

WELFARE SCHEMES OR POLITICAL FREEBIES? A FINANCIAL PERSPECTIVE

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Abstract

Welfare programs have been complex and controversial throughout history, especially in the last century. The state governments tried to bring social security by maintaining the living conditions of the people in an exemplary manner in different perspectives such as education, health, food, and urban development, reducing inequality, and eradicating hunger and poverty. Even now, it is one of the fundamental responsibilities of the governments to provide basic needs to eliminate hunger and poverty. But Social welfare spending is rising rapidly in various states, sparking concerns about sustainability. Critics, including scientists and political opposition, label these programs as "freebies" aimed at garnering voter support. They argue that such initiatives often suffer from inefficiencies, corruption, and poor outcomes. However, some state governments defend them as essential social investments. This study delves into the nuanced distinction between welfare schemes and freebies, scrutinizing their historical underpinnings, theoretical frameworks, and fiscal impacts on state governance. Notably, the study reveals a significant correlation between welfare spending and states' debt-to-GDP ratios, highlighting fiscal ramifications. Concerns about freebies' impact on workforce participation are substantiated, while correlations with unemployment rates remain inconclusive, warranting further investigation. By elucidating these dynamics, policymakers can devise informed strategies to optimize social welfare outcomes while safeguarding fiscal integrity.

Keywords: Welfare Schemes, Political Freebies, Fiscal Impact, Indian Governance, Social Investment,

INTRODUCTION

Amidst India's economic rise, a critical debate has emerged: what constitutes a legitimate welfare scheme, and where does "freebie culture" begin? Recent elections have seen political parties woo voters with promises of everything from free laptops to electricity bills, sparking fears of fiscal recklessness and a distorted electoral landscape. While well-designed welfare programs aim to uplift the marginalised and promote social justice, concerns grow that unchecked "freebies" might burden state finances, fuel corruption, and undermine genuine efforts to improve living standards.

These inequalities and poverty induced the governments to introduce and provide social welfare schemes for their citizens to stabilise and improve the living conditions of the people in a society. Different schemes have various criteria to qualify the eligible people. Also, there is no standard system for administering welfare programs; it varies state by state under other names. However, the concern arises when the allocation of welfare schemes increases exponentially in central and state governments by promising irrational schemes, which may

lead to corruption, the wastefulness of financial resources, leakage, and poor outcomes. Most importantly, in a democratic country such as India, unchecked freebie culture weakens the foundation of free and fair elections.

Currently, one of the hottest and most controversial topics is welfare schemes and freebies in different states of India; political parties involved in politics have discussions and even petitioned the Supreme Court against the ruling parties. Everything began when the parties managed to win a massive election in recent years on the plank of different schemes. Also, Political analysts claim that the success formula in most states is the manifestos done before the election. In every manner, these programs profoundly impact the future of these states positively or negatively. This paper delves into the heart of this critical issue, aiming to clarify the difference between welfare schemes and "freebies." We will analyse their key features, scope, and potential financial implications on state government finances. Additionally, we will explore the recent rise of this debate on the national stage, including Prime Minister Narendra Modi's stance against "revadi culture" (freebies), as highlighted during his Bundelkhand Expressway inauguration speech in July 2022 (Sahoo et al., 2023).

Objectives of the study

The objectives of this study are as follows:

- To analyse the historical evolution and theoretical underpinnings of welfare schemes and freebies in the context of Indian governance.
- To assess the impact of welfare schemes and freebies on key fiscal indicators, such as state government budgets, debt-to-GDP ratios, and revenue interest payments.
- To distinguish between social welfare and political freebies based on their characteristics, objectives, and intended outcomes.
- To find out the effects of welfare schemes on the fiscal indicators of states.
- Finally, a brief overview of the controversial effects of the different welfare schemes nationally and statehood.
- To propose recommendations for policymakers and government officials to enhance the design, implementation, and monitoring of welfare schemes while minimizing financial misappropriation and maximizing social welfare outcomes.

Hypothesis

- H1: There is a significant positive correlation between the allocation of funds to welfare schemes by state governments and their respective debt-to-GDP ratios.
- H2: Freebies might create dependency and discourage individuals from seeking employment.
- H3: States with higher proportions of spending on freebies relative to their total budget are more likely to experience adverse fiscal consequences, such as increased fiscal deficits and higher interest payments.

