ISAS Brief
No. 1026 – 7 June 2024

Indian Election Results 2024: Little Impact of High Economic Growth

Amitendu Palit

Summary

A high growth rate of the economy did not lead to a bigger mandate for India's incumbent government. Pressures of running a coalition might force the incoming government to embrace populism, which will be bad economics and not necessarily good politics.

The Indian economy reportedly grew by 8.2 per cent in FY2024. This was, by far, one of the most impressive rates of economic growth in the world economy in the present situation. Conventional wisdom suggests the high rate of growth should have resulted in much better electoral performance for the incumbent government. On the contrary, the ruling National Democratic Alliance (NDA), while securing more seats than the opposition, won much fewer seats than it did in the last general election. Does this mean that the high growth rate was unable to influence the voters? The answer might actually be yes.

High rates of gross domestic product (GDP) growth do not necessarily fetch more votes for the ruling party. This is not the first time that GDP growth and electoral performance did not move in the same direction in India. It was evident in 2004 when the ruling Bharatiya Janata Party (BJP)-led NDA coalition lost the election despite the economy posting almost eight per cent rate of growth. In 2014 too, when the Congress-led United Progressive Alliance government lost the general election, the economy grew at a rate of more then seven per cent.

The paradox of high economic growth not resulting in more votes for the incumbent government can be explained by various factors. For the current occasion, some of the factors below could have been instrumental.

A high GDP growth powered by sustained public investments, as seen in the case of FY2024 in India, takes time to translate into bread-and-butter factors that decisively sway voters. These include the creation of new jobs and higher incomes. The latter are generated with a time lag and might manifest much after the election is held. In that case, the voters could have missed grasping the virtuous impact of the high growth in terms of actually experiencing its benefits through higher incomes and consumption.

Voters might not have connected good sectoral economic performances to the ability of the incumbent government to deliver high growth. For example, for quite some time now, consumer-facing sectors of the economy have been doing well. These include tourism, hospitality, entertainment, education, transport and healthcare. The beneficiaries of the growth(s) might have attributed the robust conditions to be part of a cyclical upturn and did not attribute a government's 'hand' to the good going.

A part of the growth in private consumption was due to sustained public welfare measures taken by the government by providing income support and free food to the poor. This, arguably, should have worked in favour of the government, and it probably has to some extent. However, a couple of other factors need to be considered here.

It is not only the central government that is disbursing welfare benefits. Many state governments are also doing the same. In instances where the central and state governments belong to different parties, such as in Tamil Nadu and West Bengal, the favourable perception of the beneficiary might not necessarily be with the central government. Moreover, several voters receiving welfare support from the central government are unlikely to have been overwhelmed. Many of them are convinced that all parties will provide them with such support in some form or other if voted to power. So 'guarantees' – generously promised during the election by both the BJP and the Congress, as well as the regional parties – might not have cut too much ice in terms of translating into votes.

Finally, many actual beneficiaries of India's high growth, ostensibly those belonging to the high and upper-middle-income urban segments of the population, are unlikely to have voted in the election. Voter indifference has been noticeably high in the major metropolises of the country that house these segments. Thus, even if these beneficiaries have been happy with the role of the government in managing the economy, their indifference ensured that their satisfaction did not influence the results.

India is now likely to have a BJP-led coalition government with Prime Minister Narendra Modi at the helm for a third term. The challenge for the government will be to figure out what kind of economics will mean good politics. There might be a temptation to pursue more exhaustive populist policies, especially if the coalition partners demand so for political survival.

The government should note that irrespective of the election results, India's growth outlook remains strong and long-term investor perceptions are positive. Eschewing populism and staying the course of market-based policies should be the way forward. Populist economics is bad economics and not necessarily good politics.

. . . . .

Dr Amitendu Palit is a Senior Research Fellow and Research Lead (Trade and Economics) at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at isasap@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.