



CIO Special

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India: Will a billion voters move markets in the world's biggest democratic election?

Key takeaways

01	Introduction
02	The current parliament
03	The polity
04	Issues that matter
05	The markets
06	Opinion polls
07	Summary

- India's national elections to be held in April/May will be the world's largest democratic exercise ever.
- A large number of young first-time voters and women, both with better and cheaper access to the internet and social media, are playing an increasingly influential role in determining the winner.
- While economic prosperity has been on the rise and markets assume that the ruling BJP will remain in power, volatility after the election results are announced cannot be ruled out.

01 Introduction

The world's largest democracy goes to its quinquennial national polls in a few weeks, with results expected by end-May. Almost one billion registered voters will make this the biggest election exercise anywhere, ever. Two-thirds of this voter base has been turning out to vote in the past few elections – over 600 million citizens - which is larger than the entire continental populations of the Americas or Europe. Needless to say, it is a monumental undertaking in terms of logistics, administration, and security, necessitating polling in 4-5 phases.

In this **CIO Special**, we analyse the polity and the demographic changes that are affecting polling trends, look at economic and social issues that are at the forefront of voters' minds and examine how markets have behaved in election years, both before and after election day.

02 The current parliament

The ruling Bharatiya Janta Party (BJP) won a simple majority in 2019, claiming 303 of the 543 seats in the Lok Sabha (lower house of parliament). Seat tallies have changed in the meantime due to vacancies, etc.

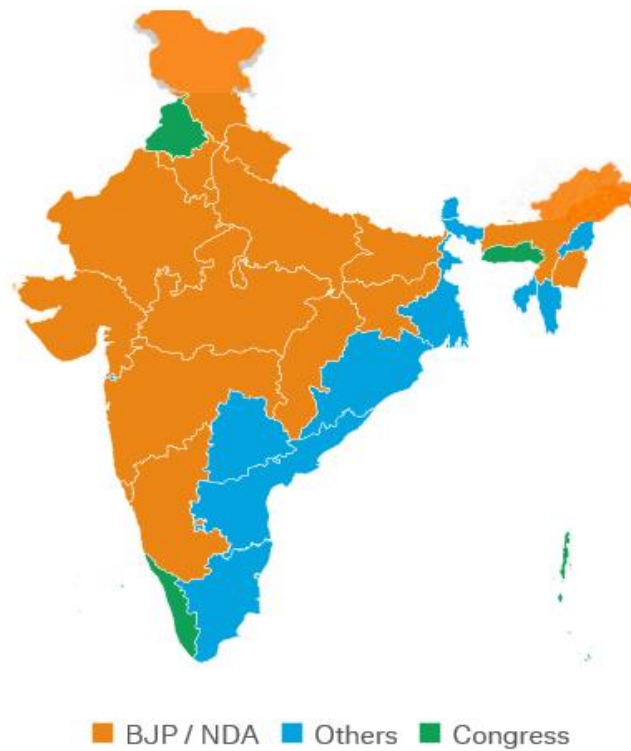
Breaking down the share of seats by state, as shown in Figure 1, the entire 'Hindu heartland' was dominated by the BJP. Another important consideration for national elections in India are the 'large states' – which are allocated the largest number of seats in the parliament. The top 6 states, namely Uttar Pradesh, Maharashtra, West Bengal, Bihar, Tamil Nadu and Madhya Pradesh, send 280 members to the Lok Sabha and are critical for any party in the 'first past the post' democratic system. A pertinent detail to note is that the BJP has a majority in 4 of these 6 states.



