International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

Effects of Freebies on The Indian Economy

Santhoash V S
Economics (Class XII, CBSE)
Mulanur, Tiruppur, Tamil Nadu

Abstract- The term "freebies", popularly called *revdi* in Indian political discourse, is used for goods, cash transfers, loan waivers or services provided by governments, often around elections. There is no universally accepted legal definition, and some such promises are also funded through regular budgets. This paper studies how these schemes affect India's fiscal health, growth and social equity, using data from the Reserve Bank of India (RBI), PRS Legislative Research, the Comptroller and Auditor General (CAG) and state budget documents.
Freebies sit at an uneasy junction of economics and democracy. Well-designed transfers can relieve acute distress, while recurring subsidies that grow faster than revenue can reduce the fiscal space available for capital expenditure. This project aims for a balanced, evidence-based assessment rather than a partisan verdict.

Key findings at a glance 1. Cash and food transfers can protect poor households' consumption. An IMF working paper (Bhalla et al., 2022) estimated that extreme poverty stayed below 1% in 2020 and credited the expanded free foodgrain under PMGKAY. Its estimates have been questioned, so it is treated here as one study, not settled fact.
2. Committed expenditure takes a large share of state revenue: PRS estimates that states spent 62% of revenue receipts on interest, salaries and pensions in 2023-24.

3. In August 2022 the Supreme Court described the freebies question as a serious issue and proposed an expert body to examine it (Ashwini Kumar Upadhyay v. Union of India, W.P.(C) No. 43 of 2022).

4. The RBI's State Finances: A Study of Budgets reports have repeatedly warned about rising subsidy and committed spending in several states.

I. — Introduction

India, the world's most populous democracy, has long used subsidies and welfare transfers to bridge deep inequalities. In recent years the term "freebie" has come to describe a widening category of election-linked promises: free electricity units, loan waivers, cash transfers to specific groups, free travel for women, and consumer durables.

The debate gained national attention in 2022. Free-electricity promises featured in the Punjab election campaign that February. In July 2022 Prime Minister Narendra Modi criticised "revdi culture" in a widely reported speech. In August 2022 the Supreme Court heard a public interest petition seeking restraints on such promises. This project examines the issue dispassionately.

Why this matters for Class XII Economics. Freebies connect to core syllabus themes: the government budget, fiscal deficit, redistribution of income, public goods and the role of the state in a mixed economy.

1. — Objectives Of The Study

- Define freebies and distinguish them from legitimate welfare expenditure.
- Assess the fiscal impact of freebie-linked spending on state and central budgets.
- Examine constitutional, judicial and institutional perspectives.
- Gather primary survey data on public perception of freebies.

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

2. — Research Questions

- How do freebies differ conceptually and legally from welfare schemes?
- What is the measurable effect of freebie spending on state fiscal deficits and debt?
- Do freebies improve household welfare enough to justify their fiscal cost?
- What do the judiciary, RBI and CAG suggest as guardrails?
- What reforms could balance electoral welfare promises with fiscal prudence?

3. — Research Methodology

Secondary data. RBI, *State Finances: A Study of Budgets of 2025-26* (released 23 January 2026); PRS Legislative Research state budget analyses (Tamil Nadu and Punjab) and *State of State Finances*; CAG state finances audit reports; Central Ground Water Board assessments; Supreme Court judgments and orders (2013 and 2022); and the Election Commission of India's Model Code of Conduct.

Primary survey. A structured questionnaire was given to 50 respondents in Mulanur, Tiruppur, Tamil Nadu, on 25 October 2026. The sample was a convenience/purposive sample of students, working professionals and homemakers, used to gauge perception, awareness and dependence on freebie schemes.

Respondent profile	Count	Share
Students (16–22 yrs)	18	36%
Working professionals (23–45 yrs)	19	38%
Homemakers / retirees (46–60 yrs)	13	26%
Female respondents	27	54%
Male respondents	23	46%

All survey percentages are calculated on n = 50. Because the sample is small and non-random, the results describe these respondents only and cannot be generalised to Tamil Nadu or India.

Comparative and descriptive analysis. Comparison of Tamil Nadu and Punjab, descriptive statistics, and a qualitative review of published commentary.

Limitations. (1) The survey is a small convenience sample from one locality, so it shows perceptions in that group only. (2) Two RBI findings in Sections 7 and 18 (the debt-servicing and capital-expenditure link, and the state debt ratios above 35% of GSDP) are taken from media coverage of the RBI report and are cited to those

articles; the full RBI report should be consulted for the original wording. All other RBI figures are taken from the RBI's own publication or press release. (3) No verifiable NITI Aayog report on freebies was identified, so none is cited.

