CM) and Prime Minister (PM), as shown in Panel C, we observe a statistically significant reduction in inequality. The coefficients for this specification are consistently negative and statistically significant at the 1% level across all columns (-0.015 to -0.018), suggesting that triple alignment leads to a meaningful reduction in within-constituency disparities in economic activity.

Interestingly, the effect of alignment is heterogeneous depending on whether the alignment is only at the state or national level. When an MLA is aligned only with the CM but not the PM, as shown in Panel B, the estimated effect is close to zero and statistically insignificant across all specifications.

Table 1: Sample Balance Check

	Number of candidates (log)	Number of female candidates	Electors (log)	Valid Votes (log)	Turnout Percentage	Age	Education Rank	ENOP	SC Winner	ST Winner
Aligned with CM & PM	0.036	0.095	0.076	0.058	-0.154	-1.027	0.204	0.27	0.006	0.035
SE	{0.080}	{0.168}	{0.088}	{0.079}	{1.623}	{1.860}	{0.225}	{0.182}	{0.057}	{0.060}
P-val	[0.657]	[0.572]	[0.389]	[0.464]	[0.924]	[0.581]	[0.363]	[0.138]	[0.920]	[0.559]
Obs	4599	4599	4599	4599	4599	4577	4478	4599	4599	4599
Effective num of obs	2113	2646	2005	2096	2430	2127	2300	2430	2558	3104
Bandwidth	8.39	11.556	7.834	8.319	10.266	8.598	9.863	10.266	10.877	14.414

Figure 2: Balance check of covariates



This suggests that alignment with the CM alone does not lead to redistributive policies substantial enough to affect economic inequality. It reinforces the idea that both levels of government need to be aligned to generate meaningful redistributive effects.

The results in Panel C are also statistically significantly different that those in Panel A and B, as indicated by the t-test between outcome variables in respective columns. Results from Table 2 remain robust across linear (column 1 and 2) and quadratic (column 3 and 4) estimation strategies, and when estimated with (column 2 and 4) or without (column 1 and 3) control variables. Additionally, the effect sizes remain relatively stable across specifications.

Aligned governments may be better able to channel resources toward marginalized communities, improve the provision of public goods, or enhance the efficiency of existing welfare programs. The findings align with previous literature suggesting that political coordination across multiple levels of government can enhance the effectiveness of redistributive policies, reducing spatial disparities in economic activity. Asher and Novosad show the double alignment results (similar to Panel A in Table 2), but do not capture the effects of triple alignment which, in practice, reduces the political and bureaucratic hurdles. Also Arulampalam et al., 2009 , through a theoretical model and empirical analysis show that central political parties are more willing to make grants to states with their political alignment or swing states (they call it the aligned swing effect), while for non-aligned states, their electoral gains from anti-incumbency of the opposition party would likely make them release less central grants.

Impact of Political Alignment on MGNREGA Performance

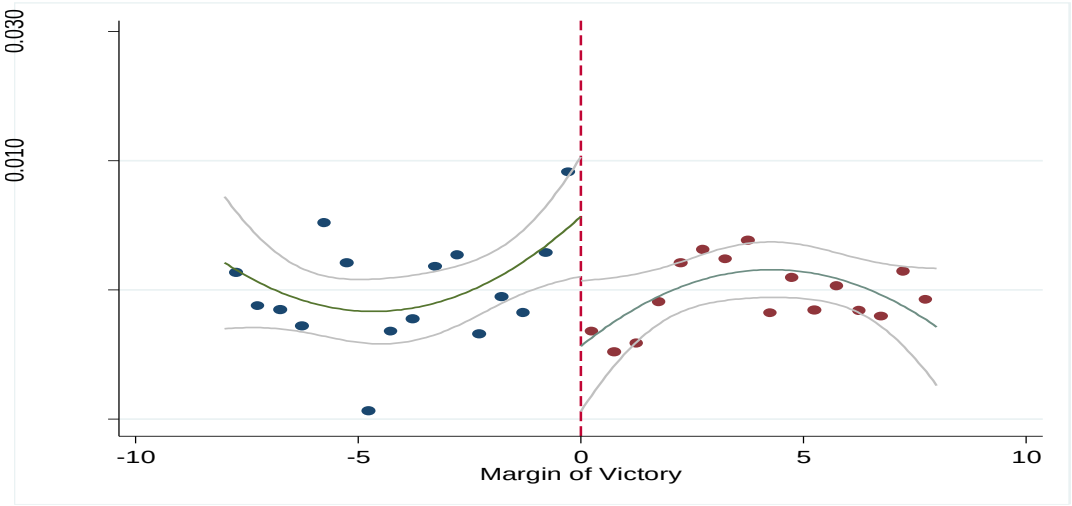
Table 3 examines the effect of political alignment on the performance of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), one of India's largest rural employment programs. The table presents results for key MGNREGA indicators, including the number of registered households, total job cards issued, the number of SC/ST job cards, the total number of approved and completed works, and the number of families completing 100 days of guaranteed work. By assessing whether alignment affects program implementation, this analysis sheds light on whether aligned constituencies receive more effective social welfare provisioning.

Table 2: Impact of political alignment on inequality in night lights at the constituency level

	Outcome: Change in Gini (gini[n+1] – gini)			
	p(1)	p(1)	p(2)	p(2)
	No controls	With controls	No controls	With controls
	(1)	(2)	(3)	(4)
	A. Alignment with CM			
Alignment	-0.005*	-0.003	-0.004	-0.003
SE	{0.003}	{0.002}	{0.003}	{0.003}
P-val	[0.056]	[0.218]	[0.104]	[0.285]
N	10681	10681	10681	10681
Effective N	4725	5234	7772	7797
Bandwidth	7.697	8.771	15.599	15.666
	B. Alignment with only CM not PM			
Alignment	0	0.001	0	0.003
SE	{0.003}	{0.003}	{0.003}	{0.004}
P-val	[0.858]	[0.595]	[0.968]	[0.381]
N	7037	7037	7037	7037
Effective N	3695	3918	4779	4533
Bandwidth	9.271	9.985	13.451	12.448
	C. Alignment with CM & PM			
Alignment	-0.015***	-0.013***	-0.02***	-0.018***
SE	{0.005}	{0.004}	{0.006}	{0.006}
P-val	[0.001]	[0.003]	[0.000]	[0.001]
N	3644	3644	3644	3644
Effective N	1465	1530	2010	2031
Bandwidth	7.246	7.552	10.822	10.977
Bandwidth Type	MSERD	MSERD	MSERD	MSERD

