

Long-term stagnation in Uttar Pradesh is Modi's biggest challenge ahead of India's 2019 elections

Forget China, India is poised to become the great economic success story of the 21st century. With a dominant position in high-tech business process outsourcing and economic growth expected to outstrip China's this year, India's march to become world's fifth largest economy seems unstoppable.

At least, that's the view from states like Karnataka and Telangana, home to India's twin technology capitals of Bangalore and Hyderabad. The southwestern state of Karnataka has grown more than 5.5% per year in per capita terms since India's economic reforms of the early 1990s. Its south central neighbor, Telangana, has averaged nearly 8%.

Growth rates like these have transformed Karnataka and Telangana from poor backwaters into two of the richest large states in India, nearly even with Maharashtra, home to India's commercial capital Mumbai.

Farther to the west, Narendra Modi's home state of Gujarat has also recorded sustained growth of over 6% per capita, led by the rapid industrialization of Ahmedabad and its sister city Gandhinagar.

But India's growth map shows a huge blank space in the middle Ganges region of Uttar Pradesh and Bihar. Together home to roughly a quarter of India's population, these two states are among the poorest in India — and the slowest growing. Bihar has averaged less than 3.8% per capita growth over the last twenty years. Uttar Pradesh barely broke 3.1%.

Both states were already among India's poorest in the 1990s. Now they have fallen even farther behind. At just \$705 GDP per capita, Uttar Pradesh

lags behind Haiti (\$761) and Rwanda (\$754), according to IMF data. Bihar, at just \$479, is on a par with the Democratic Republic of the Congo.

Key to power

Uttar Pradesh (literally “North Province”), home to around 220 million people, is far and away India's most populous province. It accounts for 80 of the 543 seats in India's parliament, the Lok Sabha. That makes Uttar Pradesh the key to power in India's national elections.

India's ruling Bharatiya Janata Party (BJP) swept Uttar Pradesh in the 2014 national elections and again in 2017 local elections, but lost two supposedly safe seats in a by-election this March. Its majority in Uttar Pradesh is crucial for the BJP, accounting for 68 of its 274 seats in the Lok Sabha.

That was 70 out of 276 before the March polls, though the exact figure depends on how you account for vacant seats. Roughly speaking, the BJP derives around one-quarter of its seats from Uttar Pradesh. The province used to be a stronghold of the socialist Samajwadi Party, but when the BJP won Uttar Pradesh in 2014, it won the country.

The BJP and its charismatic leader Prime Minister Narendra Modi are wildly popular in urban India, but Uttar Pradesh is an overwhelmingly rural state. With an urbanization rate under 23%, Uttar Pradesh is India's sixth most rural province, according to Census of India data. That tension with the BJP's urban core makes Uttar Pradesh ground zero for 2019's national elections.

Picking up?

The BJP made economic growth its central plank in the 2017 Uttar Pradesh legislative elections, to great effect. India's Home Minister, the BJP heavyweight and Uttar Pradesh native Rajnath Singh, has said that “UP means ‘Unlimited Potential’ for development,” and he has vowed to make Uttar Pradesh “India's growth engine.” That may be overstating things a bit, but the numbers do suggest that the state economy is picking up under BJP rule.

Real GDP growth in Uttar Pradesh has risen substantially since the BJP took power nationally in 2014, increasing from an annual average of just 2.6% in per capita terms from 2012–2015 to reach 6.2% from 2015–2017. Figures

for the 2017-2018 fiscal year are not yet available, but under the new BJP state leadership the investment climate has turned decidedly warmer.

The newly installed BJP Chief Minister of Uttar Pradesh, the youthful state native Yogi Adityanath, has pushed the development of information technologies and support for startups over traditional Uttar Pradesh priorities like agricultural price supports (though agricultural improvement still gets a nod). The basic message of the perpetually saffron-clad Adityanath is that law and order will bring development.

The BJP's Modi, Singh, and Adityanath seem intent on remaking Uttar Pradesh in the image of modern India. If they succeed, it could lift tens of millions of people out of poverty. In a state where more than half the population still work on farms, the BJP's modernization drive is long overdue. Whether it will accomplish enough, and in time, for the 2019 Lok Sabha elections is anyone's guess.

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