II. — Literature Review

Institutional commentary converges on three points. First, the manner and targeting of spending matter more than its existence. Second, rising committed expenditure narrows the space for capital spending. For example, media coverage of the RBI's 2025-26 state finances report (KNN India, 2026) notes that states with debt servicing above 15 per cent spent under 2% of GSDP on capital expenditure, against a national average of 2.7%. Third, transparent budgeting of welfare promises, rather than keeping them off-budget, supports accountability.

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

1. — History Of Welfare And Freebies

Period	Event	What happened
1950s–60s	Foundations	The Public Distribution System and land reforms laid the groundwork for state welfare, rooted in the Directive Principles of State Policy.
1967, Tamil Nadu	Rice promise	C.N. Annadurai's DMK campaigned on a promise of subsidised rice at about one rupee per measure. It is widely cited as an early example of a large electoral food promise. Reports differ on the exact quantity and on how the scheme was later implemented, so it is not described here as a plain "₹1/kg" scheme.
1980s–90s	Farm loan waivers and subsidised power	Several states used agricultural loan waivers and subsidised irrigation power around elections.
2006, Tamil Nadu	Free colour televisions	A shift towards broader consumer-durable promises; such schemes were later challenged in court.
2013	National Food Security Act	A legal entitlement to subsidised foodgrain for roughly two-thirds of the population, blurring the line between rights-based welfare and electoral politics.
2020–21	PM Garib Kalyan Anna Yojana	Free foodgrain to over 80 crore people during COVID-19, widely seen as pandemic relief.
2022	Debate reaches national level	The Prime Minister's remarks in July and Supreme Court hearings in August.
2023–2024	Women-focused cash transfers	Several states, including Karnataka, Madhya Pradesh and Maharashtra, introduced monthly cash transfer schemes for women.

III. — Types Of Freebies

- Cash transfers: monthly or one-time payments to targeted groups.
- Utility subsidies: free or discounted electricity, water and transport.
- Loan waivers: full or partial forgiveness of agricultural or small-business loans.
- Consumer durables: televisions, mixer-grinders, laptops, smartphones.
- In-kind food and fuel: foodgrain, LPG cylinders or ration kits beyond statutory entitlements.
- Fee and fare waivers: free bus travel for women, waived examination fees.
-

1. — Welfare Vs. Freebies

There is no single legal definition of a freebie. Economists often compare schemes on four dimensions, but these are tendencies, not rules. Many freebie-type promises are included in regular budgets, and some welfare schemes are announced near elections.

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

Dimension	Typically welfare	Typically called a freebie
Budgetary planning	Budgeted with a defined outlay	May be announced without full costing, though many are later budgeted
Targeting	Means-tested, aimed at the poor	Often universal or aimed at specific voter groups
Productivity link	Builds human capital (health, education, nutrition)	Mainly consumption, little asset creation
Timing	Continuous, need-driven	Often clustered around elections

The distinction is a spectrum, not a bright line. MGNREGA, for instance, is welfare by design but is sometimes criticised using freebie rhetoric.

2. — Constitutional Perspective

Article 38 directs the State to secure a social order promoting the welfare of the people, and Article 39 calls for equitable distribution of resources. These Directive Principles (Part IV) give constitutional backing to redistributive spending even though they are not enforceable in court. Article 282 permits the Union and State governments to make grants for public purposes. However, government expenditure must still follow applicable constitutional and legislative financial procedures.

Supreme Court and the Model Code of Conduct. In *S. Subramaniam Balaji v. Government of Tamil Nadu* (judgment of 5 July 2013, Civil Appeal No. 5130 of 2013), the Supreme Court held that manifesto promises of freebies are not a "corrupt practice" under Section 123 of the Representation of the People Act, 1951. Noting that no law governed manifestos, it directed the Election Commission to frame guidelines in consultation with recognised political parties. The Commission then added guidelines on election manifestos (Part VIII) to the Model Code of Conduct. These ask parties to explain the rationale for promises and indicate the means of financing them. They are part of the Model Code, rather than a comprehensive statutory ban on freebies.

A. — Economic Theory Of Subsidies

Merit goods and market failure. Merit goods such as education, primary healthcare and food security are under-consumed in free markets; subsidies lower the effective price to correct this.

