

Speaker:**Prof. Maitreesh Ghatak**

Department of Economics of the London School of Economics

Date and Time:**January 7th, 2026 (Wednesday), 3:30 PM****Venue:****Room 401, 4th floor, Seminar Room, A91 Eco Hub Building,
Department of Economics, IIT Bombay****Title:****Public Service Delivery, Exclusion, and Externalities****Abstract:**

In fee-funded public services, one might expect that incentivizing providers to improve quality while keeping fees unchanged would be welfare-enhancing. We identify a novel channel---both theoretically and empirically---showing that such incentives can instead have ambiguous welfare effects due to providers' behavioural responses. Our model shows that, in settings with imperfect fee compliance, such incentives raise not only efforts to deliver better services but also the monitoring of fee payments. This can exclude users and increase reliance on outside options with negative externalities. These mechanisms are confirmed by evidence from a large-scale randomized controlled trial. In the slums of two large Indian cities, a setting that reflects the institutional structure of many fee-funded services in low-state-capacity environments, we find that introducing financial incentives tied to service quality among sanitation providers raises quality and fee compliance but reduces usage and increases negative health externalities. Together, our findings reveal a previously overlooked quality–access trade-off in public service delivery and underscore the need to align provider incentives with equitable access in more general settings.

About the speaker:

I am Professor of Economics at the Department of Economics of the London School of Economics. Earlier I was in the faculty of the Department of Economics at the University of Chicago after completing my PhD from Harvard University. I am an elected Fellow of the Econometric Society, an elected Fellow of the British Academy, a Fellow of the International Economic Association, and Research Fellow at research networks such as CEPR, BREAD, IFS, CAGE, the India Policy Forum, and a founder member of ThReD, a research network of theoretical research in development economics. I am an editor of *Economica*, having served in the past as editors of the *Review of Economic Studies* and the *Journal of Development Economics*.