Research questions

- What historical factors have shaped the evolution of welfare schemes and freebies in Indian governance, and how have these concepts been theoretically conceptualised within social policy?
- What are the key fiscal indicators affected by the implementation of welfare schemes and freebies, and what is the nature of their impact on state government budgets, debt-to-GDP ratios, and revenue interest payments?

Welfare Schemes and Political Freebies: A Historical Comparison

From Antiquity to the Present: Evolving Approaches to Social Support

Welfare Schemes:

- **Definition:** Government-funded programs designed to address societal needs and promote social justice.
- **Historical Roots:**
 - **Ancient Civilisations:** Grain distribution in Rome, support for farmers in China.
 - Ancient civilisations like Egypt and Rome provided rudimentary forms of public assistance to maintain social stability.
 - In Western societies, knowledge of human well-being has been traced to as early as Aristotle, who considered well-being as something formed by our acts and not our belongings: "Another belief that harmonises with our account is that the happy man lives well and does well, for we have practically defined happiness as a sort of good life and good action. The characteristics that are looked for in happiness also seem to belong to what we have defined happiness as being. Some identify happiness with virtue, some with practical wisdom, others with a kind of philosophic wisdom, others with these, or one of these, accompanied by pleasure or not without pleasure; others also include external prosperity" (Ross,2011).
 - **Medieval Period:** Catholic Church's charity system, Zakat in Islam, Tzedakah in Judaism.
 - In the middle Ages (500-1500 CE), the Catholic Church held immense power, surpassing that of kings, and operated a widespread welfare system for the poor in the Roman Empire.
 - Zakat, a fundamental Islamic concept, mandates individuals to donate a portion of their wealth annually for charitable purposes. It originated from Prophet Muhammad's teachings and is now practised as a national social security tax in Islamic nations. Historically, zakat was collected and distributed to various categories of Muslims, including the underprivileged, enslaved individuals, and those in debt, during the Rashidun Caliphs and subsequent caliphates.

- In Jewish tradition, charity, known as tzedakah, is viewed as a religious obligation rather than an act of compassion. This tradition finds its roots in Biblical practices such as the Maaser Ani (poor-tithe) and customs like allowing those in need to glean from fields during the Sabbatical year (Shmita).
- **Early Modern Era**
- **Industrial Revolution and Rise of Capitalism**
- The 18th and 19th centuries witnessed increased urban poverty, leading to calls for government intervention.
- Social insurance programs in Germany and other European nations pioneered driven by social democratic and socialist movements.
- 20th Century Expansion and Challenges
- Post-World War era saw significant global expansion of welfare programs influenced by Keynesian economics.
- Concerns about fiscal sustainability and welfare dependency emerged alongside program expansions.
- Contemporary Debates
- Globalisation and economic liberalisation fueled debates on welfare policy design.
- Advocates propose targeted programs based on economic need, while others support universal basic income or negative income tax schemes.
- **Key Characteristics:**
 - **Focus on long-term needs and societal development.**
 - **Eligibility criteria based on need.**
 - **Investment in areas like healthcare, education, and social security.**

Political Freebies:

- **Definition:** Goods, services, or financial incentives offered by politicians to gain electoral support.
- **Historical Context:**
 - Limited examples in early history.
 - Emergence in 20th century with rise of populism.
 - Prevalence in contemporary democracies, including India.
- **Key Characteristics:**
 - Short-term focus aimed at winning elections.
 - Distribution may not be based on need.
 - Potential for fiscal burden and distortion of public policy.

Comparative Analysis:

- **Motivations:** Both aim to gain public support, but welfare schemes focus on long-term societal good, while freebies prioritise short-term political gain.
- **Sustainability:** Welfare schemes rely on stable funding and responsible planning, while freebies can strain public finances.
- **Impact:** Welfare schemes can empower individuals and address inequalities, while freebies may create dependency and distort economic choices.

LITERATURE REVIEW

Welfare schemes and political freebies are often intertwined, but their impact on government budgets and cost-effectiveness can vary significantly. This literature review explores this topic globally, focusing on Asia and then narrowing it down to India, with particular attention to state-level programs.