Fiscal multiplier and crowding out. Government spending has a multiplier effect on demand. When recurring subsidies grow faster than government revenue, they may reduce the fiscal space available for capital expenditure. However, the actual effect depends on the type of subsidy, its targeting, financing and economic benefits. Revenue expenditure also includes essential spending on health, education and pensions, and some subsidies can raise productivity.

Moral hazard and dependency. Poorly targeted transfers can weaken incentives to work or repay loans, a concern often raised about repeated farm loan waivers.

Public choice theory. Politicians respond to electoral incentives, which helps explain why promises cluster before elections.

3. — Positive And Negative Effects

A. Positive Effects

- Poverty alleviation: transfers give an immediate safety net to poor households.
- Demand stimulus: low-income households have a high marginal propensity to consume.

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

- Financial inclusion: Direct Benefit Transfer (DBT) into bank accounts has expanded formal banking use.
- Political accountability: competition can push parties towards pro-poor commitments.
- Gender equity: women-targeted schemes may improve financial autonomy, though the evidence varies by state and scheme.

B. Negative Effects

- Fiscal stress: rising committed expenditure squeezes room for capital investment.
- Rising liabilities: recurring subsidies can contribute to wider deficits if not matched by revenue.
- Market distortion: free agricultural electricity has been linked to groundwater over-extraction and DISCOM losses.
- Poor targeting: universal schemes may benefit non-poor households.
- Credit culture: repeated loan waivers can weaken repayment discipline.

IV. — Impact On Gdp, Inflation And Debt

The figures below are actual (A), revised estimate (RE) or budget estimate (BE) data from named sources, each with its year.

Indicator	Figure	Source and year
All-state outstanding liabilities	28.1% of GDP at end-March 2024 (A); budgeted 29.2% at end-March 2026 (BE)	RBI, State Finances: A Study of Budgets of 2025-26
All-state gross fiscal deficit	3.3% of GDP in 2024-25; budgeted 3.3% in 2025-26	RBI, same report
All-state capital expenditure	2.7% of GDP in 2023-24 and 2024-25; budgeted 3.2% in 2025-26	RBI, same report
Committed expenditure (interest, salaries, pensions)	62% of revenue receipts, all states, 2023-24	PRS, State of State Finances 2025
Committed expenditure plus subsidies	Punjab 107%, Himachal Pradesh 85%, Tamil Nadu 77%, Kerala 75%, Haryana 71% of revenue receipts, 2023-24	PRS, State of State Finances 2025

Economic theory suggests freebies mainly affect the composition of spending: the trade-off is fewer resources for roads, schools, hospitals and power infrastructure, which tend to carry a larger long-run growth multiplier than consumption transfers. Charts of the state-level data are in Section 15 (Figures 1–3) and of the all-state data in Section 20 (Figures 7–8).

V. — State Case Studies: Tamil Nadu And Punjab

Tamil Nadu and Punjab are contrasting cases. Tamil Nadu has long-running, institutionalised welfare backed by a larger own-revenue base. Punjab combines agricultural power subsidies, loan waivers and free household power with very high committed spending.

A. Case Study 1: Tamil Nadu

Milestones. 1967: DMK's rice promise under C.N. Annadurai. 1982-83: Nutritious Meal Programme under

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

M.G. Ramachandran. 2006–2011: free colour televisions, then laptops and household appliances. 2013: Amma Unavagam subsidised canteens under J. Jayalalithaa. 2021: free bus travel for women on state-run town buses.

Indicator (Tamil Nadu)	Figure
Committed expenditure, share of revenue receipts	61% (2022-23 A); 64% (2024-25 BE); 63% (2024-25 A)
Total committed expenditure, 2024-25 BE	₹1,89,897 crore
Grants to TANGEDCO, 2019-20 to 2024-25	₹73,821 crore (includes UDAY and loss-funding grants)
Fiscal deficit	3.4% of GSDP (₹1,08,690 crore), 2024-25 BE
Outstanding liabilities	26.4% of GSDP at end-March 2025 (BE)
Subsidy expenditure (RBI, subsidies only)	₹20,143.9 crore (2019-20); ₹37,749.0 crore (2023-24); ₹51,919.6 crore (2024-25 RE); ₹59,526.0 crore (2025-26 BE)

Source: PRS, *Tamil Nadu Budget Analysis* 2024-25 and 2026-27; RBI (2026c), Statement 36 (subsidies) for the last row.

