

Gujarat Polls: BJP's High Growth-Weak Development Paradox Invites AAP Welfarism

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As Gujarat goes to polls, a close assessment of the state's economic performance merits renewed attention. Gujarat's 'economic model' has been shown as exemplary ever since its three-time Chief Minister Narendra Modi entered the race as BJP's PM candidate for 2014 national polls.

In his two terms as the elected PM now, Narendra Modi (and much of the BJP) has continued to echo and amplify the spirit of 'the Gujarat Model' and the state's policy at the national level.

Whether Gujarat is the "model" to reckon with for India's national politics and in bridging the gulf in its growth-development divide, its socio-economic state presents a paradox that brings out fallacies of the 'trickle-down' economics (ie growth and high income solely will take care of a society's developmental needs).

Yes, PM Narendra Modi Is Good News For Business

Modi's business-friendly persona as Gujarat's CM did give an impression to many including the mainstream media that Gujarat did particularly well under his Chief Ministership.

However, a historical analysis of the state's growth performance numbers suggests otherwise.



Growth Rates of GSDP Level: Gujarat vs India

	1980-89	Growth Rates (Total GSDP)	
		1990-99	2000-2011
Gujarat	4.9	8	9.8
India	5	5.9	7.7
Difference	-0.1	2.1	2.1

Source: Extrapolated Data from Ghatak and Roy (2014)

Growth Rates of GSDP Level: Gujarat vs India

Image: Namita Chauhan/The Quint

It is true that Gujarat has converged in its growth trajectory the national average and went past the national growth rate trend in the late 80s and early 90s itself. There was a consistent rise then, in the growth numbers of Gujarat between 2000 and 2011.

Similar trends are captured by the Gross State Domestic Product (GSDP) per capita figures (below). That's why the state has often been called as the 'Growth Engine of India'. With only 4.99 per cent population share, Gujarat accounts for 8.36 percent share to National GDP.

Average Annual Growth Rates of GSDP Level and Per Capita						
	Total GSDP			GSDP Per Capita		
	1980-89	1990-99	2000-11	1980-89	1990-99	2000-11
Gujarat	6.4	7	8.9	3.9	4.9	6.9
India	5.4	5.8	7.3	3.1	3.7	5.6

Source: Extrapolated Data from Ghatak and Roy (2014)

Average Annual Growth Rates of GSDP Level and Per Capita

Image:Namita Chauhan/ The Quint

Gujarat's Economic Model & the Actual Modi Effect

By 2018-19, the state has done better than other states on industrial production output, milk production, renewable energy, export capacity expansion. But, to what extent all of this could be credited to Modi or the BJP alone?

As Maitreesh Ghatak and Sanchari Roy argued more than eight years ago in 2014:

“Gujarat did not show any signs of accelerating any faster in the 2000s than before, and nor was it the only one at the top of the league. For both GSDP growth and per capita NSDP growth, Gujarat has to share this honour with Maharashtra, Haryana and Tamil

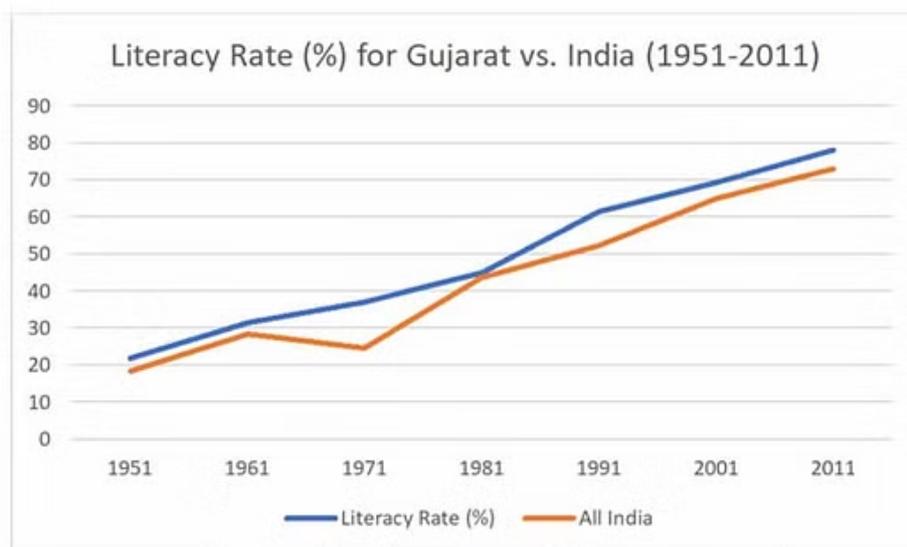
Nadu. The state that achieved the most impressive turnaround for all measures of state income in the 2000s was Bihar. It may be (however) argued that it is easier to achieve high growth in Bihar, since it starts at a much lower level.”