Table 1: Review of the previous research papers

Study Title	Authors	Key Findings
AN ASSESSMENT OF THE EFFECTIVENESS OF ANTI-POVERTY PROGRAMS IN THE UNITED STATES	(Yonatan Ben et al., 2011)	<p>The US benefits system reduces poverty but raises ethical questions.</p> <ul style="list-style-type: none"> • The system significantly reduces poverty, with estimates showing a reduction from 29% to 13.5%. • Concerns exist about behavioral side effects and targeting, but their overall impact on poverty reduction is minimal. • The system is more effective for the disabled and elderly, but less so for some non-elderly/non-disabled groups. • Over time, spending has shifted towards these groups and away from low-income individuals, potentially increasing deep poverty for some. • The system's design raises ethical questions about paternalism and support for specific groups.
Centralised versus decentralised provision of local public goods: a political economy approach	(Besley & Coate, 2003)	<ul style="list-style-type: none"> • Centralised governance with shared costs risks conflicting interests: Sharing financial burden across regions in a centralised system can spark disagreements between citizens on spending priorities, potentially leading to: <ul style="list-style-type: none"> ○ Excessive spending: Legislative bodies representing different areas might engage in bidding wars for resources, driving up public spending overall. ○ Misallocation: Uncertain and uneven distribution of public goods across districts due to conflicting priorities and political bargaining. • The severity of conflict depends on factors like: <ul style="list-style-type: none"> ○ Spillover effects: How benefits of public goods in one area impact others nearby. ○ Differing preferences: Variations in what different communities prioritise in terms of public spending.
Social Politics of Welfare Reform in Korea and Japan: A New Way of	(Lee & Kim, 2019)	<ul style="list-style-type: none"> • Traditional analysis (bureaucracy & parties) falls short: Can't explain different reform paths after major political shifts in Korea and Japan. • New factor: "Social politics" & civic

Mobilising Power Resource		<p>influence: Interaction between citizen groups, unions, and leaders shapes reforms. Differences in civic group strength explain contrasting choices. This emphasises the importance of civil society beyond traditional measures like union power for understanding welfare politics.</p>
Social Protection in the Developing World	(Banerjee, Hanna, et al., 2023)	<ul style="list-style-type: none"> • Unique challenges for social protection in low- & middle-income countries: <ul style="list-style-type: none"> ○ Identifying beneficiaries: Difficulty due to large informal sector and deep poverty, requiring trade-offs between proxy measures and self-reporting. ○ Program design: Balancing unconditional cash transfers (poverty reduction) with conditional ones (behavior incentives). ○ Social insurance: Informal sector makes traditional schemes like unemployment and employer-based health insurance less feasible. • Need for unified approach: Research and development crucial to navigate beneficiary identification, program design, and social insurance adaptation for expanding social protection systems in these contexts
Social protection in Vietnam	(Dzung & Vinh, n.d.)	<ul style="list-style-type: none"> • Vietnam's economic boom since 1986 had high GDP growth, but poverty remained high (32% in 2000) and unemployment persisted. • Social protection gap: Many in rural and informal sectors lacked insurance or healthcare, despite increased government spending. • Reform focus: Enhancing public social assistance to create a safety net for those excluded from formal protection. This highlights the challenge of ensuring social protection amidst economic growth and the government's efforts to address this gap.
The Welfare State in India: From Segmented Approach to Systems Approach in Social Protection	(Duggirala & Kumar, 2021)	<p>Big Role, Complex System: Social programs are key to reaching SDGs goals, but India's many overlapping programs create gaps and unequal benefits.</p> <p>Solution: One System, Many Benefits: Combining programs into a single system provides lifelong protection, fairness, and quicker emergency help.</p> <p>Challenges: Many Parts, Big Change: Moving to one system takes time and effort due to the different players involved and government capacity.</p> <p>First Steps: Planning & Talking: Start with policy documents and open discussions with everyone involved.</p>
"Welfare schemes and social protection in India"	(Jha, 2013)	<ul style="list-style-type: none"> • Emphasises the need for enhanced and targeted social sector spending for inclusive growth • Highlights the role of economic growth in social protection and advocates for increased social sector spending • Proposes streamlining government subsidies, involving the private sector, and improving fiscal efficiency and governance in social protection programs

The table above shows the previous research paper and works done in welfare schemes and freebies globally, Asia region and in India.

Statement of Problem

In India, the lines between well-intentioned welfare schemes and vote-grabbing "freebies" have blurred, creating a dilemma for policymakers and citizens alike—misappropriation of public assets.