Note: (i) The table shows the impact of alignment of MLA with the ruling party at the state and/or centre on economic inequality at the constituency level. (ii) Analysis is conducted for one election term from 2011 to 2019. (iii) All the models are estimated on the basis of Regression Discontinuity Design. (iv) The dependant variable is the change in Gini coefficient, defined as (gini[n+1] – gini(n)). (v) The main explanatory variable – 'Alignment' is a dummy which takes value 1 if an aligned candidate wins against a non-aligned candidate, and '0' if a non-aligned candidate wins against an aligned candidate. (vi) Panels A-C differ on the basis of alignment. Panel A, B, C define alignment with CM, only with CM not PM; and with both CM & PM respectively. (vii) All the models are estimated by a local linear and quadratic regression using a triangular kernel. (viii) Robust standard errors are reported and clustered at the constituency level. (ix) The asterisks *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Figure 1: Graphical representation of impact of political alignment n change in inequality (gini[n+1]- gini)



The results show that constituencies aligned with both CM and PM experience substantially higher MGNREGA participation and work completion rates. The number of total registered households increases significantly in aligned constituencies (+12,154, p = 0.013 without controls; +9,740, p = 0.013 with controls). Similarly, the number of total job cards issued increases by approximately the same magnitude, confirming that alignment facilitates greater inclusion in the program. These effects are not observed in constituencies aligned only with CM, suggesting that full political alignment is necessary to drive significant improvements in social welfare delivery.

The most striking results are observed for SC/ST job cards and completed works, which exhibit the strongest positive effects. In aligned constituencies, the number of SC/ST job cards issued increases by 6,769 (p = 0.027), while the number of completed works increases by 530–659 (p < 0.05). This suggests that alignment facilitates better execution of MGNREGA projects, particularly for marginalized communities. The magnitude of these effects is substantial, indicating that alignment does not merely increase program access but also improves implementation quality.

The analysis of families completing 100 days of work provides further support for this interpretation. The results show a statistically significant increase of 997 families (p = 0.025) in fully aligned constituencies, but no meaningful change in constituencies where alignment exists only at one level of government. This suggests that triple alignment enables more consistent and sustained employment generation under MGNREGA.

Table 3: Impact on MGNREGA

	Alignment with					
	CM	Only CM not PM	CM & PM	CM	Only CM not PM	CM & PM
	No Controls			With Controls		
	Total Registered Households (n+1)					
Alignment of MLA	5609.9*	2546.9	12154.4**	3419.0	1465.9	9740.5**
SE	{3154.6}	{3486.9}	(4869.6)	{2360.2}	{2358.2}	(3935.4)
P-val	[0.075]	[0.465]	[0.013]	[0.147]	[0.534]	[0.013]
N	7658	5010	2648	7658	5010	2648
Effective N	4119	2941	1344	4865	3663	1565
Bandwidth	9.499	10.168	9.63	11.988	14.404	11.759
	Total Job Cards (n+1)					
Alignment of MLA	5221.9*	2307.4	12050.2**	3228.1	1275.9	10361.7***
SE	{3074.3}	{3372.5}	(4763.4)	{2286.7}	{2397.7}	(3937.4)
P-val	[0.089]	[0.494]	[0.011]	[0.158]	[0.595]	[0.008]
N	7658	5010	2648	7658	5010	2648
Effective N	4197	3050	1323	4991	3508	1503
Bandwidth	9.699	10.635	9.436	12.557	13.44	11.051
	Total SCST Job Cards (n+1)					
Alignment of MLA	2642.1	718.9	6897.9**	2372.7	517.3	6769.7**
SE	{1644.9}	{1619.0}	{3188.1}	{1540.4}	{1482.4}	{3063.2}
P-val	[0.108]	[0.657]	[0.030]	[0.123]	[0.727]	[0.027]
N	7658	5010	2648	7658	5010	2648
Effective N	4274	2950	1398	4404	2953	1413
Bandwidth	9.972	10.246	10.174	10.351	10.25	10.323
	Total Approved Works (n+1)					
Alignment of MLA	327.1	-314.0	1862**	314.7	-249.3	1728.4***
SE	{376.2}	{453.3}	(740.3)	{350.6}	{412.1}	(643.4)
P-val	[0.385]	[0.489]	[0.012]	[0.369]	[0.545]	[0.007]
N	7648	5006	2642	7648	5006	2642
Effective N	4557	2664	1262	4543	2653	1372
Bandwidth	10.823	8.916	8.798	10.768	8.851	9.919
	Total Completed Works (n+1)					
Alignment of MLA	107.7	-127.2	659.2**	135.6	-5.9	530.7**
SE	{239.5}	{330.9}	(272.1)	{219.4}	{289.0}	(245.8)
P-val	[0.653]	[0.701]	[0.015]	[0.537]	[0.984]	[0.031]
N	7648	5006	2642	7648	5006	2642
Effective N	4590	2704	1428	4679	2787	1597
Bandwidth	10.95	9.199	10.443	11.341	9.509	12.295
	Families completed 100 days of work (n+1)					
Alignment of MLA	132.9	-216.5	1016.9**	95.0	-87.5	997.8**
SE	{243.7}	{312.6}	(447.6)	{220.5}	{292.5}	(446.2)
P-val	[0.586]	[0.489]	[0.023]	[0.666]	[0.765]	[0.025]
N	7658	5010	2648	7658	5010	2648
Effective N	4790	2841	1292	5342	2884	1292
Bandwidth	11.7	9.697	9.246	13.788	9.967	9.263

Note: (i) The table shows the impact of alignment of MLA with the ruling party at the state and/or centre on performance of MGNREGA at the constituency level. (ii) Analysis is conducted from 2014 to 2019. (iii) All the models are estimated on the basis of Regression Discontinuity Design. (iv) The main explanatory variable – 'Alignment' is a dummy which takes value 1 if an aligned candidate wins against a non-aligned candidate, and '0' if a non-aligned candidate wins against an aligned candidate. (vi) Columns 1-3 define alignment only with CM, only with CM not PM, and with both CM & PM respectively. (vii) All the models are estimated by a local linear regression using a triangular kernel. (viii) Robust standard errors are reported and clustered at the constituency level. (ix) The asterisks *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Taken together, these findings indicate that alignment enhances the efficiency of social welfare delivery by reducing bureaucratic friction and facilitating the flow of funds to constituencies where political coordination is stronger. The stronger effects for SC/ST job cards further suggest that alignment leads to targeted benefits for marginalized groups, reinforcing the redistributive nature of political coordination. These results align with existing literature showing that partisan alignment can influence the allocation of public resources in ways that benefit historically disadvantaged populations.

Impact of Political Alignment on Financial Development

Table 4 assesses the impact of political alignment on financial development, focusing on two key indicators: (1) growth in the number of bank branches, which reflects expansion in financial access, and (2) the credit-to-deposit ratio (CDR), which indicates credit availability relative to savings mobilization. By evaluating whether aligned constituencies experience differential financial sector expansion, this table helps determine whether alignment facilitates broader economic inclusion beyond redistributive policies.