What the two authors essentially argued then was that Gujarat’s growth story explanation had no “Modi-effect” to it. Which is to say that the difference in the Gujarat and the national growth picture wasn’t much, for the years when Modi became the CM, the state did reasonably well for most of the period much like other richer states like Tamil Nadu and Maharashtra.

Gujarat's Progress on Development Front

As Gujarat did not show any clear evidence of leapfrogging into a higher rate of growth under Modi’s rule nor was it the only one on the top of the league. Therefore, categorising its performance as a unitary “model” for the nation to ape seems both myopic and constricted.

Beyond growth, let’s look at some of the other indicators of Gujarat’s performance.



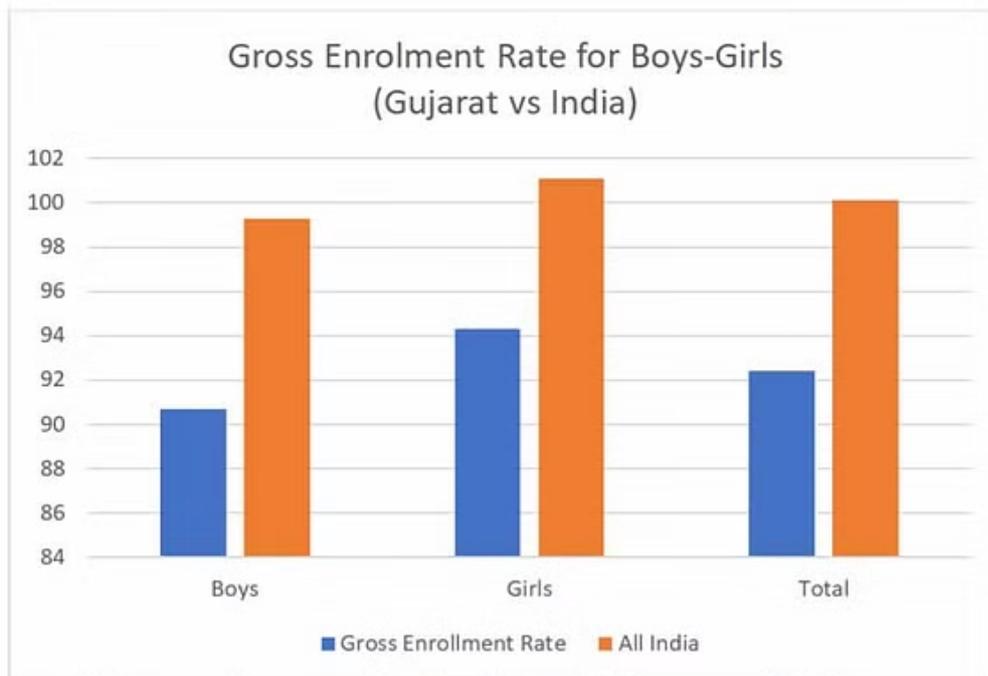
Source: Author's Calculations from [Handbook of Statistics on Indian States](#)

On literacy, Gujarat's performance rate overtook the national average in the early 80s itself and has continuously trended upwards (again, nothing changed drastically before or after 2000s).

Literacy Rate for Gujarat Vs India (1951-2011)

Image: Namita Chauhan/ The Quint

On literacy, Gujarat's performance rate overtook the national average in the early 80s itself and has continuously trended upwards again. Nothing changed drastically before or after the 2000s.