The problem arises when the ruling political parties are accused of using public assets for their interest, keeping the power in their hands, and wasting public assets in different manners under different names, which leads to inconsistencies, inefficiencies, and potential misuse of public funds. This lack of clarity is further compounded by the recent rise of "freebie culture," where political parties utilise public resources for short-term electoral gains, often blurring the lines between genuine welfare and unsustainable handouts. This paper aims to address this critical gap by:

- **Clearly defining and differentiating between welfare schemes and freebies** based on their objectives, targeting, and long-term impact.
- **Analysing the financial burden of "freebies" on state exchequers**, considering their immediate costs and potential long-term economic consequences.
- **Examining the potential unintended consequences of "freebie culture,"** including dependency, disincentivisation of individual initiative, and distortion of electoral choices.

Also, there is no standardised structure for the administration of social welfare programs, which differ state by state, therefore listed under different names, and have various requirements to qualify the eligible persons under schemes.

Welfare Scheme: its concept

The word "social welfare" doesn't have a precise definition. Refers to a wide range of activities and services provided by volunteers, non-profit organisations, and government agencies to needy people who are unable to care for themselves; activities and resources designed to improve or promote the well-being of individuals, families, and society as a whole; and efforts to eliminate or reduce the occurrence of social problems (John E, 2017).

According to Collins dictionary, the term "welfare" indicates "well-being" or "prosperity". The state of doing well, particularly in terms of good fortune, well-being, happiness, or prosperity, a person's or group's Welfare is defined as their comfort, health, and happiness (CollinsDictionary,2023).

In other words, welfare refers to general health, happiness, prosperity, and well-being; welfare works to improve the social or economic conditions of numerous underprivileged groups by receiving regular public or private-sector assistance due to need.

Social welfare more broadly illustrates a range of programs that are initiated, designed, and sponsored by the public-private sector to support individuals and families through free or

subsidised social services to maintain a secure financial life, well-being, and a better standard of living that includes housing, food, medical care, unemployment compensation, Child care assistance, and education programs.

"The goals of welfare vary, as it seeks to promote work, well-being education, or, in some cases, a higher standard of living. The fundamental motto of social welfare programs is to help the most vulnerable people in society. A social welfare function specifies a social ordering of alternatives for each profile of individual preferences in some domain of preference profiles" (Le Breton & Weymark, 2011).

Taxpayers typically fund welfare programs and help people overcome financial hardship during challenging times. In some countries, people on welfare usually receive food stamps, vouchers, or even direct payments biweekly, monthly, or annually.

Social welfare systems may be known by different names in each state, but they typically perform similar functions. Comparing one state's program to another can cause an anomaly. Furthermore, eligibility conditions vary depending on each state's poverty line.

Welfare programs are government-created initiatives that assist the poor, the cognitively challenged, and the marginalised. Compared to other developed nations, the United States has a comparatively small social safety net and few welfare programs with significant restrictions.

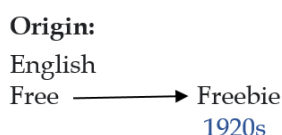
The federal government issues funding to each state in the United States via the Temporary Assistance for Needy Families (TANF) program. Every individual or family applying for perks in the United States will receive a caseworker who assesses and validates the applicant's requirements.

Freebies meaning and definition

Something was given to you without paying for it, mainly to obtain your support for or interest in something, or some dictionaries describe a freebie as a gift.

According to the Collins dictionary, a freebie is something you receive without paying for it from a company.

According to the Oxford Learning Dictionary, the originality of this word goes back to the 1920s (originally in the US): an arbitrary formation from free.



But political freebies refer to any scheme implemented to attract voters that can be referred to as "freebies."

In a bulletin issued in June 2022, the Reserve Bank of India (RBI) defined 'freebies' as "a public welfare measure that is provided free of charge"(Sahoo et al., 2023).

Political freebies mean that parties give irrational manifestos to gain more votes and lessen the risk of losing the election, and the candidate blinds the people with attractive promises. Parties vow free water supply/electricity, monthly compensation to unemployed, daily wage employees, women, and gadgets like laptops, cellphones, cycles, and so on to ensure the people's vote.