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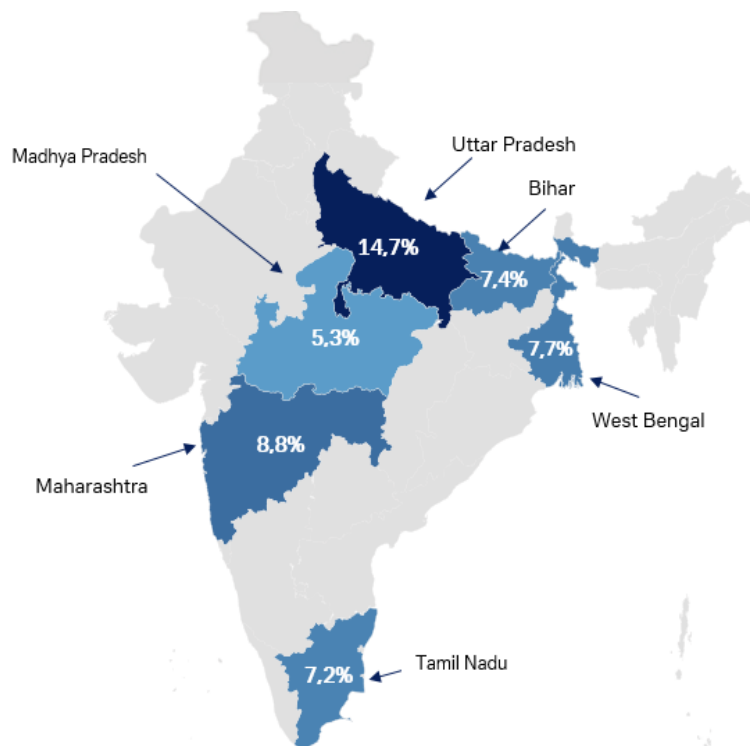


Figure 1: 2019 election result by state



Source: Election Commission of India, Data as of February 9, 2024
* Disclaimer: Maps are for illustrative purpose only.

Figure 2: Six key states have more than 50% of seats combined



Source: Election Commission of India, Data as of February 9, 2024
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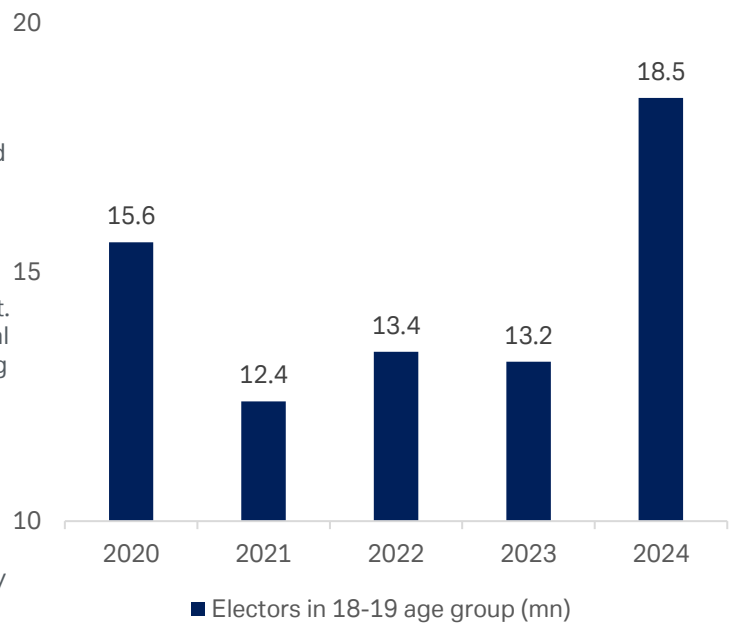
03 The polity

As India's population grows to become the world's largest, an increasing number of young people are being added to the electoral roll, as shown in Figure 3. Over 73 million first-time voters will play a significant role in 2024. Digitally savvy, better educated than their parents and aspirational, this cohort will keep political parties on their toes in the way they campaign and on election promises.

Another noteworthy trend has been the increase in the turnout ratio among women voters. As Figure 4 shows, female participation has risen from around 55% in the early 2000s to 67% at the last elections, approaching par with the male turnout. A sign of women's increased economic prosperity, greater social and geographical mobility and access to information, it is having a substantial impact on the approach to policies and issues related to women. Incumbents will have to address these new voter groups in different ways than before.