Subsidy trend. The RBI's *State Finances: A Study of Budgets of 2025-26* (Statement 36) shows Tamil Nadu's subsidy expenditure rising from ₹20,143.9 crore in 2019-20 to ₹51,919.6 crore in 2024-25 (RE), about 2.6 times, with ₹59,526.0 crore budgeted for 2025-26. The RBI notes that Tamil Nadu's data in earlier editions has been updated to include only subsidies, because earlier editions also counted transfers. Subsidy figures or shares reported from earlier editions are therefore not comparable with these. The RBI also classifies subsidies broadly, so these figures should not be read as the cost of freebies alone. The CAG's *State Finances Audit Report* for 2024-25 recorded GSDP growth of 15.98% but noted weak revenue buoyancy and growing subsidy dependence.

Why economists see it as relatively sustainable: a diversified tax base, continuous and institutionalised welfare, and meal programmes with measurable school and nutrition benefits. **Concerns:** losses at the state power utility (TANGEDCO) and a high committed-expenditure ratio.

B. Case Study 2: Punjab

Milestones. 1997: free electricity for agricultural tube wells (Akali Dal–BJP government), retained since. 2010s: periodic partial farm loan waivers. 2017: crop loan waiver for small and marginal farmers (Congress government). 2022: up to 300 units a month of free domestic electricity (AAP government).

Indicator (Punjab)	Figure
Committed expenditure	₹78,868 crore, 76% of revenue receipts (2024-25 BE); 80% in 2022-23 (A)
Composition (2024-25 BE)	Salaries 34%, interest 23%, pensions 19% of revenue receipts
Power subsidy	₹20,200 crore in 2024-25 (BE), 19% of revenue receipts
Fiscal deficit	3.8% of GSDP (2024-25 BE); revised to 4.5% (2024-25 RE)
Effective outstanding debt	44.05% of GSDP (2024-25 BE)
Groundwater	Stage of extraction 156.87%; about 115 of 153 blocks over-exploited (CGWB, 2024)

Sources: PRS, *Punjab Budget Analysis* 2024-25 and 2025-26; Government of Punjab, *Budget at a Glance 2024-25*; Central Ground Water Board (2024). The over-exploited

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

block count is derived from the CGWB's 153 blocks minus its 4 critical, 12 semi-critical and 22 safe blocks.

Why economists flag it as high-risk: committed expenditure leaves little room for capital spending; unmetered farm power weakens price signals against groundwater over-extraction; repeated loan waivers may weaken credit discipline; and high interest payments mean more borrowing goes to servicing old debt.

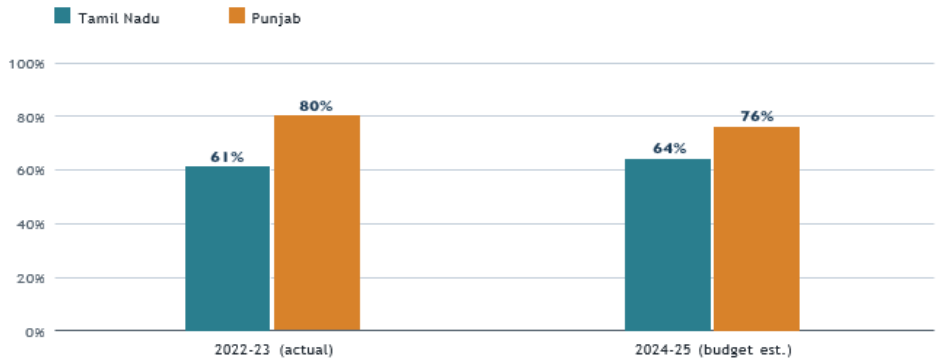


Figure 1. Committed expenditure as % of revenue receipts

Source: PRS state budget analyses, 2024-25. Committed expenditure = salaries, pensions and interest. Tamil Nadu's 2024-25 actual was 63%; a matching Punjab actual is not available in the sources used, so the two states are compared on the same bases.

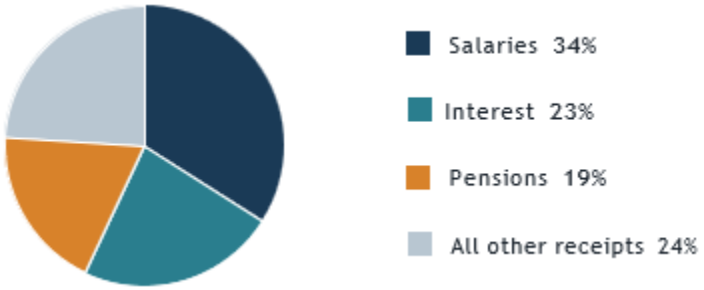


Figure 2. Where Punjab's revenue receipts go, 2024-25 (BE)

Source: PRS, Punjab Budget Analysis 2024-25. "All other receipts" is the remainder after committed items.