Table 4: Impact on Financial Development

	Alignment with					
	CM	Only CM not PM	CM & PM	CM	Only CM not PM	CM & PM
	No Controls			With Controls		
	Growth in number of bank branches					
Alignment of MLA	-0.021	-0.097*	0.162**	-0.016	-0.094*	0.162**
SE	{0.040}	{0.053}	{0.079}	{0.037}	{0.052}	{0.077}
P-val	[0.595]	[0.067]	[0.040]	[0.670]	[0.072]	[0.035]
N	6264	4160	2104	6264	4160	2104
Effective N	3568	2125	1085	3962	2162	1031
Bandwidth	10.56	8.81	10.04	12.41	8.98	9.46
	Credit-Deposit Ratio(n+1)					
Alignment of MLA	-0.001	-0.011	0.136**	0.016	0.048	0.113*
SE	{0.067}	{0.088}	{0.068}	{0.062}	{0.080}	{0.061}
P-val	[0.989]	[0.904]	[0.045]	[0.797]	[0.551]	[0.065]
N	8557	5506	3051	8557	5506	3051
Effective N	3704	2173	1626	3612	2079	1678
Bandwidth	7.47	6.32	10.42	7.26	6.02	10.78

Note: (i) The table shows the impact of alignment of MLA with the ruling party at the state and/or centre on financial development at the constituency level. (ii) Analysis is conducted from 2012 to 2019. (iii) All the models are estimated on the basis of RDD. (iv) The main explanatory variable – 'Alignment' is a dummy which takes value 1 if an aligned candidate wins against a non-aligned candidate, and '0' if a non-aligned candidate wins against an aligned candidate. (vi) Columns 1-3 define alignment only with CM, only with CM not PM, and with both CM & PM respectively. (vii) All the models are estimated by a local linear regression using a triangular kernel. (viii) Robust standard errors are reported and clustered at the constituency level. (ix) The asterisks *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

The results indicate that alignment has a significant positive effect on bank branch expansion, but the impact varies by the level of alignment. Constituencies where the MLA is aligned with both CM and PM see a statistically significant increase in bank branches, with a coefficient of 0.162 ($p = 0.040$) in the no-controls specification and 0.162 ($p = 0.035$) in the with-controls specification. These results suggest that political alignment facilitates the establishment of financial institutions, likely due to improved coordination in financial policy implementation. However, alignment with CM irrespective of alignment with PM (-0.021, $p = 0.595$) or only CM and not PM (-0.097, $p = 0.067$) has either no effect or a marginally negative impact on bank expansion, reinforcing the conclusion that coordination across both levels of government is crucial.

The impact of alignment on the credit-to-deposit ratio (CDR) also presents a similar picture. Alignment with both CM and PM is associated with a positive effect on CDR. The coefficient in the no-controls specification is 0.136 and is significant at 5%. However, its statistical significance reduces after including the control variables. The coefficient reduces to 0.113, but remains significant at 10%. Again, the alignment with CM (-0.001, $p = 0.989$) has no discernible effect, further indicating that alignment is not necessarily driving improvements in credit mobilization.

These findings suggest that while alignment promotes financial access through increased banking infrastructure, it does not necessarily lead to proportional improvements in credit allocation or lending activity. One possible explanation is that while political coordination can facilitate financial sector expansion, the decision to extend credit remains contingent on market fundamentals such as risk assessment and economic viability. Thus, while aligned constituencies may benefit from improved financial inclusion, they may not necessarily experience higher enhanced financial intermediation.

Overall, Table 4 reinforces the broader theme that alignment facilitates institutional access (e.g., increased bank branches), but its impact on economic growth-oriented financial deepening is less pronounced. This aligns with the broader findings in previous tables, where alignment primarily operates through redistributive channels rather than through investment-driven economic expansion.

Heterogeneous Effects of Political Alignment by SC/ST Population Share

A. Impact on Inequality

We further segregate all constituencies by their above/below median share of Scheduled Caste (SC) and Scheduled Tribe (ST) populations. The stylized facts reveal that the constituencies with above-median share of SCST population (>= 20.55%) have higher inequality (shown by high magnitude of Gini coefficient) vis-à-vis constituencies with below-media share (< 20.55%). This phenomenon guides us in segregating the constituencies and to examine whether the alignment reduces inequality in more unequal areas and benefits historically marginal groups. [1] Table 5 presents results.

Table 5: Impact on inequality w.r.t. share of SC&ST population

Share of SC & ST Population	Alignment with CM & PM			
	Below median (<0.2055)		Above median (>=0.2055)	
Alignment of MLA	-0.013**	-0.011**	-0.018***	-0.013**
SE	{0.006}	{0.005}	{0.007}	{0.006}
P-val	[0.021]	[0.042]	[0.007]	[0.028]
N	1733	1733	2014	2014
Effective N	753	824	765	877
Bandwidth	9.055	10.163	6.349	7.294
Controls	No	Yes	No	Yes

Note: (i) The table shows the impact of alignment of MLA with the ruling party at the state and/or centre on economic inequality at the constituency level. (ii) Analysis is conducted from 2012 to 2019 and all the models are estimated on the basis of RDD. (ii) Analysis is conducted separately for constituencies above/below median share of SCST population. (iv) The main explanatory variable – 'Alignment' is a dummy which takes value 1 if an aligned candidate wins against a non-aligned candidate, and '0' if a non-aligned candidate wins against an aligned candidate. (vi) Columns 1-3 define alignment only with CM, only with CM not PM, and with both CM & PM respectively. (vii) All the models are estimated by a local linear regression using a triangular kernel. (viii) Robust standard errors are reported and clustered at the constituency level. (ix) The asterisks *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Ashna Arora (2022) shows that election by community consensus, while leading to selection of more educated leaders, can be discriminatory towards marginalized communities, with more local elite capture, as compared to ballot-based elections. In this context, it is important to study why ballot-based close elections, where the community consensus is absent, could affect the

[1] Another reason for choosing above and below median constituencies instead of political representation by caste groups is because the latter is found to be non-aligned to priors of equitable distribution (see, Table 2, Arora, 2022).

distribution of public and private resources between marginalized and non-marginalized groups.

The results indicate that alignment leads to a larger reduction in economic inequality in constituencies with a higher SC/ST population share. When alignment exists at both the state and national levels, the Gini coefficient decreases by -0.018 ($p = 0.007$) in constituencies with above-median SC/ST shares, compared to a smaller reduction of -0.013 ($p = 0.021$) in constituencies with below-median SC/ST shares. The statistical significance in both groups confirms that alignment reduces inequality across all constituencies, but the effect is notably stronger in areas with higher SC/ST representation.