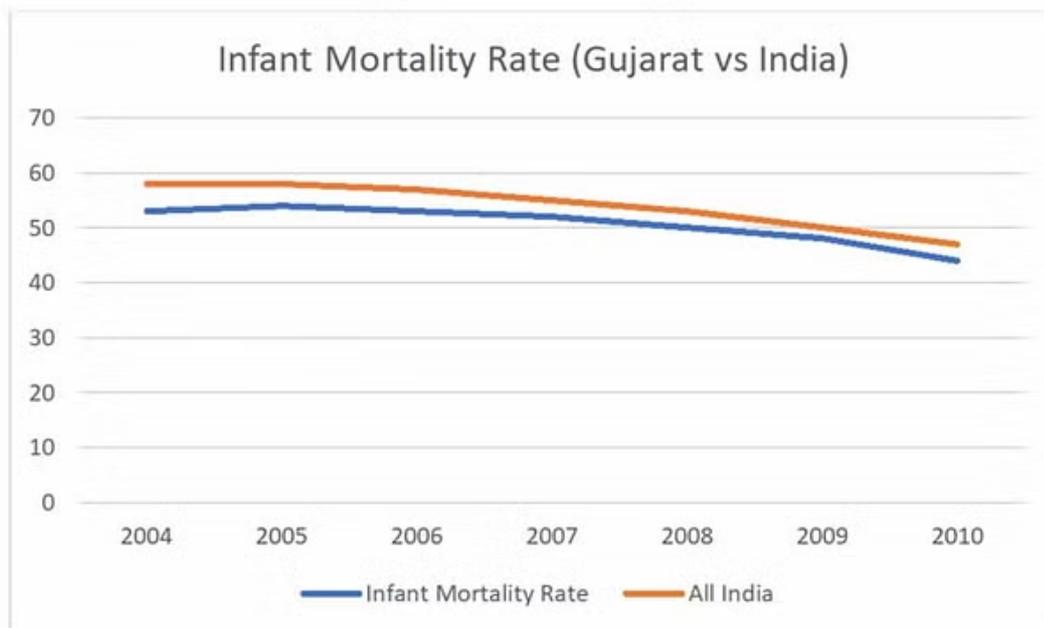


Source: Author's Calculations from [Handbook of Statistics on Indian States](#)

Gross Enrolment Rate for Boys-Girls (Gujarat vs India)

Image: Namita Chauhan/ The Quint

On Gross Enrolment Rate, too, Gujarat's performance even in 2022, is behind the national score. Other states, even those with lower GSDP numbers like Himachal Pradesh, Jammu, and Kashmir, West Bengal, UP, Uttarakhand, Punjab, Rajasthan, Odisha have done much better than Gujarat on Gross Enrolment for both boys and girls across the elementary grade channel (1st to 8th grade).

