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March 17, 2017 4:00 pm JST

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## Will Modi put his money where his mouth is?

Populist promises helped BJP's poll success, but reforms could be costly

### Key state

Uttar Pradesh is a political lynchpin: it sends the maximum number of representatives (80) to parliament's lower house. It was home to nine of India's 15 prime ministers. Modi, who forsook his own western state of Gujarat to win a parliamentary seat from Uttar Pradesh's Hindu holy city of Varanasi in 2014, said political pundits who had predicted defeat for the BJP would have to eat their words. A voter turnout of 60%, the highest in 24 years, greased the wheels of the party's steamroller. It was one thing to win elections on emotional issues, Modi noted, but tougher still to win on a development platform.

Modi is finding it hard to keep his 2014 promise of "less government, more governance." The BJP came in a clear second to Congress in two of the smaller states, Goa and Manipur, which also elections were held, but has formed governments in both, with the help of smaller parties and defectors. Both states have governors, the constitutional heads, who were appointed by Modi. The prime minister, who has lost no opportunity to criticize Congress for using governors to unseat unfriendly state governments and manipulate majorities through defections, is now being accused of double standards. In the coastal state of Goa in particular, the BJP's chief minister even lost his seat; that post has now been filled by Manohar Parrikar, who was heading the state until November 2014 when he was chosen by the prime minister to head up defense.

Parrikar was clearly a misfit in the rough-and-tumble politics of New Delhi in his 28 months in the capital. The defense portfolio is now temporarily back with overworked Finance Minister Arun Jaitley -- the second time he has been put in charge of the key department, having run it for six months after Modi took office in May 2014. A volatile cease-fire line with nuclear-armed neighbor Pakistan, persistent terrorist attacks in Indian-ruled Kashmir and

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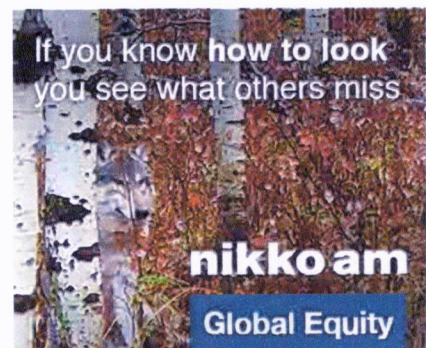
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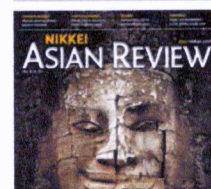
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tensions with China make it vital to have a steady hand in the defense ministry. Whoever Modi eventually names as Parrikar's replacement, his cabinet will still have 79 members, as many as the Congress party's bloated administration.

Ever the showman, Modi insisted after the Uttar Pradesh victory that he had kept his promises. "This is a prime minister who is asked 'Why do you work so hard? Why do you strive so hard?'" he said, adding: "What greater good fortune can there be than this in one's life?"

### Focus on the poor

Modi said his vision of a New India rested on the dreams of 65% of the population who are below the age of 35. It was a transformational moment, he said, where the poor, instead of asking for more dole handouts, looked at what they could do to lift themselves from poverty. "The poor are saying, 'Give me the opportunity, I will do the hard work'."

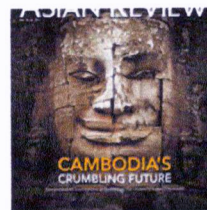
Despite such rhetoric, the prime minister has promised to write off loans to distressed Uttar Pradesh farmers, estimated by some analysts to total about 85 billion rupees (\$1.25 billion). Bankers are wary of such largesse and the head of the country's largest lender, the State Bank of India, said on March 15 that write-offs would disrupt credit discipline. Ironically, India's comptroller and auditor general has said that a nationwide write-off of farm loans totalling 520 billion rupees in 2008 by the Congress-led government was riddled with corruption and badly implemented. Suicides by heavily indebted farmers have been rising across India: the National Crime Records Bureau said 8,007 farmers killed themselves in 2015 nationwide, up sharply from 5,650 in 2014.

Striking a statesman-like note after a brutal month-long campaign during which he spoke at 24 rallies, Modi warned his party that some compromises could lie ahead. "When the banyan tree of the BJP is heavy with the fruits of victory, it behoves us to bend more than anybody else."

The rewards for Uttar Pradesh's voters from a grateful BJP government could include a sharp rise in rural electrification and free cooking-gas connections to the poorest households. On Wednesday, Modi's cabinet approved a 214 billion rupee project to widen to six lanes a 73km stretch of highway connecting the prime minister's constituency to the town of Handia.

Economists are still grappling with counter-intuitive data on the after-effects of demonetization. The government's statistics office said on Feb. 28 that gross domestic product grew by an annual 7% in the September-December 2016 quarter, contrary to widespread anecdotal evidence of a nationwide slowdown. For the full 2016-17 year ending March 31, it said GDP is seen growing at 7.1% compared with 7.9% in 2015-16. The International Monetary Fund had forecast GDP growth would fall to 6.6% this fiscal year.

It remains to be seen whether any new government can dent the poverty in



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Uttar Pradesh. According to estimates in February by the government's Economic Survey, between 2001 and 2011 the state accounted for 5.83 out of 11.2 million migrants within India. At least 39 of Uttar Pradesh's 75 districts are major workforce exporters -- a stark reflection of low incomes and poor economic opportunities.

*Chaitanya Kalbag, a former Reuters Asia editor, was editor-in-chief of the Hindustan Times.*

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