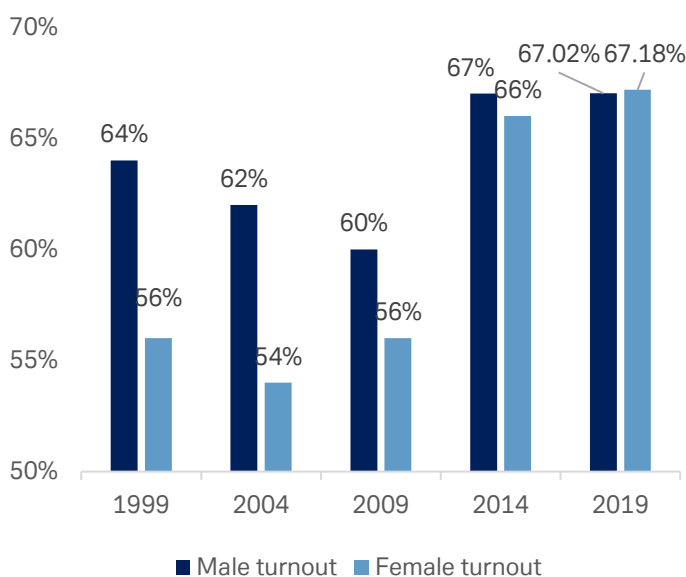
The rising overall turnout (Figure 5) has itself been considered by psephologists to usually give a clear mandate to a single party. While historical evidence (especially for the last two poll outcomes) supports this conclusion, it can be attributed to many other factors as detailed above.

Figure 3: 73 million young people added to the electoral roll since 2020



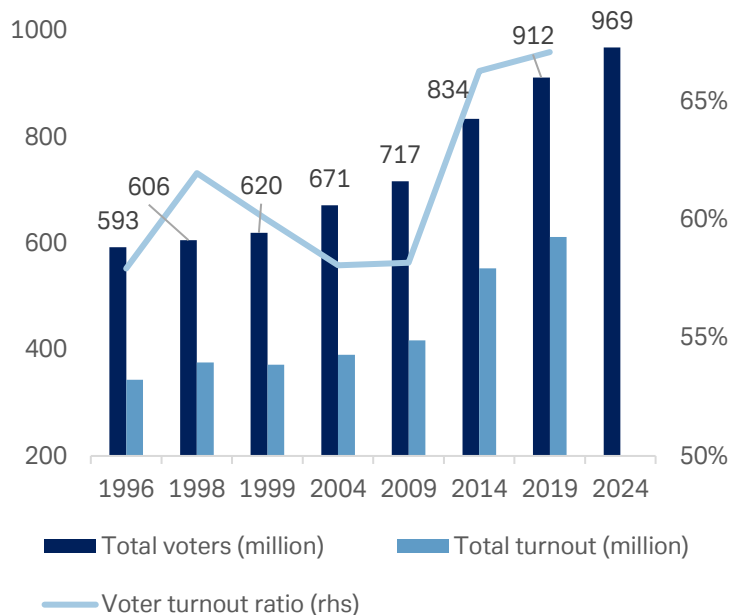
Source: Election Commission of India, Data as of February 9, 2024.

Figure 4: Rising female voter turnout



Source: Election Commission of India. Data as of February 23, 2024.

Figure 5: World's largest democracy with rising voter turnout



Source: Election Commission of India. Data as of February 23, 2024.