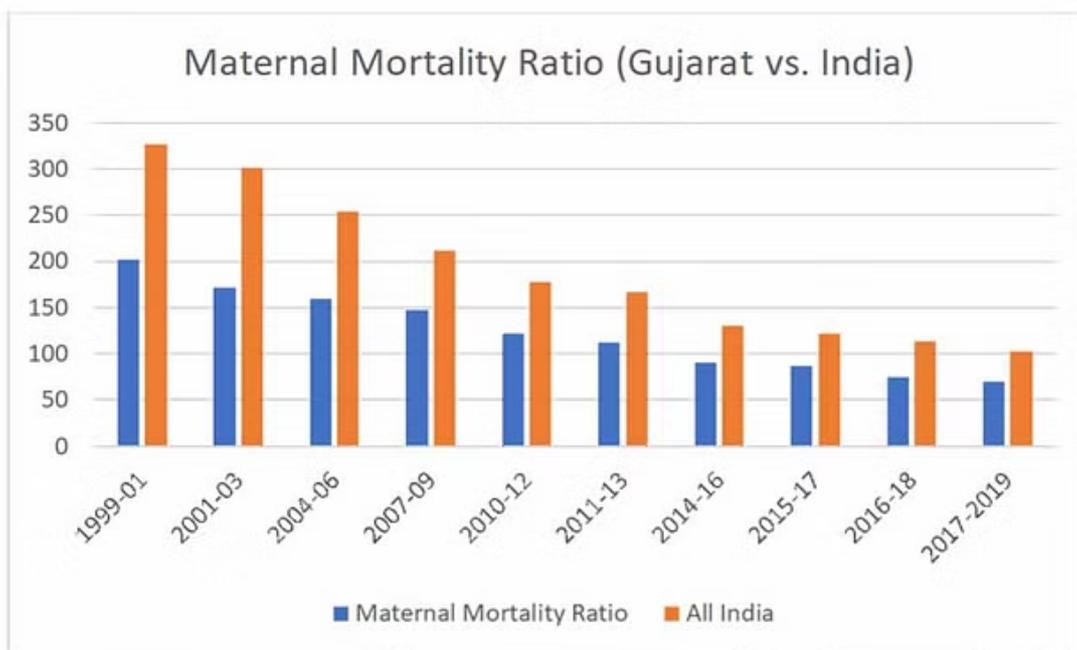


Source: Author's Calculations from [Handbook of Statistics on Indian States](#)

Infant Mortality Rate (Gujarat vs India)

Image: Namita Chauhan/ The Quint

On Infant Mortality Rate, Gujarat's performance has trended in a similar pattern to the national average but the rate of socio-economic progress seen in other states like Punjab, West Bengal, Karnataka, Jammu and Kashmir (say, from 2004 onwards) has been impressive to note.



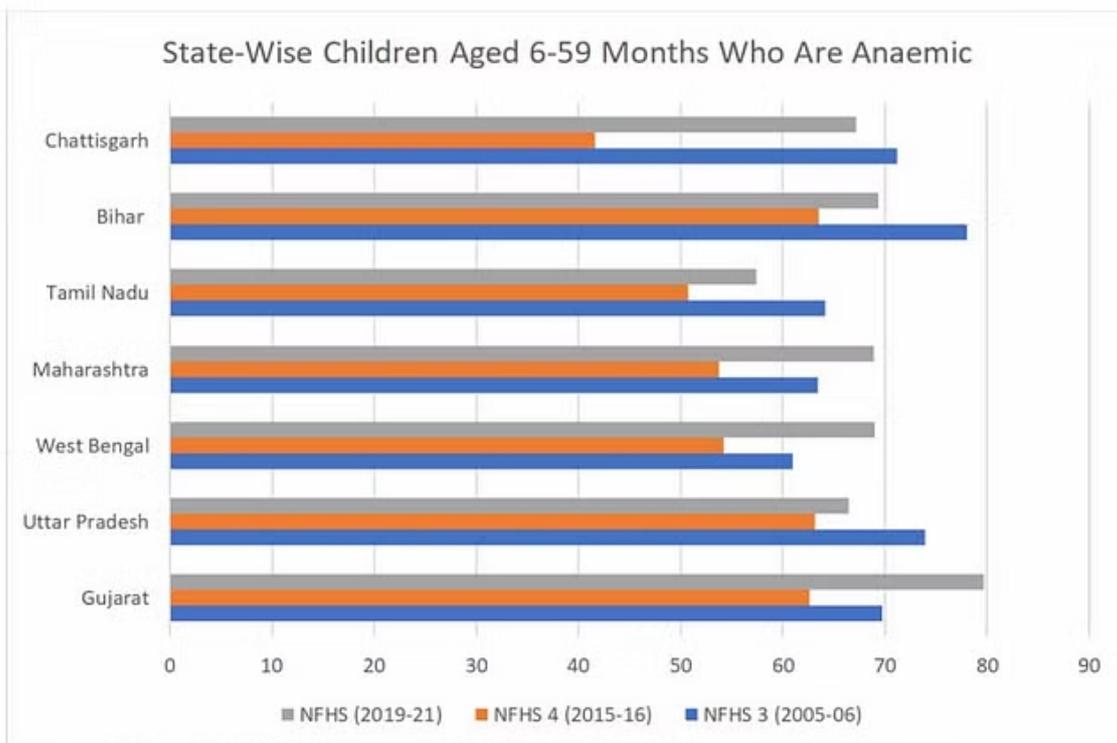
Source: Author’s Calculations from [Handbook of Statistics on Indian States](#)

Maternal Mortality Ratio (Gujarat Vs India)

Image: Namita Chauhan/ The Quint

On Maternal Mortality, too, while Gujarat's numbers look better than the national ratio, overall, the state doesn't do as well as Maharashtra, Tamil Nadu, Telangana, Andhra Pradesh.