In a bulletin issued in June 2022, the Reserve Bank of India (RBI) defined 'freebies' as "a public welfare measure that is provided without charge." The introduction of welfare schemes has aided in the benefactor party's electoral victory.

Corrupt politicians and intermediaries wipe out the benefits, leaving people experiencing poverty to suffer, so a distinction between welfare and freebies is blurred, but significant differences are listed below:

Table 2: Distinction between welfare schemes and Freebies

Freebies	Welfare schemes
Giving free something without paying	Provide specific goods & services for people in need at a subsidised price.
Offered by politicians before elections to win.	Launching specific schemes by govt in power for the well-being of people
Make people less productive and lazy.	It helps people in a specific tough period of their life.
It causes the loss & waste of resources and increases pessimism among society.	It makes the economy flourish and strengthens mutual understanding in society.

Factors determining the eligibility

The eligibility may be evaluated based on the criteria surrounding the financial situation and its connection to the minimum permissible levels for a given state. The parameters covered might include assessing disability, the size of the family unit, or current income levels.

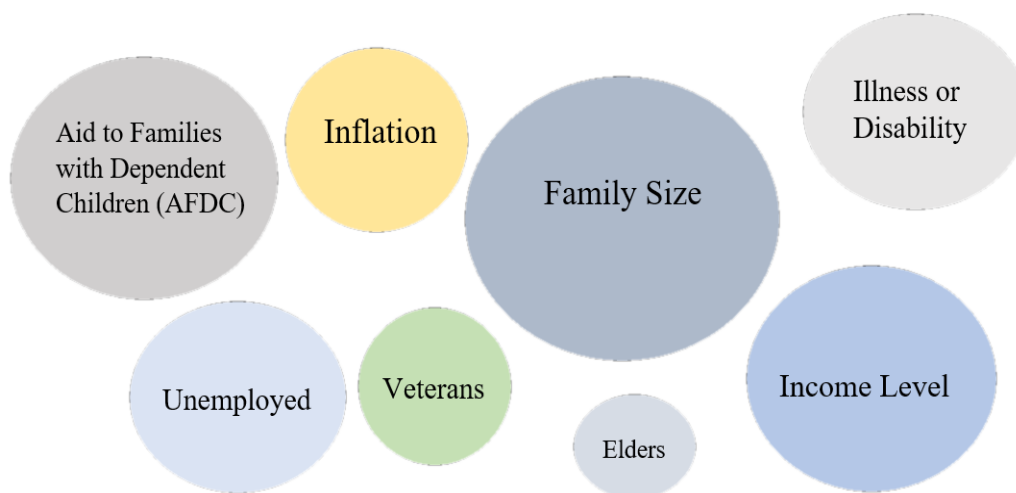


Figure 1: Factors determining the eligibility

In brief, welfare is provided to unemployed, sick, or disabled individuals, the elderly, Aid to Families with Dependent Children (AFDC), veterans, and some metrics used to assess the country's economy, such as GDP, inflation, and unemployment rate. Furthermore, the requirements to qualify vary depending on each state's poverty line.

Merits

Effects and Consequences of Freebies

In this paper, we classified the results of freebies into two categories.

1. Social perspective

2. Economical perspective

Some of the most critical social perspectives on freebies can be;

- 1) It makes citizens irresponsible
- 2) It's a never-ending journey.
- 3) Freebies are primarily given out of tax revenue
- 4) Making people lazy and unproductive
- 5) Competition and conflict to get freebie benefits
- 6) It reduces the desire to find and search for work
- 7) Social inequalities because of improprieties of expenditure
- 8) Revdi¹ (Freebies) for One, Disaster for Others.

It makes citizens irresponsible, and providing free food or other free services will make the nation even lazier to work because they will regularly rely on such benefits provided by political parties.

It is a never-ending journey that offers lucrative incentives for more votes and, as a result, reduces the risk of losing the election.

The parties blind the voters, corrupt politicians and intermediaries wipe away the benefits, and people experiencing poverty must suffer as they are deprived of their share of benefits.

Economic perspectives

Long-term financial drain

Starting projects without prioritising the necessities of society will bring more devastating results to the country's balance sheet.

Unstable economy

Freebies undermine the fundamental framework of macroeconomic stability, freebie politics misrepresents expenditure priorities, and expenditures remain concentrated on one type of subsidy or another.

