

ELECTORAL QUOTAS, REDISTRIBUTION, AND ENTREPRENEURSHIP: EVIDENCE FROM INDIA

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Abstract

Over the past half-century, constitutionally mandated political representation of historically disadvantaged groups have become prevalent in democratic societies most notably through explicit quotas for ethnic/indigenous minorities and women. From prior research, however, the proximal mechanisms through which political representation impacts economic activity are unclear. To address this challenge, this study proposes political favouritism as a mechanism through which quotas impact group outcomes. This research asks: How effective are electoral quotas in improving economic outcomes of targeted populations?

By combining multiple rounds of the enterprise and population censuses of India with electoral constituency level data on political reservations, this study examines the effects of political reservations on industry-firm activity based on social group identity of the firm's owner. Results indicate a null-effect of constitutionally mandated political representation on various economic outcomes of the under-represented (SC and ST) groups in India. In striking contrast, however, the results show heterogeneous effects based on institutional priors emphasizing the role of economic growth in redistribution of electoral quotas; especially in the case of developing countries.