In case of both the above indicators, from areas like education to health, the clear model to observe and replicate for policy design is the state of Kerala.



Source: Author’s Calculations from [Handbook of Statistics on Indian States](#)

State-Wise Children Aged Who Are Anaemic

Image: Namita Chauhan/ The Quint

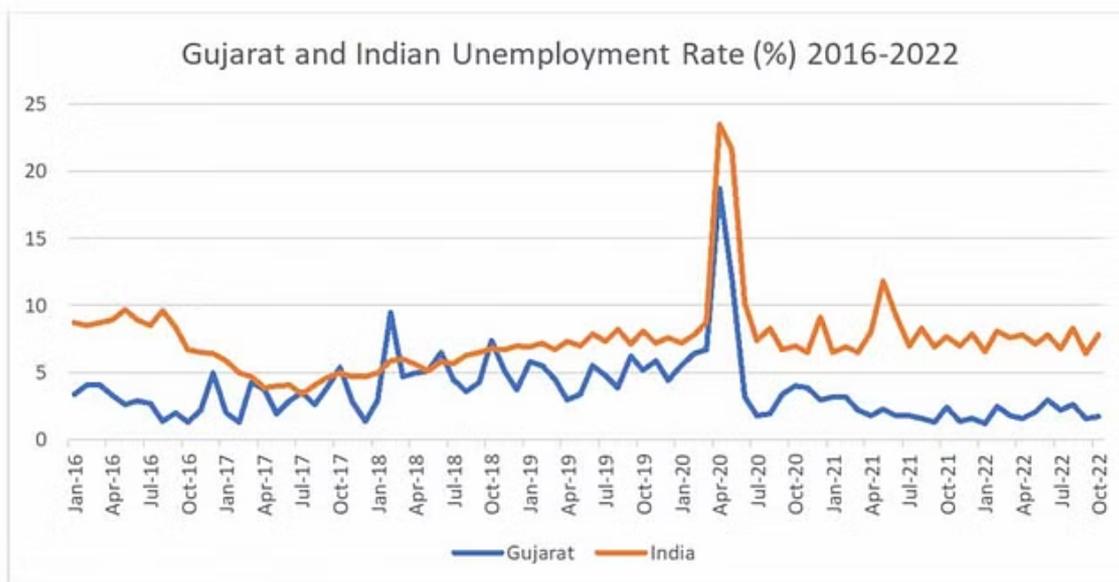
How Gujarat Fares In Nutrition Access

Gujarat’s worst performance as one of the richest states in India, is featured in the assessment of ‘access to basic nutrition’ for those aged 6-59 months old. Poorer States like Uttar Pradesh, Bihar do better than Gujarat in this category (even if by a smaller margin).

On a state-wise number of government hospitals, Gujarat has a total of 2245 government hospitals and in case of government beds, it has a total of 29402 beds. The numbers are insufficiently low in comparison to other states like Tamil Nadu, Maharashtra, Andhra Pradesh, Jharkhand, Rajasthan, and Uttar Pradesh (see [here](#) for more on this).

What these numbers on socio-economic indicators clearly present is the wide gulf between Gujarat's impressive overall macro-growth performance and its distributive implications for the state's poor developmental performance (healthcare and education).

On unemployment rate, Gujarat's performance saw the rate to be higher than the national rate during the year of 2017-2018. A poorly implemented GST cycle and the teething problems seen in its first year could have made more MSMEs to shut down in Gujarat's widely scattered industrial cluster thereby, adversely affecting employment in the state. But, since then unemployment rate has remained much lower since late 2020.



Source: Author's Calculations from CMIE Economic Outlook

Gujarat and Indian Unemployment Rate(%) 2016-2022

Image: Namita Chauhan/ The Quint

Gujarat's Efficient Public Finance & Deficit Management

Having been a relatively richer state over the past four-five decades, Gujarat does fiscally better than many of the other poorer states that particularly struggled from the “polycrises” triggered by Covid-related spending and borrowing needs.

The Gross Fiscal Deficit (GFD) to GSDP ratio is a useful indicator in this regard.