04 The issues that matter

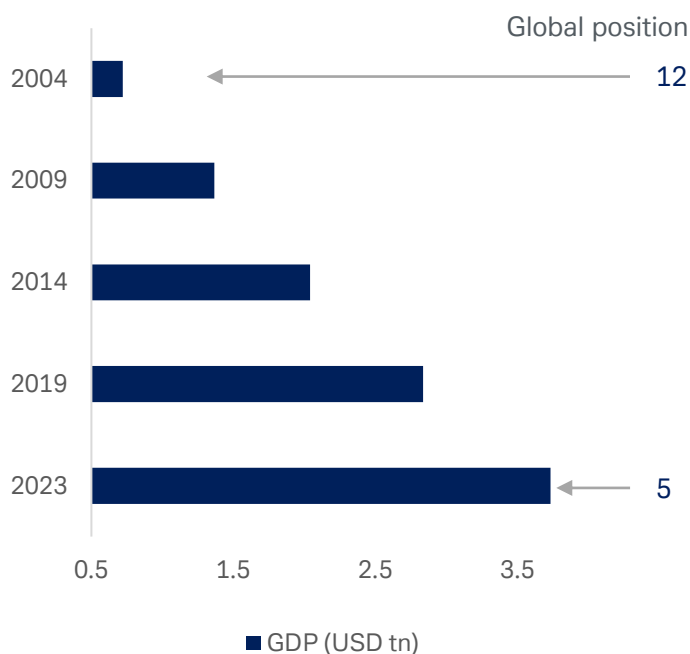
Economic prosperity

India has seen unprecedented economic growth over the last decade. As shown in Figure 6, India's GDP doubled from USD1.85tn in 2014 to USD3.73tn in 2023, with a CAGR 7.26%, despite contracting in 2020 due to the pandemic. Per capita GDP has grown from USD1,438 to USD2,612 in the same period.

The large cap Nifty index has compounded at a clip of 14.77% in this period, not only giving rise to a new class of domestic investors, but also providing a sense of economic prosperity.

Widespread reforms, as mentioned in our report "[India: Why it will be a USD 7 trillion economy by 2030](#)" published last year have led to structural changes in daily life. Digitisation of government services, financialisation of savings (reflected in an increasing number of custodian accounts and rising household allocation to equities), the boom in digital payments, a manufacturing boost to various industries, and last but not the least, massive infrastructure development, have led to a general popular sentiment that India is on its way to becoming a leading global economy. This sentiment should translate into votes for the ruling party.

Figure 6: World's fifth-largest economy by GDP

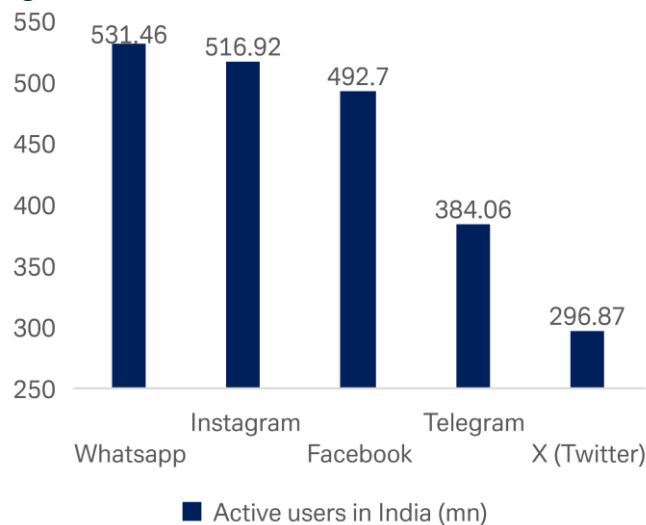


Source: IMF, Bloomberg L.P., Data as of February 23, 2024.

Upsurge of social media

With substantial mobile phone penetration and perhaps the world's cheapest data usage tariffs, online presence and the usage of apps has proliferated in the past few years. Figure 7 shows that apps such as WhatsApp and Instagram have over 500 million users each in this country itself. While political parties now have large 'digital cells' to feed data (partisan information) into these channels, the combination of young voters and influencers is again changing the game for political parties.

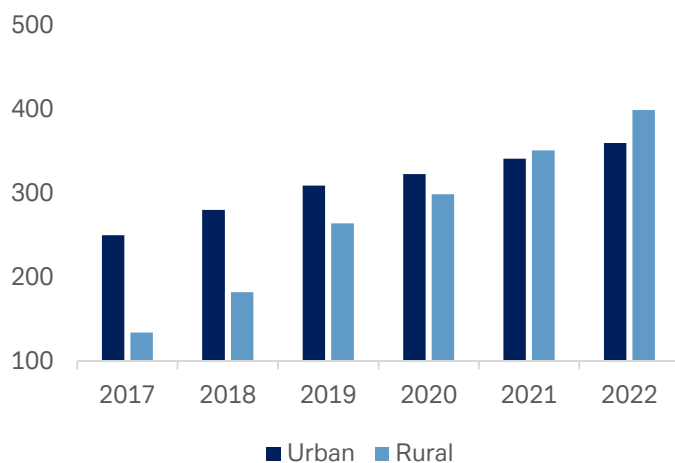
Figure 7: Extensive reach of social media



Source: The Global Statistics, Data as of February 23, 2024.