The difference in effect sizes suggests that constituencies with a larger SC/ST population may receive more targeted redistributive transfers or preferential access to public goods when alignment is present. One potential mechanism is that the aligned governments prioritize marginalized communities through welfare policies, ensuring that economic benefits reach historically disadvantaged groups. This aligns with Anderson, François, and Kotwal (2015), who show that local elites often manipulate state resources, limiting redistribution unless strong political coordination ensures targeted delivery to marginalized populations. Another possible explanation is that SC/ST-dominated constituencies are more likely to rely on state-led interventions, making them more responsive to alignment-driven public resource allocation.

The robustness of the findings across specifications (with and without controls) further reinforces the conclusion that alignment disproportionately benefits constituencies with higher SC/ST representation. These results are particularly relevant in the context of political economy theories suggesting that politicians have stronger incentives to target resources toward electorally significant or socially vulnerable populations. The findings align with existing evidence showing that political patronage and alignment often play a role in shaping welfare distribution in caste-based societies.

Overall, Table 5 confirms that political alignment amplifies its inequality-reducing effects in constituencies with larger SC/ST populations, suggesting that alignment-driven redistribution has a strong equity-enhancing component. However, this also raises broader questions about whether these effects are driven by electoral incentives rather than long-term structural policy commitments—a theme explored in subsequent tables on welfare programs.

B. Impact on MGNREGA Performance

Table 6 examines whether the impact of political alignment on MGNREGA performance differs by the share of Scheduled Caste (SC) and Scheduled Tribe (ST) populations in a constituency. Given that MGNREGA is a key pro-poor employment guarantee scheme, this analysis tests whether alignment-driven improvements in program implementation are stronger in historically marginalized constituencies with higher SC/ST representation.

The results show that alignment leads to a significantly greater expansion of MGNREGA participation in constituencies with above-median SC/ST populations. In constituencies where the SC/ST share is ≥ 20.55%, alignment with both CM and PM is associated with a substantial increase in total registered households (+13,607.8, p = 0.010) and in total job cards issued (+13,801.4, p = 0.009).

Table 6: Impact of alignment on NREGA: Heterogeneity by Caste

	Total Registered Households (n+1)	Total Job Cards (n+1)	Total SCST Job Cards (n+1)	Total Approved Works (n+1)	Total Completed Works (n+1)	Families completed 100 days of work (n+1)
			Below median (<0.2055)			
Alignment with CM & PM	10512.2*	9895.6*	-393.7	1678.7***	673.1*	176.9
SE	{5861.45}	{5708.7}	{1275.4}	{596.9}	{351.6}	{505.6}
P-val	[0.073]	[0.083]	[0.758]	[0.005]	[0.056]	[0.726]
N	996	996	996	993	993	996
Effective N	632	637	482	398	439	542
Bandwidth	14.616	14.77	10.325	8.066	9.188	11.95
			Above median (>=0.2055)			
Alignment of MLA with CM & PM	13607.8**	13801.4***	12680.1***	2543.7***	934.6***	1333.1**
SE	{5261.5}	{5255.9}	{4211.7}	{916.9}	{358.1}	{623.5}
P-val	[0.010]	[0.009]	[0.003]	[0.006]	[0.009]	[0.033]
N	1652	1652	1652	1649	1649	1652
Effective N	848	835	792	760	776	785
Bandwidth	9.122	8.655	7.906	7.692	7.773	7.88

Note: (i) The table shows the impact of alignment of MLA with the ruling party at the state and/or centre on MGNREGA at the constituency level. (ii) Analysis is conducted from 2014 to 2019 and all the models are estimated on the basis of RDD. (ii) Analysis is conducted separately for constituencies above/below median share of SCST population. (iv) The main explanatory variable – 'Alignment' is a dummy which takes value 1 if an aligned candidate wins against a non-aligned candidate, and '0' if a non-aligned candidate wins against an aligned candidate. (vi) Columns 1-3 define alignment only with CM, only with CM not PM, and with both CM & PM respectively. (vii) All the models are estimated by a local linear regression using a triangular kernel. (viii) Robust standard errors are reported and clustered at the constituency level. (ix) The asterisks *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 7: Impact on Banking: Heterogeneity by caste

	Growth in number of bank branches		Credit-Deposit Ratio(n+1)	
Share of SCST population	Below median (<0.2055)	Above median (>=0.2055)	Below median (<0.2055)	Above median (>=0.2055)
Alignment with CM & PM	0.241**	0.101	0.184**	0.052
SE	{0.114}	{0.096}	{0.089}	{0.085}
P-val	[0.035]	[0.296]	[0.039]	[0.538]
N	1137	967	1455	1596
Effective N	500	542	625	912
Bandwidth	9.346	9.864	8.881	10.431

Note: (i) The table shows the impact of alignment of MLA with the ruling party at the state and/or centre on financial development at the constituency level. (ii) Analysis is conducted from 2014 to 2019 and all the models are estimated on the basis of RDD. (ii) Analysis is conducted separately for constituencies above/below median share of SCST population. (iv) The main explanatory variable – 'Alignment' is a dummy which takes value 1 if an aligned candidate wins against a non-aligned candidate, and '0' if a non-aligned candidate wins against an aligned candidate. (vi) Columns 1-3 define alignment only with CM, only with CM not PM, and with both CM & PM respectively. (vii) All the models are estimated by a local linear regression using a triangular kernel. (viii) Robust standard errors are reported and clustered at the constituency level. (ix) The asterisks *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

The most pronounced heterogeneity is observed in the issuance of SC/ST job cards, where alignment leads to a massive increase of +12,680.1 ($p = 0.003$) in constituencies with higher SC/ST shares, compared to a much smaller and statistically insignificant effect in lower SC/ST constituencies. This suggests that alignment disproportionately increased targeted benefits for marginalized groups, likely due to improved bureaucratic coordination and increased prioritization of SC/ST welfare programs under aligned governments. Anderson, François, and Kotwal (2015) highlight how, in the absence of strong political coordination, local elites often divert state resources away from marginalized groups, reinforcing clientelistic structures that limit equitable redistribution.

Similarly, the total number of approved and completed works under MGNREGA increases significantly in higher SC/ST constituencies (+2,543.7, $p = 0.009$), but remains statistically weak in lower SC/ST constituencies. This implies that aligned governments are more effective at mobilizing and executing public works programs in marginalized areas, potentially due to stronger political incentives to demonstrate policy responsiveness to historically disadvantaged communities.

Finally, the results for families completing 100 days of MGNREGA work reinforce this pattern. The increase is +1333 families ($p = 0.033$) in high SC/ST constituencies, while the effect is statistically absent in lower SC/ST constituencies. This suggests that alignment translates not

only into increased access to MGNREGA but also into more consistent job provision for marginalized groups.

These findings confirm that political alignment enhances MGNREGA implementation more effectively in constituencies with larger SC/ST populations. The disproportionate benefits observed in these areas indicate that alignment may amplify redistributive policies toward marginalized communities, reducing barriers to welfare access and improving program execution. A potential explanation for this pattern is that aligned governments have stronger electoral incentives to deliver tangible benefits to SC/ST communities, who constitute an important voting bloc in many Indian states.

