

India Returns to Coalition Government as Modi's BJP Fails to Secure Decisive Majority



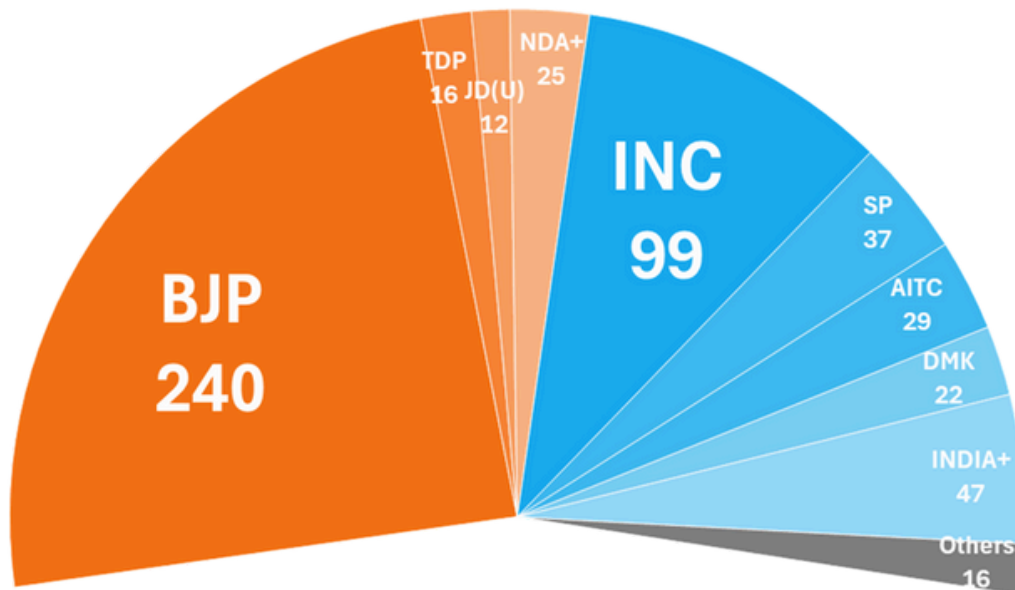
Key takeaways

- Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) emerged as the largest party by far in the lower house of parliament with 240 seats. However, the BJP lost over 60 seats and was unable to cross the 272-seat threshold needed to secure a single-party parliamentary majority that defined its last decade in power. Meanwhile, the Indian National Congress (Congress) fronted by Rahul Gandhi won 99 seats, a 47-seat increase.
- The BJP is now dependent on alliance partners to form a coalition government, an unprecedented challenge to Modi's highly centralized approach. The National Democratic Alliance (NDA), comprised of the BJP and its allies, won a combined majority of 293 out of 543 seats in the Indian parliament's lower house, the Lok Sabha. The rival INDIA bloc, led by Congress, won 234 seats.
- Despite Modi's popularity, the election has delivered a blow to his mandate. Any coalition government will likely encounter issues in adopting historically contentious reforms related to land, labor, and tariffs on unfinished imports.
- A BJP-led NDA coalition with two large partners and several small ones should offer reasonably sound prospects for continued growth and economic policy continuity. On the other hand, the fate of the BJP's social agenda has become more precarious. Concerted efforts to enact a uniform civil code, revise historical narratives, and impose cultural uniformity may need to be tempered.
- An NDA coalition government is likely to maintain the steep upward trajectory of U.S.-India relations, deepening cooperation on defense and critical and emerging technologies, despite differences over trade. Tensions between India and China fueled by an unresolved border standoff, India's deepening U.S. ties, and increased economic competition will linger.

Election results

When all the 642 million votes were counted after a grueling, six-week election amid a sizzling heat wave, India's political landscape experienced remarkable changes indicative of a nuanced verdict.

National Democratic Alliance (NDA): 293 seats	Indian National Developmental Inclusive Alliance (INDIA): 234 seats
Bharatiya Janata Party (BJP): 240 Telugu Desam Party (TDP): 16 Janata Dal (United) (JD(U)): 12 NDA Allies (NDA+): 24	Indian National Congress (INC): 99 Samajwadi Party (SP): 37 All India Trinamool Congress (AITC): 29 Dravida Munnetra Kazhagam (DMK): 22 INDIA Allies (INDIA+): 46



A surprising return to coalition politics

While still India's most influential political party by a considerable margin, the BJP unexpectedly fell short of the 272 seats needed to win a majority in India's 543-seat lower house of parliament. The BJP-led NDA coalition has the numbers to form a government, but not without negotiations with allies. The BJP faced sobering setbacks in the Hindi heartland, particularly Uttar Pradesh (UP), increasingly considered the Hindu nationalist party's homebase. The loss of a UP seat where a grand Hindu temple was inaugurated just months ago by Modi to nation-wide fanfare, constituted a major disappointment for the party.

Notably, the BJP's vote share by percentage has stayed about the same since the 2019 elections. Voters seem comfortable with Modi and the BJP. However, the INDIA opposition bloc has consolidated and increased its vote share significantly.

INDIA, with Congress's Rahul Gandhi as the face of the coalition, has found a way to connect with voters despite the BJP's powerful grassroots, fundraising, and social media onslaught. For the first time in a decade, India has a powerful opposition. Modi remains popular, but the results have pierced his aura of invincibility. Gandhi—the scion of India's most storied family—has begun to re-write the narrative of a reluctant political heir apparent, marching across India, at times barefoot, to galvanize his base.

If coalition negotiations proceed smoothly, the ruling NDA will have two veteran leaders seeking to cement their legacies alongside the prime minister. The TDP's Chandrababu Naidu has arguably established himself as India's first growth-oriented, tech-savvy chief minister in Andhra Pradesh state. Nitish Kumar, an eight-time chief minister in Bihar state from the JD(U), has made a career of finding himself on the winning political side.

