

Divine Intervention? Religious Organizations and Public Service Delivery in India (*with Kartikeya Batra*)

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Abstract: Religious institutions play a critical role in shaping social and political dynamics, particularly in developing countries with constrained state capacity. These institutions often evolve into pivotal actors in public service provision through their interactions with the state, yet research on these dynamics is limited. We investigate the impact of local decentralized religious institutions in the Indian state of Punjab, known as *deras*, on state service delivery. Using data from an extensive primary census of 6,100 villages, we construct a novel geocoded dataset documenting the presence of *deras* and merge it with data on public amenities. To address endogeneity, we implement an instrumental variable strategy, leveraging the distance to birth locations of historical religious leaders as an exogenous source of variation. The results reveal that *deras* significantly improve public service provision, particularly in health and education, and more broadly for services administered at mid-levels of governance such as state or district-level authorities. Further evidence from a telephonic survey of village council members in 671 villages suggests that *deras* engage with the state through informal financial arrangements and by resolving information asymmetries. These findings contribute to the broader literature on religion and state interactions, moving beyond the conventional view of religious institutions as substitutes for state functions and demonstrating their potential to supplement state capacity.