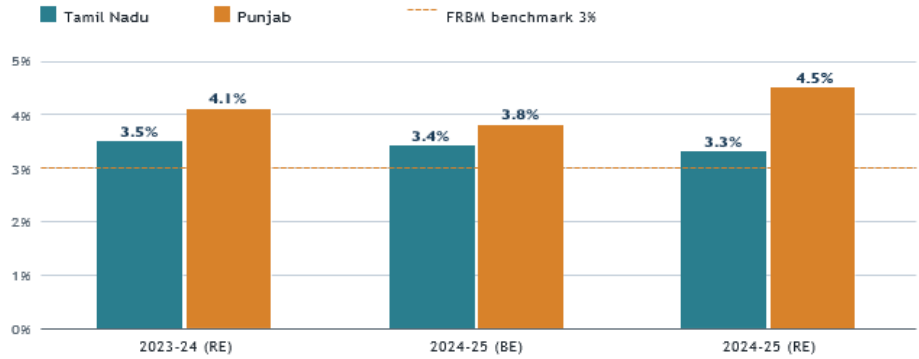


Figure 3. Fiscal deficit as % of GSDP

Source: PRS budget analyses for Tamil Nadu and Punjab (2023-24 to 2025-26). The FRBM benchmark for states is 3% of GSDP.

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

VI. — Central Welfare Schemes

- PM-KISAN: ₹6,000 a year in three instalments to eligible farmer families.
- PM Garib Kalyan Anna Yojana: free foodgrain to priority beneficiaries under the National Food Security Act.
- Ayushman Bharat (PM-JAY): health cover of up to ₹5 lakh per family per year for hospitalisation.
- MGNREGA: legal guarantee of 100 days of wage employment per rural household per year.
- Ujjwala Yojana: LPG connections for women from poor households.
- Jan Dhan Yojana: basic bank accounts enabling direct benefit transfer.

Most central schemes are budgeted and targeted, which places them nearer the welfare end of the spectrum in Section 10, although critics sometimes apply freebie rhetoric to them.

VII. — Supreme Court Debate

- ***S. Subramaniam Balaji v. Government of Tamil Nadu* (2013).** The Court held that manifesto promises are not a corrupt practice under Section 123 of the Representation of the People Act, and directed the Election Commission to frame guidelines on manifestos in consultation with recognised parties. These guidelines now form part of the Model Code of Conduct.
- ***Ashwini Kumar Upadhyay v. Union of India*, W.P.(C) No. 43 of 2022 (order of 3 August 2022).** A public interest petition sought restraint on "irrational freebies". The bench led by the then Chief Justice described the matter as serious and proposed an expert body, including bodies such as the Centre, NITI Aayog, Finance Commission, RBI and political parties, to examine it. The order proposed this body; it did not establish a functioning committee, and no binding restriction has resulted.
- **The Court's core tension.** Courts are reluctant to dictate economic policy or override the electorate's right to vote on welfare promises, while recognising the fiscal risks of unchecked competition. The matter is therefore left mainly to political and institutional self-regulation.

1. — Rbi, Cag And Institutional Viewpoints

Reserve Bank of India. The RBI's *State Finances: A Study of Budgets* reports have flagged rising subsidy and committed spending in some states. Media coverage of the 2025-26 edition reports that several states have debt above 35% of GSDP, well above the 20% level recommended by the FRBM Review Committee (Informist Media, n.d.; KNN India, 2026). The RBI's own press release for the report records a consolidated state fiscal deficit of 3.3% of GDP in 2024-25 and capital expenditure budgeted at 3.2% of GDP for 2025-26 (RBI, 2026b).

Comptroller and Auditor General. The CAG's *State Finances Audit Report* on Tamil Nadu for 2024-25 said debt and deficit ratios were within prescribed limits, but pointed to weak revenue buoyancy, high committed expenditure and growing subsidy dependence.

2. — Survey Of 50 Respondents

A structured questionnaire was given to 50 respondents (students, working professionals and homemakers, aged 16–60) in Mulanur, Tiruppur, Tamil Nadu, on 25 October 2026.

Note on scope. These results describe these 50 respondents only. The sample is a small convenience sample from one locality and cannot be generalised to Tamil Nadu or India.