However, these results also raise broader concerns about whether alignment-induced redistributive benefits are sustainable in the long run. If these effects are driven primarily by electoral incentives rather than institutional improvements, they may diminish once the alignment status changes. Future research should explore whether alignment leads to structural improvements in MGNREGA administration or whether its effects are temporary and politically contingent.

B. Impact on Financial Development

Table 7 investigates whether the impact of political alignment on financial development varies by the share of SCST populations in a constituency. Given that financial inclusion is a crucial driver of economic mobility, this analysis tests whether aligned governments are more effective at expanding financial access in historically marginalized constituencies with higher SC/ST representation.

The results present a stark contrast to the findings in Tables 5 and 6. Unlike MGNREGA, which saw stronger alignment-driven benefits in high SC/ST constituencies, financial development appears to be more responsive to alignment in constituencies with lower SCST population (<020.55%). In these constituencies, alignment with both CM and PM significantly increases the number of bank branches (+0.241, $p = 0.035$) and experience higher C-D ratio (+0.184, $p = 0.039$). In contrast, in constituencies where SC/ST share is above the median, the effect of alignment is insignificant for both the indicators, suggesting that aligned governments expand financial access disproportionately in areas with lower SC/ST representation. Financial deepening in aligned constituencies primarily benefits regions with a lower SC/ST share, where banking penetration may already be higher, rather than constituencies where financial constraints are most severe.

The results suggest that while political alignment expands financial infrastructure, its benefits are not evenly distributed across constituencies. They vary with different caste compositions. Unlike MGNREGA, which saw stronger effects in high SC/ST constituencies, financial development appears to be more responsive to alignment in constituencies with a lower SC/ST share. This raises important questions about the differential priorities of aligned governments in promoting redistribution versus market-based economic development.

One possible explanation is that financial expansion requires different institutional mechanisms compared to direct government programs like MGNREGA. Aligned governments may be more effective at channeling welfare benefits toward high SC/ST constituencies, but financial infrastructure development may still be shaped by broader economic viability considerations rather than purely political incentives. Banks and financial institutions may respond more to commercial profitability than to political incentives, leading to weaker effects of alignment in marginalized constituencies where financial activity is lower.

Alternatively, the results could reflect structural barriers to financial access in high SC/ST constituencies, including lower banking penetration, weaker credit demand, or higher risk aversion among financial institutions. Even if aligned governments seek to promote financial inclusion, existing constraints may limit their ability to translate political coordination into tangible credit expansion in these regions.

The findings highlight a key contrast between state-driven redistribution (MGNREGA) and market-driven financial development. While alignment enhances welfare program implementation in high SC/ST constituencies, it appears to have stronger financial sector effects in constituencies with lower SC/ST representation. This suggests that alignment does not necessarily remove structural constraints to financial inclusion in historically marginalized areas, reinforcing the idea that political incentives alone may be insufficient to overcome deeper economic barriers to financial access.

Robustness Checks

A. Placebo Cut-off Analysis

Table A2 presents a placebo test to assess the robustness of the main findings by estimating the impact of alignment at artificial cut-offs that should not theoretically produce an effect. This serves as a falsification exercise to ensure that the observed reductions in economic inequality

in Table 2 are not driven by spurious correlations or unobserved trends unrelated to political alignment.

The placebo estimates, based on alternative cut-offs of the margin of victory, largely confirm the validity of our main findings. When using cut-offs at +0.5%, +1%, and +1.5% of the vote margin, the estimated effects of alignment on the Gini coefficient are close to zero and statistically insignificant, as expected. However, at a +2% margin and beyond, we begin to see small, marginally significant effects, particularly in the specification where alignment is defined as having both CM and PM from the same party. This suggests that as we move away from truly close elections, the quasi-random assignment of alignment weakens, leading to potential confounding effects.

Importantly, the fact that the main alignment effects in Table 2 are significant while the placebo estimates in Table 3 are not reinforces the argument that the reduction in inequality is indeed caused by alignment rather than by pre-existing differences between aligned and non-aligned constituencies. The consistency of the placebo results across multiple bandwidths further strengthens the credibility of our empirical strategy.

Overall, Table 3 provides strong validation for our research design, demonstrating that our main findings are not an artifact of arbitrary cut-offs or selection bias. The placebo tests confirm that alignment matters precisely at the cut-off where the identification strategy holds, lending additional confidence to the causal interpretation of our results.

B. Donut Hole Approach

Table A3 presents estimates using a donut hole approach, which re-estimates the baseline model by systematically excluding observations where the margin of victory is very close to zero. This robustness check addresses potential concerns that extremely close elections may involve irregularities, strategic vote counting, or other distortions that could bias our results. By incrementally removing observations within narrow margins of victory (e.g., 0.01, 0.05, 0.1, 0.15, and 0.2 percentage points), this approach tests whether our main findings hold even when excluding the most tightly contested elections.

The results remain highly robust across all specifications. The effect of alignment on economic inequality, as measured by the change in the Gini coefficient, remains negative and statistically significant at conventional levels across all margins of victory thresholds. Even after

eliminating constituencies where the margin of victory is within 0.2 percentage points, the estimated effect of alignment with both CM and PM remains strongly negative (-0.012, p = 0.015). This reinforces the conclusion that political alignment meaningfully reduces economic inequality, and that this effect is not driven by a small subset of extremely close elections.

Interestingly, the magnitude of the effect decreases slightly as we exclude more observations near the threshold. This suggests that the most substantial reductions in inequality occur in constituencies where the MLA won by the narrowest of margins. One possible interpretation is that in these constituencies, electoral accountability is stronger, forcing aligned politicians to actively deliver redistributive policies to secure voter support in subsequent elections. Conversely, in constituencies where the margin of victory is larger, politicians may feel less pressure to implement aggressive redistribution.

Overall, the results from the donut hole approach provide further reassurance that our findings are not driven by potential biases in extremely close elections. The consistency of the results across multiple thresholds strengthens the causal interpretation that alignment significantly reduces economic inequality.

C. Alternative Measures of Economic Inequality

Table A4 presents a robustness check by estimating the impact of political alignment on alternative measures of economic inequality, specifically population-weighted Gini (PW_Gini) and log growth in Gini. This is crucial to verify whether the baseline findings—where alignment reduces inequality as measured by nightlight Gini—are consistent across different inequality measures.

The results in Panel A show that alignment with both CM and PM continues to have a statistically significant negative effect on economic inequality when using population-weighted Gini as the dependent variable. The estimated coefficient for alignment with both CM and PM is -0.01 (p = 0.024) in the no-controls specification and -0.009 (p = 0.039) when controls are included, confirming that alignment leads to lower inequality.