Another distinct phenomenon is reflected in Figure 8 – rural India now has more internet users than its urban counterparts. Thus, online campaigning will now become integral and probably as important as physical rallies which have been popular in rural towns and villages.

Figure 8: Active internet users in rural India have overtaken active urban users



Source: Internet and Mobile Association of India. Data as of 2023.



Slew of welfare schemes

Over the past few years, the Government has launched over 30 major initiatives for numerous sections of society. These include diverse areas such as low-income housing, skilling, pensions, health insurance, startups and manufacturing, to highlight just a few. These schemes have undoubtedly boosted the economic status of a variety of citizens – both in rural and urban areas. The Government has already achieved 100% electrification across the country and aims by end of 2024 to provide clean water to every household. Many farming-related schemes like crop insurance, fertiliser enrichment and bi-yearly payouts have also been launched, supporting the predominantly agricultural workforce.

Fragmented opposition

India's fragmented opposition parties have made a valiant attempt at stitching together a coalition named I.N.D.I.A (Indian National Developmental Inclusive Alliance). While it includes almost all the major opposition parties, cracks have already surfaced with some important regional leaders opting out or switching to the BJP. The Indian National Congress party, which orchestrated India's independence, has seen its standing almost reduced to that of a regional party in terms of seats in the Parliament.

While the BJP has joined with several other parties to form the National Democratic Alliance (NDA), the projection of the current Prime Minister Narendra Modi as the face of all policies and achievements of this Government also highlights the weakness of the Opposition parties, which have no single credible candidate to project as a potential Prime Minister.

05 The markets

Going back to 1999 and looking at data for the last 5 election years, we find that markets have usually generated positive returns in the periods before and after the election results. The table in Figure 9 shows in detail how the Nifty 50 index has performed 6 months before and after the result day. While arguably the market's trajectory has been determined by many other dynamics in global and domestic economies, it is interesting to note the timing. Both in 2004 and in 2009, global markets were emerging from shocks of the dotcom crash and the financial crisis respectively. Other election years have curiously seen poor market returns in the preceding year.

However, markets also build in new hope from a newly constituted government at the centre and give it a 'honeymoon' period, as can be seen from post-result returns. While the Nifty 50 has gone up 20% in 2023 and relative valuations with other global markets are not cheap, the growth that is available in India in comparison to any other large economy can justify the premium.

Figure 9: Positive Nifty 50 price performance around election time

	6 months prior to the election	On election day	6 months after the election
1999	35%	1%	4%
2004	9%	-8%	19%
2009	31%	18%	17%
2014	19%	1%	17%
2019	12%	-1%	2%
Average	21%	2%	12%

Source: LSEG, Data as of February 19, 2024.



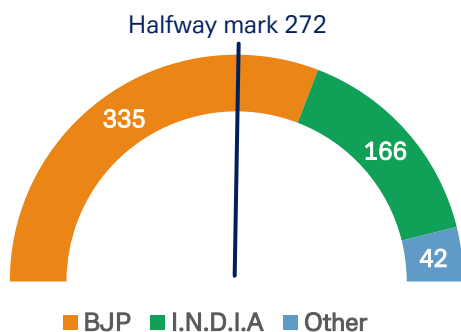
06 Opinion polls

In opinion polls conducted recently by 2 leading media houses, the BJP has been predicted as the clear winner in the upcoming polls. The India Today 'Mood of the Nation' poll (Figure 10) conducted on February 8, projects 335 seats for the BJP-led NDA alliance, with the BJP itself winning 304 seats – just 1 more than in 2019.

The Zee News-Matrize poll from February 28 delivered an even higher tally for the NDA of 377 seats and the Opposition bloc with just 93 seats.