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

Who benefited. 20 of the 50 respondents (40%) said their household had benefited from a state freebie scheme; 30 (60%) said it had not. The survey did not cross-tabulate answers, so it cannot show whether beneficiary households were more supportive than others.

Views on necessity. 31 respondents (62%) agreed or strongly agreed that freebies are necessary welfare support, 9 (18%) were neutral and 10 (20%) disagreed or strongly disagreed.

"Freebies are necessary welfare support"	Respondents	Share
Strongly agree	14	28%
Agree	17	34%
Neutral	9	18%
Disagree	7	14%
Strongly disagree	3	6%

Figure 4. "Freebies are necessary welfare support" (% of respondents, n = 50)

Strongly agree					28%
Agree					34%
Neutral				18%	
Disagree			14%		
Strongly disagree		6%			

Source: primary survey (n = 50, convenience sample), Mulanur, Tiruppur, Tamil Nadu, 25 October 2026.

Main worry. Rising state debt was the most common concern (17 respondents, 34%), followed by poor targeting (12, 24%) and misuse of public funds (10, 20%). Only 3 respondents (6%) were not concerned.

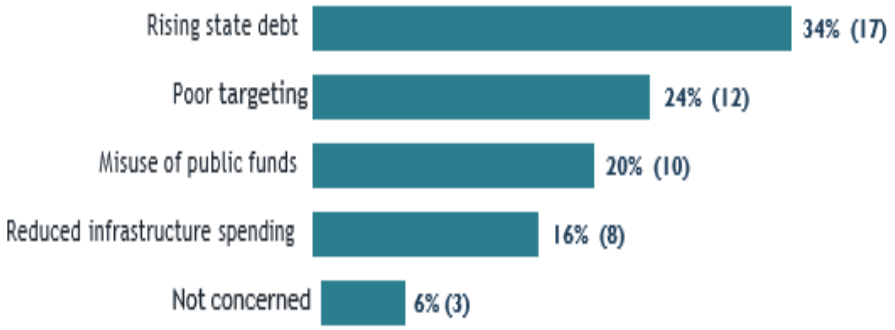


Figure 5. "What worries you most about freebie schemes?" (n = 50)

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

Source: primary survey (n = 50, convenience sample), 25 October 2026. Counts in brackets.

Targeting and disclosure. 31 respondents (62%) said freebies should be need-based rather than universal, and 37 (74%) supported mandatory cost disclosure before elections.

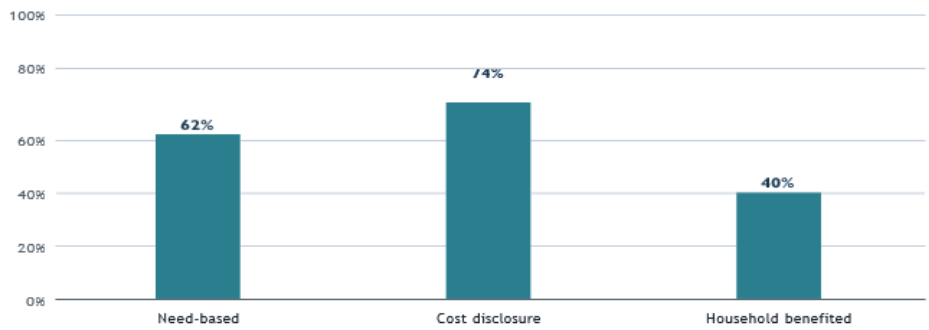


Figure 6. Other survey results (% of respondents, n = 50)

Source: primary survey (n = 50, convenience sample). 62% = 31 respondents, 74% = 37, 40% = 20 of 50. Bars: need-based, not universal; support for mandatory cost disclosure before elections; household benefited from a state freebie scheme.

VIII. — The Numbers In Charts

Every chart below uses secondary data and states its year and whether values are actual, revised or budget estimates. The survey charts are in Section 19.

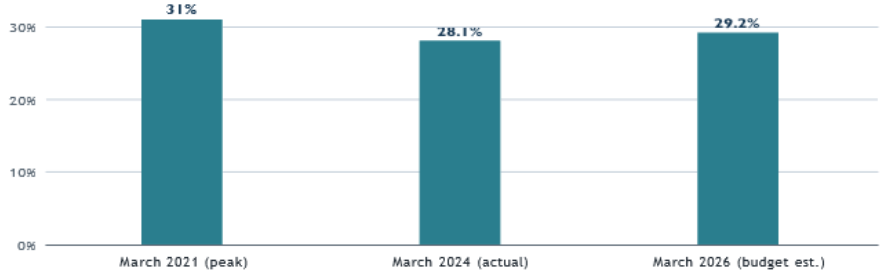


Figure 7. Outstanding liabilities of all states, % of GDP

Source: RBI, State Finances: A Study of Budgets of 2025-26. Values: 31.0, 28.1 and 29.2. The vertical axis starts at zero.