What to expect from the new coalition government

In the last decade, the Modi government held parliamentary majorities to drive policy without significant pushback, burnishing his credentials as a technocratic administrator unfazed by the political process. Smaller numbers in parliament will require Modi to compromise and show finesse in lieu of the authoritative, top-down management that has characterized his combined 23 years as prime minister and Gujarat state's chief minister.

Nonetheless, the coalition government's economic policies in Modi's third consecutive term as prime minister should have considerable overlap with those of the outgoing government. Modi and Naidu should see eye-to-eye on a number of policies that spur domestic and foreign investment.

Several months ago, the prior BJP administration had set a 100-day agenda focused on priorities such as job creation, domestic manufacturing, and physical and digital infrastructure growth. Those should remain much the same.

During Modi's time in office, the country has gradually begun to witness robust economic growth after uneven progress during the pandemic—7.2 percent in fiscal year 2022-2023 with increases of 6.8 percent in 2024 and 6.5 percent forecasted by the IMF for 2025. But India's growth has been unequal, inflation is high according to some, and the country faces a shortage of jobs for agrarian workers moving to cities in search of opportunity. According to a recent [survey](#) by the Centre for the Study of Developing Societies, unemployment was the top concern for 27 percent of respondents.

The BJP's inner circle appreciates these realities and is likely to work with partners on policies that create jobs through manufacturing. Bihar and Andhra Pradesh will receive added attention going forward, and the federal government may take steps to address the states' economic challenges.

New Delhi's approach to social and religious issues is more likely to be moderated. During this campaign, the BJP, at times, conspicuously appealed to the Hindu majority. Meanwhile, Congress tried to rally lower castes and other vulnerable segments of society. The BJP's new partners will likely modulate the government's rhetoric and gestures tied to religious identity. Potential related changes to India's constitution requiring a two-thirds majority are now out of reach for the party.

A foreign policy that continues balancing U.S. ties, the China factor, and Global South leadership

Assuming negotiations with partners go smoothly, Modi's coalition is likely to maintain a "multi-aligned" foreign policy that balances India's ties with a variety of global actors, consistent with the widely-held perception in New Delhi that India inhabits a "geopolitical sweet spot" in a multipolar world.

India will continue to deepen relations with the United States—its most consequential partner—and U.S. allies. The United States is essential to addressing India's China concerns and a critical contributor to economic and technological development. Bilateral cooperation on defense and critical and emerging technologies should promptly resume.

At the same time, India will opportunistically partner with others on an issue-by-issue basis based on its national interests. India's longstanding ties with Russia and Iran will be preserved and continue to evolve to accommodate growing relations with the United States, Europe, and the Gulf states. While building bridges with wealthy, industrialized economies, Modi will renew efforts to position India as the leader of the Global South through its leadership of multilateral forums including the G20, BRICS, and Shanghai Cooperation Organization, as well as its vanguard role in the Digital Public Infrastructure movement.

It will be important to see how China assesses the new Indian government's strength and whether Beijing chooses to test the fledgling coalition along their over 2,100-mile, contested border. At home, Modi may face new pressures from a rejuvenated opposition and greater accountability on high-profile foreign policy issues, starting with the unresolved border dispute with China.

Implications for global businesses

Coalition politics require a degree of consultation and deliberation that can slow down economic decision-making. This could complicate long-awaited structural economic reforms in India. It is also conceivable that consensus will improve the quality and durability of policy decisions.

Equity market volatility this week suggests some unease with a more consensus-based government, but stability is returning. The BJP still wields considerable authority and is led by a popular and charismatic prime minister. Even if that were not the case, India's own record suggests that coalition governance is hardly incompatible with robust growth. India witnessed sustained high growth under coalition rule in the 1990s and 2000s.

To become a 21st century global manufacturing hub, India will need to enact market reforms, including the easing of land acquisition, reducing restrictions on hiring and firing workers, and loosening of tariffs on inputs critical to producing higher value, finished goods. Even at its most dominant, the BJP has been unable to undertake these difficult reforms. The outgoing government had instructed ministries to develop 100-day plans to hit the ground running post-elections. Investors should watch to see if Modi's term begins with labor market reforms.

India's enthusiasm for attracting foreign investment will continue. The government will continue to implement Production-Linked Incentive programs to accelerate growth in electronics manufacturing and green energy. Naidu, in particular, offers a pro-business track record and will likely favor Modi's forward-leaning approach to technology. It is possible that the ease of doing business could strengthen under the new government.

Additional reforms, such as privatization and modernization of the agriculture sector, may become more difficult. In recent years, India has negotiated free trade agreements with countries like Australia and the United Arab Emirates. At least initially, a coalition government could slow the pace of trade deals.

More broadly, it will take some time for new cabinet ministers and members of parliament to set their priorities. Influential ministers such as Smriti Irani (Minister of Women and Child Development) and Rajeev Chandrashekar (Minister of State for Electronics and Information Technology) were voted out of the lower house. They may yet return through parliament's upper house, whose members are elected by state and Union Territory legislatures or appointed by the President of India.

In recent years, parliament was increasingly characterized by a lack of deliberation and debate over legislation. Greater scrutiny from coalition partners and an emboldened opposition is likely to reduce the speed of decisions. The BJP's legislative agenda on technology policy—the Digital India Act and the Digital Competition Act, among others—will encounter more questions from an active parliament where the BJP lacks a majority. The Finance Minister's scheduled presentation of the 2025 Union Budget in July will clarify the government's immediate priorities and begin to shed light on new political dynamics.

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