Opinion polls have usually not been correct predictors of the tally and have at times been way off the mark. However, the wind currently seems to be blowing in support of the ruling party, and markets may focus more on the margin of victory.

Figure 10: Mood of the nation - opinion poll



Source: India today, Data as of February 19, 2024.

07 Summary

While India's election will be a mammoth administrative exercise conducted in the heat of the summer, political parties are already gearing up for a grueling campaign, both in person and online. Economic prosperity remains the biggest issue in the run-up to the elections and may result in the electorate voting for continuity. Factors such as young first-time voters and the increasingly participative female voters – both with access to social media – are changing the landscape for politics and the ability of leaders to attract votes. A fragmented opposition is likely to lead to splitting of votes, and in the first-past-the-post system the party with the highest number of votes (and not necessarily a majority) gets a larger number of seats.

India continues to be a compelling investment destination, both for direct and for portfolio investment. While rich valuations have usually prevented investors from allocating to equity, the high growth premium continues to justify high multiples. Markets have generally returned positive numbers in election years; the question remains whether this year's results are already 'in the price' and discounted. While the medium- and long-term prospects for investing in India looks favourable, given the country's roaring economic growth that continues to be driven by domestic demand, investors can brace themselves for volatility after the election results are declared.

Historical Performance

Performance	5.3.2019 - 4.3.2020	4.3.2020 - 4.3.2021	4.3.2021 - 4.3.2022	4.3.2022 - 4.3.2023	4.3.2023 - 4.3.2024
Nifty 50	2.40%	34.04%	7.72%	8.30%	27.35%

Source: LSEG Datastream, Deutsche Bank AG. Data as of March 4, 2024.



Appendix

Table 1 : Breakdown by state of the 2019 Lower House Seats

Lok Sabha Seats	Bharatiya Janata Party	Indian National Congress	Shiv Sena	Bahujan Samaj Party	Samajwadi Party	Nationalist Congress Party	Janata Dal (United)	Others	Total
Uttar Pradesh	62	1		10	5			2	80
Maharashtra	23	1	18			4		2	48
West Bengal	18	2						22	42
Bihar	17	1					16	6	40
Tamil Nadu		8						31	39
Madhya Pradesh	28	1						0	29
Karnataka	25	1						2	28
Gujarat	26							0	26
Rajasthan	24							1	25
Andhra Pradesh								25	25
Odisha	8	1						12	21
Kerala		15						5	20
Telangana	4	3						10	17
Assam	9	3						2	14
Jharkhand	11	1						2	14
Punjab	2	8						3	13
Chhattisgarh	9	2						0	11
Haryana	10							0	10
NCT OF Delhi	7							0	7
Jammu & Kashmir	3							3	6
Uttarakhand	5							0	5
Himachal Pradesh	4							0	4
Arunachal Pradesh	2							0	2
Goa	1	1						0	2
Manipur	1							1	2
Tripura	2							0	2
Meghalaya		1						1	2
Chandigarh	1							0	1
Daman & Diu	1							0	1
Andaman & Nicobar Islands		1						0	1
Puducherry		1						0	1
Lakshadweep						1		0	1
Mizoram								1	1
Nagaland								1	1
Sikkim								1	1
Dadra & Nagar Haveli								1	1
Total	303	52	18	10	5	5	16	134	543

Source: Election Commission of India, Data as of February 9, 2024

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Glossary

The **Indian National Congress** (often referred to as Congress) is a secular Indian party, usually seen as centre-left.

The **Bharatiya Janata Party (BJP)** is a right-of-centre Indian political party.

The **Nifty 50 index** is a benchmark Indian stock market index. It represents the 50 largest Indian companies accounting for 13 sectors of the economy listed on the National Stock Exchange.

USD is the currency code for the U.S. Dollar.

The **Indian rupee (INR)** is the currency of India.

Volatility is the degree of variation of a trading-price series over time.

Financialization can be described as moving away from traditional forms of savings and investment towards investing in financial assets and/or capital markets.

Custodian account is a trust company, bank, or similar financial institution that is responsible for holding and safeguarding the securities / assets.



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