In contrast, alignment with only CM (-0.005, p = 0.056) produces a marginally significant effect, while alignment with only PM (p > 0.6) shows no impact on PW Gini. This reinforces our earlier conclusion that alignment is most effective in reducing inequality when it exists at both the state and national levels. The slightly weaker statistical significance in PW Gini

compared to nightlight Gini suggests that the effects of alignment may be more pronounced in economic activity as measured by nightlights than in broader population-weighted measures.

Panel B further tests robustness by using log differences in Gini coefficients as an alternative measure of inequality dynamics. The findings mirror those in Panel A: alignment with both CM and PM leads to a significant reduction in log Gini (-0.011, $p = 0.001$ without controls; -0.009, $p = 0.003$ with controls). This suggests that alignment reduces inequality not only in absolute terms but also in proportional terms when examining the log-transformed measure.

The effects for only CM (-0.003, $p = 0.071$) are weakly significant, while alignment with only PM has no effect on log Gini ($p > 0.9$). The fact that only full alignment consistently reduces inequality across both alternative measures provides strong validation of the baseline findings.

The results from Table A1 confirm that the reduction in inequality due to alignment is robust across different measurement approaches. While nightlight Gini remains the primary metric, the consistency of the effect across PW Gini and log Gini growth suggests that the findings are not driven by a specific measurement choice. This strengthens the argument that alignment improves redistribution and economic equity in a way that is not sensitive to how inequality is measured.

Furthermore, the insignificant effects of alignment with only CM or only PM reinforce the importance of coordination between state and central governments in driving redistributive policies. The weaker significance in population-weighted Gini suggests that alignment-driven redistribution may be more visible in economic activity measures (nightlights) than in population-based inequality measures, possibly due to more immediate fiscal transfers rather than structural changes in income distribution.

D. Sensitivity to Bandwidth Choices

Table A5 presents a sensitivity analysis of the impact of political alignment on inequality by varying the bandwidth selection method in the regression discontinuity design. The results indicate that alignment with both CM and PM consistently reduces economic inequality across all bandwidth choices, with effect sizes ranging from -0.021 ($p < 0.001$) under CERRD to -0.010 ($p = 0.011$) under MSETWO. This robustness confirms that the inequality-reducing effect is not driven by specific bandwidth selection criteria. In contrast, alignment with only CM or only PM does not produce significant effects, regardless of the bandwidth method used, reinforcing the conclusion that partial alignment is insufficient for meaningful redistribution.

The findings suggest that coordination across state and national governments is crucial for ensuring effective redistributive policies, as alignment with only one level of government yields statistically weak and inconsistent effects. The fact that the magnitude of the effect remains stable across bandwidth choices further validates the causal interpretation of the results, ruling out concerns that the observed reductions in inequality are driven by bandwidth-specific sample selection. Overall, Table A2 confirms that political alignment meaningfully reduces inequality only when it occurs at both the state and national levels, providing strong empirical support for the baseline findings.

Lagged Effects of Political Alignment on Economic Inequality

Table A6 examines the dynamic effects of political alignment on economic inequality by estimating both backward and forward lags of the Gini coefficient. This allows us to assess whether the observed reductions in inequality precede political alignment (suggesting reverse causality) or persist over multiple years (indicating lasting redistributive effects).

The previous lag (gini[n] - gini[n-1]) results show that alignment with both CM and PM has no significant pre-treatment effect on inequality ($p > 0.38$ across specifications). This confirms that the observed reductions in inequality are not driven by pre-existing trends, reinforcing the causal interpretation of our findings. In contrast, the forward lag estimates (gini[n+2] - gini[n] and gini[n+3] - gini[n]) indicate that the inequality-reducing effects of alignment persist over time, with coefficients of -0.030 ($p = 0.002$) at two years and -0.026 ($p = 0.098$) at three years. This suggests that the impact of alignment is not a short-term fiscal effect but a sustained redistribution over multiple electoral cycles. The results are particularly robust in the two-year forward lag, confirming that alignment-driven reductions in inequality remain significant beyond the immediate post-election period.

Impact of Political Alignment on Growth in Night Lights

Table A7 examines whether political alignment influences growth in economic activity, proxied by changes in nightlight intensity. Unlike previous tables that focus on inequality, this table tests whether alignment fosters broader economic growth, measured as log differences in nightlight luminosity across years. The results indicate that alignment with both CM and PM leads to a statistically significant increase in nightlight intensity (0.020, $p = 0.001$ without controls; 0.019, $p = 0.001$ with controls), suggesting that alignment facilitates economic expansion.

However, the impact of partial alignment (only CM or only PM) is either statistically insignificant or weakly negative. Alignment with only CM has a small, insignificant effect (0.003, p = 0.419 without controls; 0.002, p = 0.566 with controls), while alignment with only PM shows a negative but statistically weak coefficient (-0.003, p = 0.473 without controls; -0.007, p = 0.115 with controls). These results indicate that economic growth effects emerge only when alignment exists at both the state and national levels, reinforcing the importance of coordinated political power for economic policy effectiveness.

The positive effect of full alignment on nightlight growth suggests that while alignment primarily operates through redistributive channels (as shown in previous tables), it may also contribute to broader economic activity via increased public investment, infrastructure spending, or business-friendly policies.

Conclusion

While some studies suggest that political alignment enhances redistribution through preferential policy implementation, others find limited or even negative effects due to elite capture and inefficiencies in allocation. This paper contributes to this debate by investigating the causal impact of political alignment of local leaders (MLAs) with state and national leaders on economic inequality at the constituency level.

Our study is the first to systematically examine the implications of triple alignment—constituency, state, and center—within the framework of Indian fiscal federalism. This distinction is crucial, as India's revenue-sharing mechanisms and centrally sponsored schemes rely heavily on coordination across all three levels of government (Rao & Singh, 2005; Banerjee, Iyer, & Somanathan, 2007). Our findings demonstrate that triple alignment results in markedly different redistributive patterns compared to dual alignment, highlighting an overlooked mechanism in the literature on distributive politics.

We leverage a novel dataset spanning multiple election terms from 2011 to 2019 to examine whether alignment between Members of the Legislative Assembly (MLAs) at the constituency level and both the Chief Minister (CM) and Prime Minister (PM) influences changes in economic inequality, as proxied by nighttime luminosity data and Gini coefficients. Our empirical strategy employs a Regression Discontinuity Design (RDD) to exploit close electoral contests between aligned and non-aligned candidates, ensuring quasi-random variation in political alignment while controlling for potential confounders.

We have multiple key findings from the analysis. First, the main findings reveal significant and robust effects of political alignment on economic inequality. Alignment with both CM and PM reduces the Gini coefficient by approximately 0.015 (SE=0.005, $p<0.01$) at the constituency level. This result remains statistically robust. Second, our findings show that triple-aligned constituencies experience higher MGNREGA participation and greater work approval and completion, confirming the role of public employment programs as a redistributive mechanism. Another plausible mechanism is financial development. We examine growth in bank branches and credit to deposit ratio, which serve as proxies for financial access. Interestingly, our results suggest that only triple alignment increases financial activity.