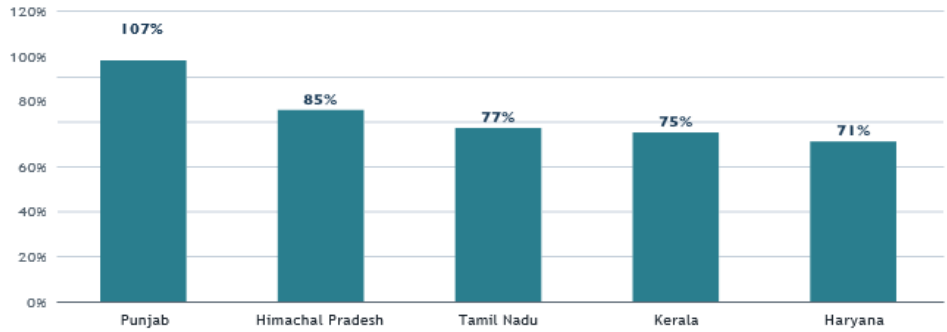


Figure 8. Committed expenditure plus subsidies, % of revenue receipts, 2023-24

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

Source: PRS, State of State Finances 2025. Includes subsidies, so it is higher than committed-only ratios in Figure 1.

IX. — Perspectives In The Debate

The main arguments in the debate, stated in the author's own words:

- Whether a scheme is welfare or a freebie depends more on design (targeting, costing, review) than on its label.
- Leakage and poor targeting can cost as much as the subsidy itself, which supports Direct Benefit Transfer.
- Free, unmetered farm electricity has environmental costs, notably groundwater depletion.
- Under fiscal federalism, the Centre cannot dictate state welfare choices, but it can ask for transparent and comparable disclosure.

X. — Comparison With Other Countries

Country	Approach	Key feature
Brazil	Bolsa Família. Auxílio Brasil (Law 14.284, December 2021) replaced the earlier Bolsa Família. Bolsa Família was restored by Provisional Measure 1.164 (2 March 2023), converted into Law 14.601 (19 June 2023).	Cash transfers linked to school attendance and health check-ups
United States	SNAP (food assistance), unemployment insurance	Means-tested, federally structured, time-limited in most categories
Scandinavian countries	Universal welfare state	High taxation funding broad universal services
Sri Lanka	Broad tax cuts and subsidies before the 2022 crisis	Often cited as a cautionary case, though the crisis had several causes
India	Mixed model	Rights-based food security plus growing state-level cash and utility schemes

Design (conditionality, targeting and financing) appears to matter more than whether transfers exist.

XI. — Myths And Facts

- **Myth:** All government welfare spending is a freebie and should be cut.
- **Fact:** Targeted, budgeted spending on health, education and employment supports human capital and fits the Directive Principles.
- **Myth:** Freebies are the main cause of India's fiscal deficit.
- **Fact:** Interest, salaries and pensions form the bulk of committed expenditure; freebies add pressure but are one factor among several.
- **Myth:** Only poor states offer freebies.
- **Fact:** Several relatively richer states, including Tamil Nadu, also run large schemes.

International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 5
Sep-Oct-2026, PP 1-13

XII. — Future Of Freebies In India

As states face FRBM debt limits, pressure to combine welfare with fiscal discipline will grow. Likely levers include: wider use of the Jan Dhan–Aadhaar–Mobile (JAM) trinity and DBT to reduce leakage; digital delivery tools such as e-KYC, One Nation One Ration Card and e-RUPI vouchers; scrutiny from the RBI and rating agencies of states with high committed expenditure; and proposals for an independent fiscal council.

Political-economy trends may include income-based eligibility, sunset clauses and standardised cost disclosure in manifestos. The likelier outcome is a gradual redesign of how welfare is targeted, financed and monitored, rather than an outright rollback.