Increased Fiscal Deficit: Subsidies and freebies create pressure on government revenues, bringing many problems to the government's exchequer by promising irrational freebies.

Freebies are against Free and Fair Elections: The commitment of irrational freebies from public funds before elections unfairly influence voters, distorts the level playing field and taints the poll process.

A Step Away from the Environment: Once freebies involve giving out free electricity or a particular quantity of free power, water, and other consumer products, it diverts resources away from eco-efficiency development, renewable energy, and more efficient public transit systems.

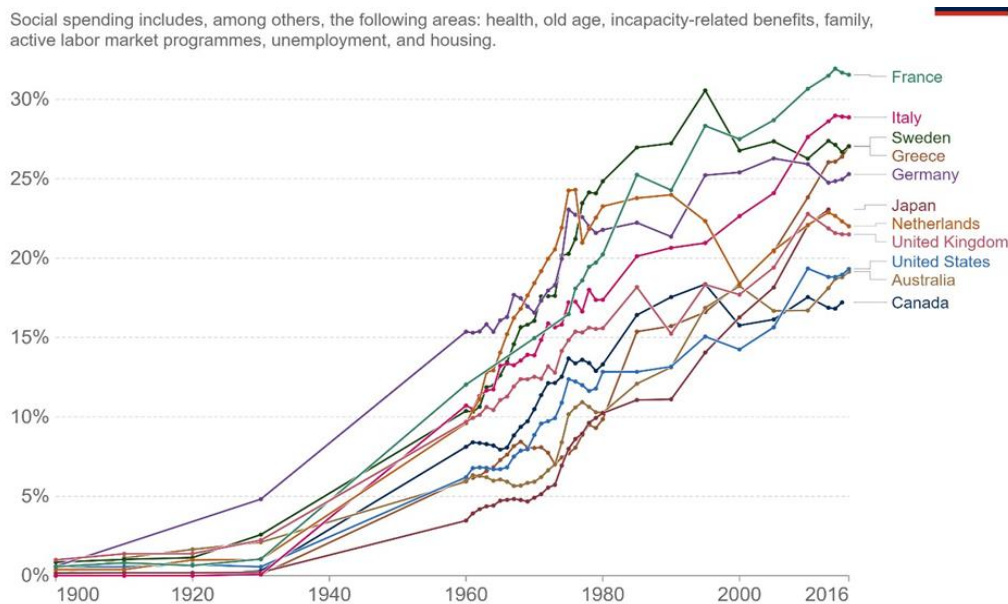
Furthermore, an ordinary human tends to utilise things in excess (leading to resource waste) when supplied for 'free.'

Detrimental Impact on Future Manufacturing: Freebies reduce manufacturing quality and profitability by detracting from efficient, productive infrastructure that enables the highest efficiency.

Welfare schemes and international perspectives:

Every country attempt to provide welfare for their people to help them in the toughest period of their life.

The graph below clearly explains that some countries spend more than others and the graphs are rising, for example, France is about 31% followed by Italy, Sweden, Greece, Germany, Japan, Netherlands, United Kingdom, United States, Australia, and Canada.



Graph 1: Public Social Spending as a Share of GDP, 1900 to 2016

Source: OurWorldInDate.org

In the above graph, we can see that European countries spend more on public social welfare than the rest of the continent and provide more facilities to their country's people. If welfare schemes are managed well, it's good for the future of a nation and make a country's economic boom. Still, irrational schemes and freebies ultimately result in an excessive and inappropriate drain on government spending. The point is that no matter how cheap the freebies are for the recipients, they are costly in the long run for the economy, social cohesion, and quality of life. Sri Lanka's current economic crisis is a stark reminder of the crucial relevance of public debt sustainability. Supplied various accessible products and services; consequently, the economy collapsed, and the severely indebted nation faced many issues. In the fiscal year 2023, total federal, state, and local government welfare spending in the United States is "estimated" to be \$1,304 billion, including \$756 billion in Medicaid billing and the remaining \$549 billion in other spending (Express News Service, 2023).

Freebies and Welfare Schemes Analysis

To begin, let us conduct a comprehensive review of welfare schemes implemented in India from 1953 to the present.