Third, we show that the inequality reducing impact of political alignment is more prominent in constituencies with higher share of SCST population vis-a-vis the ones with lower share of SCST population. Notably, the former set of constituencies also face a higher level of inequality. We further test whether MGNREGA and financial development suit as potential mechanisms in these two sets of constituencies. While MGNREGA channel works in both type of constituencies, its estimated impact is stronger in the constituencies with higher share of SCST population. This shows that the aligned governments prioritize marginalized communities through welfare policies, ensuring that economic benefits reach historically disadvantaged groups. On the contrary, the financial development responds to political alignment only in lower SCST constituencies. This finding aligns with studies emphasizing that state-led interventions alone cannot substitute for market-driven growth.

We conduct a series of statistical checks to establish the robustness of our estimates.

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Appendix

Table A1: Variable Description

Variable	Description	Data Source
Gini at the constituency level	In order to obtain the constituency level Gini coefficient in night-lights, we utilize village/town level values of Night Lights and shape files corresponding to Population Census 2011; and the shapefiles of state assembly constituencies post-delimitation (post-2008). The data was processed in the following steps: Step 1: The spatial maps of villages/towns and constituencies were interacted to find the respective constituency of each village/town. Step 2: Largely, the villages/towns belonged to one constituency. In a scenario, where a village/town fell in more than one constituency, i.e. their spatial boundaries did not overlap perfectly, we assigned that constituency (to the village) in which the area of the village was more than 50%. We dropped that village/town where it got divided among three (or more) constituencies and share of the area did not exceed 50% in any one constituency. Step 3: Then, we computed Gini coefficient for the villages falling in each constituency.	SHRUG (Village/town level NTL) World Bank (spatial maps for all villages/towns)
	Outcome variables	
Change in inequality	Annual change in Gini defined as ($Gini_{t+1}$ - $Gini_t$)	Computed based on data from SHRUG
Log change in inequality	Annual change in log Gini defined as (Log ($Gini_{t+1}$ +1)- Log ($Gini_t$ +1)	
Growth of NTL	Annual growth of night-time lights defined as (Log (NTL_{t+1} +1) – Log (NTL_t +1))	
	Explanatory variables	
Aligned	=1 if Winner is aligned with CM and Runner-up is not aligned; 0 if Runner-up is aligned with CM and Winner is not aligned.	Computed based on data from TCPD
	Other political variables	
Turnout Percentage	Voter turnout during at the election (in percentage)	TCPD
Log (Electors)	Log of the size of electors	TCPD
Log (Valid votes)	Log of the size of valid votes	TCPD
Log (Candidates)	Log of number of total candidates	TCPD
Log (Female candidates)	Log of number of total female candidates	TCPD
Share of SC Candidates	Number of SC Candidates/Total Candidates	TCPD
Share of ST Candidates	Number of ST Candidates/Total Candidates	TCPD

Age	Age of the winner	TCPD
	Non-political variables at the constituency level	
Share of SC & ST Population	We use the spatial mapping of each village/town with respective constituency (as mentioned above in step 2). The total population of all villages/towns falling in a constituency was added to obtain the population numbers of that constituency. Similarly, the SC and ST population was derived for each constituency.	Population Census 2011
Number of Bank branches	To derive constituency level bank branches, we use Bank directory mapped with the Population Census 2011. The data is sourced from Garg and Gupta (2020). Out of all 154,505 bank branches in the directory till October 2019, a total of 151,104 are mapped with PC2011. With this data, we get to know that which villages/towns have bank branches and the number of branches in each of those villages/towns. These 151,504 branches fall in nearly 45,911 villages and towns. Additionally, the directory reveals the year of establishment of each branch, therefore we have year-wise branches of these villages/towns. Subsequently, based on the spatial mapping (as mentioned above in step 2), the branches of all villages/towns falling in a constituency were added to obtain the total branches of that constituency. The same statistics is obtained for each year starting from 2012 to 2019.	RBI Bank Directory
Credit to deposit ratio	We use bank center-level quarterly data on credit and deposit provided by RBI. A bank center can be a village or town where a bank branch is present. We first merge each center with PC2011. Subsequently, we use the spatial mapping of each village/town with respective constituency (as mentioned above in step 2). The credit and deposit of all villages/towns falling in a constituency were added to obtain the total credit and deposit of that constituency. The same statistics is obtained for each year starting from 2012 to 2019.	RBI (Data of various years)
MGNREGA Performance Indicators	We obtained block level MGNREGA performance indicators such as total job cards, registered households, number of works approved and completed, number of families that completed 100 days of work. In next step, we merge MGNREGA blocks with PC2011. Due to unavailability of spatial maps at the block level, we could not spatially map each block with constituency directly. We identify respective constituency of each block using village/town mapping. In majority of the cases, a block is divided in two or more constituencies. We assign that constituency to a block which includes at least half of its villages.	MGNREGA portal

Table A2: Placebo Cut-off (gr_gini_fi)

Panel (A)	**Outcome: Change in Gini** (gini[n+1]- gini)					
	c(0.5)	c(1)	c(1.5)	c(2)	c(2.5)	c(3)
Alignment with CM & PM	-0.004	0	0.006	0.008**	0.003	0
SE	{0.004}	{0.003}	{0.004}	{0.004}	{0.003}	{0.003}
P-val	[0.231]	[0.990]	[0.113]	[0.034]	[0.318]	[0.978]
N	3644	3644	3644	3644	3644	3644
Effective N	2140	2387	2001	2016	2774	2599
Bandwidth	11.799	13.491	10.224	10.285	16.819	14.9

Panel (B)	**Outcome: gr_gini_f1** (gini[n+1]- gini)					
	c(-0.5)	c(-1)	c(-1.5)	c(-2)	c(-2.5)	c(-3)
Alignment with CM & PM	0.001	0.006*	0.002	0.001	0	0.003
SE	{0.004}	{0.003}	{0.003}	{0.003}	{0.003}	{0.003}
P-val	[0.706]	[0.054]	[0.553]	[0.731]	[0.937]	[0.431]
N	3644	3644	3644	3644	3644	3644
Effective N	2195	2245	2549	2454	2126	2264
Bandwidth	12.456	13.184	16.274	15.755	12.972	14.63

Note: (i) The base model is re-estimated for placebo cut-offs. (ii) The main explanatory variable – 'Alignment' is a dummy which takes value 1 if an aligned candidate wins against a non-aligned candidate, and '0' if a non-aligned candidate wins against an aligned candidate. (iii) Model is presented for alignment with both CM & PM. (iv) All the models are estimated by a local linear regression using a triangular kernel. (v) Robust standard errors are reported and clustered at the constituency level. (vi) The asterisks *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table A3: Donut Hole Approach (gr_gini_f1)