The Gross Fiscal Deficit (GFD) to Gross State Domestic Product (GSDP) ratio is a useful indicator in this regard.

State/UT	2019-20			2020-21 (RE)			2021-22 (BE)		
	RD/GSDP	GFD/GSDP	PD/GSDP	RD/GSDP	GFD/GSDP	PD/GSDP	RD/GSDP	GFD/GSDP	PD/GSDP
1	2	3	4	5	6	7	8	9	10
1 Andhra Pradesh	2.7	4.1	2.3	3.5	5.5	3.3	0.5	3.5	1.3
2 Arunachal Pradesh	-9.5	3.7	1.5	-19.4	2.3	-0.5	-21.8	2.2	-0.9
3 Assam	0.4	4.4	3.1	1.9	9.0	7.3	-1.4	4.4	2.4
4 Bihar	-0.1	2.1	0.2	0.8	7.1	5.0	-1.3	3.1	1.1
5 Chhattisgarh	2.8	5.2	3.8	3.5	6.5	4.7	1.0	4.6	2.9
6 Goa	0.3	2.5	0.6	0.1	4.6	2.7	-0.1	6.6	4.5
7 Gujarat	-0.1	1.5	0.1	1.3	3.1	1.6	-0.1	1.6	0.3
8 Haryana	2.2	3.9	1.9	2.7	3.3	1.0	3.7	4.3	1.8
9 Himachal Pradesh	0.0	3.4	0.8	0.3	4.5	1.5	0.8	4.5	1.6
10 Jharkhand	-0.6	2.5	0.8	0.3	3.2	1.5	-0.3	2.8	1.1
11 Karnataka	-0.1	2.3	1.2	1.2	3.5	2.1	0.8	3.3	1.8
12 Kerala	1.7	2.8	0.5	2.9	4.3	1.8	1.9	3.5	1.0
13 Madhya Pradesh	0.3	3.5	2.0	2.3	5.7	3.9	0.8	4.6	2.7
14 Maharashtra	0.6	1.9	0.7	1.7	3.3	1.9	0.3	2.2	0.8
15 Manipur	-1.4	2.2	0.1	-2.1	9.9	8.3	-3.6	9.2	7.8
16 Meghalaya	0.4	3.2	1.0	-2.8	4.6	2.1	-3.3	4.1	1.4
17 Mizoram	-0.8	4.9	3.5	2.5	6.9	5.7	-1.5	2.1	1.1
18 Nagaland	0.7	4.8	2.1	2.6	9.6	6.7	-2.7	4.0	1.0
19 Odisha	-0.4	3.4	2.3	-0.4	3.3	1.9	-1.0	3.3	2.0
20 Punjab	2.6	3.1	-0.1	3.9	5.4	1.9	1.6	4.6	0.7
21 Rajasthan	3.6	3.8	1.4	4.4	6.1	3.5	2.0	4.0	1.6
22 Sikkim	4.4	6.8	5.1	0.9	6.1	4.4	-0.9	4.5	2.7
23 Tamil Nadu	2.0	3.3	1.6	3.5	5.5	3.6	2.8	4.8	2.8
24 Telangana	0.7	3.3	1.8	1.7	4.3	2.8	-0.6	4.0	2.5
25 Tripura	4.3	5.8	3.8	3.9	6.9	4.7	2.6	5.7	3.5
26 Uttar Pradesh	-4.0	-0.7	-2.7	0.8	4.7	2.5	-1.2	4.7	2.4
27 Uttarakhand	0.8	3.0	1.2	1.3	4.4	2.2	0.0	3.2	1.1
28 West Bengal	1.6	3.0	0.4	2.6	4.0	1.4	1.8	4.2	1.9
29 Jammu and Kashmir	0.2	5.6	2.4	-7.1	12.2	8.7	-13.9	3.5	-0.2
30 NCT Delhi	-0.9	0.1	-0.3	0.5	1.6	1.2	-0.2	1.3	0.9
31 Puducherry	0.1	1.0	-0.8	1.8	2.8	0.7	1.3	2.1	0.0
All States/UTs	0.6	2.6	0.9	2.0	4.7	2.7	0.5	3.7	1.7

RE: Revised Estimates. BE: Budget Estimates. GFD: Gross Fiscal Deficit RD: Revenue Deficit PD: Primary Deficit
GSDP: Gross State Domestic Product
Note: Negative (-) sign in deficit indicators indicates surplus.
Source: Budget documents of State governments.