XIII. — Recommendations

- **Mandatory cost disclosure:** parties should publish funding sources and costs for manifesto promises, building on the Election Commission's existing manifesto guidelines.
- **Better targeting via DBT:** expand Aadhaar-linked DBT to cut leakage and exclude non-poor households from universal schemes.
- **Sunset and review clauses:** review new schemes periodically rather than assuming they are permanent.
- **Protect capital expenditure:** consider a minimum capital-spending share for infrastructure, health and education.
- **Independent fiscal council:** an independent body to assess the medium-term fiscal impact of major announcements, as proposed by the FRBM Review Committee (2017).
- **Metered, targeted power subsidy:** link free electricity to metering and need to curb groundwater over-extraction and DISCOM losses.

XIV. — Conclusion

Freebies are neither an unqualified evil nor a costless good. Well-targeted, transparently financed transfers can improve welfare and support demand in a country with deep inequality. Poorly targeted, recurring promises that outgrow revenue can reduce the room for infrastructure and human-capital investment. The path forward lies not in banning welfare promises, which are part of democratic competition, but in building guardrails: disclosure, targeting and fiscal transparency.

References

All online sources were accessed on 3 November 2026.

1. *Ashwini Kumar Upadhyay v. Union of India*, W.P. (C) No. 43 of 2022 (Supreme Court of India, order dated 3 August 2022). Bhalla, S., Bhasin, K., & Virmani, A. (2022). *Pandemic, poverty, and inequality: Evidence from India* (IMF Working Paper No.
2. 2022/069). International Monetary Fund. https://doi.org/10.5089/9798400205170.001
3. Central Ground Water Board. (2024). Dynamic ground water resources & ground water quality of Punjab, 2024. Ministry of Jal Shakti, Government of India. https://cgwb.gov.in
4. Comptroller and Auditor General of India. (2026). *Report of the Comptroller and Auditor General of India on state finances for the year 2024-25, Government of Tamil Nadu* (Report No. 2 of 2026). https://cag.gov.in/ag2/tamil-nadu/en/audit-report/download/125142
5. Election Commission of India. (n.d.). Model code of conduct for the guidance of political parties and candidates, Part VIII: Guidelines on election manifestos. https://eci.gov.in

6. Government of Punjab. (2024). Budget at a glance 2024-25. https://www.cbgaindia.org/wp-content/uploads/2024/03/Budget-at-a-Glance-1.pdf
7. Informist Media. (n.d.). RBI report: States must adopt debt glide path, seen meeting FY26 budget aims [News article]. http s://informistmedia.com/MoneyWire/43319/rbi-report-states-must-adopt-debt-glide-path-seen-meeting-fy26-budget-ai ms
8. KNN India. (2026, January 24). States cross 3% fiscal deficit mark after 3 years in 2024–25: RBI report [News article]. https://knnindia.co.in/news/newsdetails/sectors/states-cross-3-fiscal-deficit-mark-after-3-years-in-202425-rbi-report
9. Ministry of Finance, Government of India. (2017). *Report of the FRBM Review Committee*.
10. Press Information Bureau, Government of India. (n.d.). Press releases on PM-KISAN, PMGKAY, PM-JAY and Ujjwala Yojana. https://pib.gov.in
11. PRS Legislative Research. (2024a). Punjab budget analysis 2024-25. https://prsindia.org/budgets/states/punjab-budget-analysis-2024-25
12. PRS Legislative Research. (2024b). Tamil Nadu budget analysis 2024-25. https://prsindia.org/budgets/states/tamil-nadu-budget-analysis-2024-25
13. PRS Legislative Research. (2025a). Punjab budget analysis 2025-26. https://prsindia.org/budgets/states/punjab-budget-analysis-2025-26
14. PRS Legislative Research. (2025b). State of state finances 2025. https://prsindia.org/files/budget/SOSF_2025.pdf
15. PRS Legislative Research. (2026). Tamil Nadu budget analysis 2026-27. https://prsindia.org/budgets/states/tamil-nadu-budget-analysis-2026-27
16. República Federativa do Brasil. (2023). Lei nº 14.601, de 19 de junho de 2023 (Institui o Programa Bolsa Família). https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2023/Lei/L14601.htm
17. Reserve Bank of India. (2026a, January 23). State finances: A study of budgets of 2025-26. https://rbi.org.in/web/rbi/-/publications/state-finances-a-study-of-budgets-of-2025-26-1
18. Reserve Bank of India. (2026b, January 23). State finances: A study of budgets of 2025-26 [Press release]. https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62098
19. Reserve Bank of India. (2026c, January 23). Statement 36: Subsidies. In State finances: A study of budgets of 2025-26. https://website.rbi.org.in/documents/d/rbi/statement-36_sf2026