	Outcome: Change in Gini (gini[n+1]- gini)				
Margin of victory (>)	(>0.01)	(>0.05)	(>0.1)	(>0.15)	(>0.2)
Alignment with CM & PM	-0.015***	-0.016***	-0.016***	-0.014***	-0.012**
SE	{0.005}	{0.005}	{0.005}	{0.005}	{0.005}
P-val	[0.001]	[0.001]	[0.001]	[0.003]	[0.015]
N	3644	3640	3631	3626	3613
Effective N	1465	1450	1427	1496	1594
Bandwidth	7.246	7.156	7.108	7.505	8.121

Note: (i) The base model is re-estimated based on Donut Hole approach. The margin of victory eliminates observations very close to the cut-off of '0'. For example, the model in column 1 is estimated after eliminating the observations where the margin of victory lies between 0 and 0.01 (ii) The main explanatory variable – 'Alignment' is a dummy which takes value 1 if an aligned candidate wins against a non-aligned candidate, and '0' if a non-aligned candidate wins against an aligned candidate. (iii) Model is presented for alignment with both CM & PM. (iv) All the models are estimated by a local linear regression using a triangular kernel. (v) Robust standard errors are reported and clustered at the constituency level. (vi) The asterisks *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table A4: Impact on Alternate Y-variable

Alignment with	CM	Only CM not PM	CM & PM	CM	Only CM not PM	CM & PM
	No Controls			With Controls		
Panel A: Outcome: Change in population weighted Gini: PW_Gini[n+1] – PW_Gini[n]						
Alignment MLA	-0.005*	-0.001	-0.01**	-0.003	0.001	-0.009**
SE	{0.002}	{0.003}	{0.004}	{0.002}	{0.002}	{0.004}
P-val	[0.056]	[0.633]	[0.024]	[0.164]	[0.827]	[0.039]
N	10681	7037	3644	10681	7037	3644
Effective N	4717	3480	1714	5105	3784	1751
Bandwidth	7.667	8.625	8.818	8.425	9.544	9.073
Bandwidth Type	MSERD	MSERD	MSERD	MSERD	MSERD	MSERD
Panel B: Outcome: Growth in Log of Gini: ln_gini[n+1] – ln_gini[n]						
Alignment MLA	-0.003*	0	-0.011***	-0.002	0.001	-0.009***
SE	{0.002}	{0.002}	{0.003}	{0.002}	{0.002}	{0.003}
P-val	[0.071]	[0.924]	[0.001]	[0.272]	[0.535]	[0.003]
N	10681	7037	3644	10681	7037	3644
Effective N	4771	3703	1462	5258	3942	1497
Bandwidth	7.751	9.286	7.191	8.833	10.095	7.431
Bandwidth Type	MSERD	MSERD	MSERD	MSERD	MSERD	MSERD

Note: Note: (i) The dependant variable is the annual growth in Gini coefficient, defined as (ln_gini[_n+1] – ln_gini). (i) The base model is re-estimated for growth of Gini over varying lag length. (ii) In column 1, the one-year lag of dependant variable (change in gini) is considered. (iii) In columns 2 & 3, change in gini is computed with forward lag two and three years respectively. For example, it is defined as gini(n+2) – gini(n) in column 2.

Table A5: Sensitivity of the base model to alternative bandwidth

	Outcome: gr_gini_f1 = gini[n+1] - gini			
Bandwidth Type:	CERRD	CERRD	MSETWO	MSETWO
Controls:	No	Yes	No	Yes
	A. Alignment with CM			
Alignment	-0.006*	-0.004	-0.004	-0.002
SE	{0.003}	{0.003}	{0.002}	{0.002}
P-val	[0.061]	[0.196]	[0.107]	[0.260]
N	10681	10681	10681	10681
Effective N	3355	3775	6982	7010
Bandwidth	5.165	5.886	7.608	8.062
	B. Alignment with only CM not PM			
Alignment	0	0.002	0	0.002
SE	{0.003}	{0.003}	{0.003}	{0.003}
P-val	[0.993]	[0.487]	[0.910]	[0.530]
N	7037	7037	7037	7037
Effective N	2683	2826	4579	4216
Bandwidth	6.253	6.734	8.227	9.01
	C. Alignment with CM & PM			
Alignment	-0.021***	-0.02***	-0.012***	-0.01**
SE	{0.006}	{0.005}	{0.004}	{0.004}
P-val	[0.000]	[0.000]	[0.004]	[0.011]
N	3644	3644	3644	3644
Effective N	1057	1099	1785	1914
Bandwidth	5.037	5.25	7.57	8.002

Note: (i) The base model is re-estimated using different bandwidth type: MSETWO and CERTWO.

Table A6: Impact on backward and forward lags

	Previous Lag (gini[n]- gini[n-1])		Forward Lag2 (gini[n+2]- gini)		Forward lag 3 (gini[n+3]- gini)	
Controls	No	Yes	No	Yes	No	Yes
Alignment with CM & PM	0.006	0.005	-0.03***	-0.029***	-0.026*	-0.022
SE	[0.007]	(0.007)	{0.009}	{0.010}	{0.016}	{0.015}
P-val	[0.389]	[0.453]	[0.002]	[0.002]	[0.098]	[0.147]
N	470	470	2689	2689	1556	1556
Effective N	275	248	1057	1043	682	666
Bandwidth	11.91	10.163	7.058	6.919	7.737	7.573

Note: (i) The base model is re-estimated for growth of Gini over varying lag length. (ii) In column 1, the one-year lag of dependant variable (change in gini) is considered. (iii) In columns 2 & 3, change in gini is computed with forward lag two and three years respectively. For example, it is defined as gini(n+2) – gini(n) in column 2.

Table A7: Impact on Growth in Night Lights

Outcome: log(NL)[n+1] – log(NL)[n]						
Alignment with	CM	Only CM not PM	CM & PM	CM	Only CM not PM	CM & PM
	No Controls			With Controls		
Alignment MLA	0.003	-0.003	0.02***	0.002	-0.007	0.019***
SE	{0.003}	{0.004}	{0.006}	{0.003}	{0.004}	{0.006}
P-val	[0.419]	[0.473]	[0.001]	[0.566]	[0.115]	[0.001]
N	11,924	7,767	4,157	11,924	7,767	4,157
Effective N	6,879	3,950	1,561	7,387	3,606	1,576
Bandwidth	11.272	9.197	6.877	12.53	8.147	7.017
Bandwidth Type	MSERD	MSERD	MSERD	MSERD	MSERD	MSERD

Note: (i) The base model is re-estimated for growth of Gini over varying lag length. (ii) In column 1, the one-year lag of dependant variable (change in gini) is considered. (iii) In columns 2 & 3, change in gini is computed with forward lag two and three years respectively. For example, it is defined as gini(n+2) – gini(n) in column 2.