Table 3: Key Welfare Schemes Introduced by Centre and States in India

Centre/ State Scheme	Ruling Party/Coalition	Schemes	Launch Year
State (Tamil Nadu)	Indian National Congress	Mid-day meals	1953
State (Maharashtra)	Indian National Congress	Employment Guarantee Scheme	1972
Centre	United Front Government	Targeted Public Distribution System (TPDS)	1997
Centre	NDA government	Sarva Sikshya Abhiyan	2001-02
Centre	UPA Government	MGNREGA	2005
State (Bihar)	Janta Dal United	Mukhyamantri Balika Cycle Yojana (Free Bicycle for schoolgirls)	2006
Centre	UPA Government	Food Security Act 2013 (affordable food grains)	2013
State (West Bengal)	TMC	Cash incentives scheme for girls	2013
Centre	NDA government	Swachh Bharat Abhiyan (to eliminate open defecation and promote solid waste management)	2014
Centre	NDA government	Jan Dhan Yojna (Towards financial inclusion)	2014
State (Delhi)	AAP	Subsidised electricity	2015
State (Tamil Nadu)	AIADMK	Marriage Assistance Scheme	2016
State (Odisha)	BJD	KALIA (Krushak Assistance for Livelihood and Income Augmentation) for farmer's welfare.	2018
State (Andhra Pradesh)	YSR Congress Party	YSR Rythu Bharosa (farmers' welfare)	2019

This table presents a comprehensive overview of various schemes launched by both the central and state governments, along with the respective ruling party or coalition and the year of their

initiation. These initiatives cover a wide range of areas such as education, employment, welfare, sanitation, and financial inclusion, showcasing the diverse efforts aimed at enhancing the socio-economic landscape of the country.

Table 4: Fiscal indicator (debt to GSDP & Revenue interest payment)

State	2020-21	2021-22 RE	2022-23 BE	Interest Payment to Revenue Receipts (Per cent)
	Debt			
Andhra Pradesh	35.5	32.5	32.8	14.3
Bihar	36.7	38.6	38.7	8.6
Chhattisgarh	26.3	26.2	-	8
Gujarat	21	19	-	14.2
Haryana	28	29.4	-	20.9
Jharkhand	34.4	33	27	8.4
Karnataka	22.4	26.6	27.5	14.3
Kerala	37.1	37	37.2	18.8
Madhya Pradesh	31	31.3	33.3	11.7
Maharashtra	19.6	17.9	18.1	11.4
Odisha	20	18.8	18.6	4.3
Punjab	49.1	53.3	-	21.3
Rajasthan	40.5	39.5	39.8	14.9
Tamil Nadu	26.9	27.4	27.7	21
Telangana	25.2	24.7	25.3	11.3
Uttar Pradesh	29.1	34.9	32.5	11.2
West Bengal	37.1	34.4	34.2	20.8

Source: (Reserve Bank of India - RBI Bulletin, 2022)

So, if consider the table 4. The fiscal conditions in India's states are showing signs of deterioration. According to the RBI, Punjab is expected to be the hardest hit, with its debt-to-GDP ratio expected to exceed 45% in 2026-27(JC, 2022). Rajasthan, Kerala, and West Bengal are expected to have debt-to-GDP ratios higher than 35% by 2026-27. New risks have emerged in rising non-merit freebie spending, expending contingent liabilities, and ballooning DISCOMs overdue(*RBI Bulletin*, 2022) and here concentrated on the financial sustainability of some states that observers claim they won by irrational promises. Interest in this area has likely been rekindled because the new Karnataka government won the elections, and most political observers claim that the ruling party's victory is solely due to its election promises. There are five significant promises of the Karnataka government

- 1) Two thousand rupees monthly assistance to the women heads of families (Gruha Lakshmi)
- 2) 200 units of power to all households (Gruha Jyoti)
- 3) ₹3000 for graduates and ₹1500 for diploma holders as unemployment monthly payment (Yuva Nidhi)
- 4) Ten kilos of rice for every member of a BPL household per month (Anna Bhagya)
- 5) Free travel facility for women on state transport buses (Shakti)