Source: [RBI Data](#)

Gross Fiscal Deficit(GFD) to Gross State Domestic Product(GSDP) ratio

Image: Namita Chauhan/ The Quint

On State-Wise Gross Fiscal Deficit, Gujarat does much better in comparison to almost all other states except NCT of Delhi.



Source: [RBI Data](#)

On State-Wise Gross Fiscal Deficit

Image: Namita Chauhan/ The Quint

Gujarat's Story is That of Growth Engine vs. (Lack of) Welfarism

Overall, what the aggregate economic numbers tell us about the paradox of Gujarat's politico-economic landscape is the presence of a dual-state reality. Gujarat, whose macro-growth fundamentals have stayed robust over the decades under a good growth-low fiscal deficit trend performance.

At the same time, the state governance's own distributive efforts to expand on the welfare net of its population to help the vulnerable realise a better economic standard of living (or quality of life) through ensured access to better healthcare and education has been largely missing from the governance model.

Our work on the Access (In)Equality Index validates this. We ranked all Indian states based on five pillars of ‘access’ (details [here](#)). The Composite State-Wise Rankings (seen below) tell the story.



Composite Rankings of States Across Categories

Rank	States	Composite index
Front Runners (> 0.42)		
1	Goa	0.67
2	Sikkim	0.6
3	Tamil Nadu	0.55
4	Kerala	0.53
5	Himachal Pradesh	0.52
6	Telangana	0.49
7	Punjab	0.48
8	Mizoram	0.46
	Karnataka	0.46
10	Andhra Pradesh	0.45
11	Nagaland	0.43
	Haryana	0.43

Composite State-Wise Rankings

Image: Namita Chauhan/ The Quint

Rank	States	Composite index
Achievers (.33-.42)		
13	Maharashtra	0.42
	Arunachal Pradesh	0.42
15	Gujarat	0.41
16	Uttarakhand	0.4
17	Chhattisgarh	0.38
18	Rajasthan	0.37
19	Tripura	0.36
20	West Bengal	0.35
21	Manipur	0.33
	Meghalaya	0.33

Source: [AEI Report](#)

Gujarat is ranked 15th in the AEI index report rankings

Image: Namita Chauhan/ The Quint

Gujarat is ranked 15th in the AEI index report rankings, scoring much below most of the other states in terms of ensuring access to basic amenities, healthcare, education, social security, and legal recourse for its state population. For a state that continued to grow at a sustained, higher rate, the AEI performance for Gujarat is a shocker.

AAP's Opportunity to Fish in the Waters Beyond the BJP Growth Net

A BJP rule of 27 years and Modi's own presence in Gujarat as a three-term chief minister had 'little to no effect' in transforming this paradoxical reality for Gujarat and its people.

Some might even argue now that it is for precisely this reason that in a matter of months the pro-welfare politics of the Aam Aadmi Party (built around 'good schooling-healthcare-nutrition' for all) is gaining significant resonance in/across rural Gujarat where the growth-development paradox is at its widest gulf.

In the coming polls, it will be interesting to see to what extent AAP's promised vision of pro-welfare politics fares against BJP's incumbent governance model.

While issues like high youth unemployment may matter more for both rural and urban voters (against the BJP), any electoral data shift in party-wise vote share surfacing from rural Gujarat shall hold relevance in validating any discernible discontentment against the high growth-weak development incumbent governance paradox. This may have more implications for the future of AAP-BJP tussle in Gujarat.

AAP's noticeable presence, even if voted in as the main elected opposition to the BJP may also mark the beginning of a momentous change in Gujarat's political and economic outlook.

(Deepanshu Mohan is Associate Professor and Director, Centre for New Economics Studies, Jindal School of Liberal Arts and Humanities, OP Jindal Global University. He is Visiting Professor of Economics to Department of Economics, Carleton University, Ottawa, Canada. This is an opinion piece and the views expressed are the author's own. The Quint neither endorses nor is responsible for them.)

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