The Congress's five guarantees, which include free bus transportation for women, a dole for youths, and 10 kg of rice for every BPL household member, are expected to cost around Rs 50,000 to 60,000 crore per year (IndianExpress,2023). It's about (2.14% to 2.57%) of the GSDP, respectively, that shows the considerable number. Even the fiscal deficit for Karnataka state also indicates the same (60,581 is about 2.6 per cent of GSDP)(Tyagi, 2023). Freebies reached above 2% of GSDP severely indebted states, like Punjab and Andhra Pradesh, and the table below illustrates some state's freebies data for 2023-24 years. The table above depicts that states like Punjab, Rajasthan, West Bengal, Kerala, Jharkhand, Bihar, Andhra Pradesh, and Madhya Pradesh, respectively, have a high debt-to-GSDP ratio (more than 30%) which shows alarming signs of deteriorating that should bring them down and maintaining public debt sustainability by cutting unnecessary expenses, so the direct consequences of a rising debt-to-GDP ratio will adversely affect a state's ability to raise revenues and force it into a vicious cycle of significant debt, putting tremendous strain on the state's revenue generation capabilities in creating new assets for the state's growth and development. Also, the table above shows states such as Punjab, Tamil Nadu, Haryana, and West Bengal had high percentages of interest payments (more than 20%), indicating that these states spend a large portion of their revenue expenditure on interest payments, indicating a heavy debt burden caused by increased borrowing.

Table 5: Freebies Released by the state governments in 2022-23

States	(As a per cent of GSDP)	(As a per cent of Revenue Receipt)	(As a per cent of own tax Revenue)
Madhya Pradesh	1.6	10.8	28.8
Rajasthan	0.6	3.9	8.6
Jharkhand	1.7	8	26.7
Kerala	0	0	0.1
Haryana	0.1	0.6	0.9
Punjab	2.7	17.8	45.4
Andhra Pradesh	2.1	14.1	30.3
West Bengal	1.1	9.5	23.8
Bihar	0.1	0.6	2.7

Source: (RBI Bulletin, 2022)

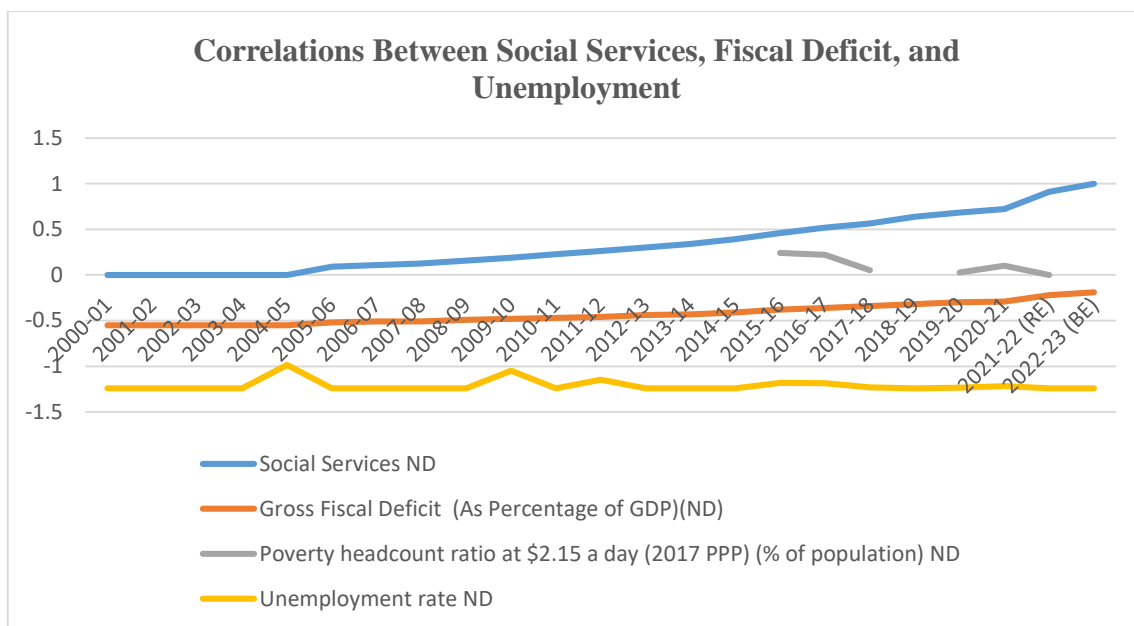
As per data, Punjab hit the most significant percentage of freebies among other states with 2.7% of GSDP for the fiscal year (2022-2023), followed by Andhra Pradesh, Jharkhand, Madhya Pradesh, and West Bengal by 2.1 %, 1.7%,1.6% and 1.1% respectively.

Table 6: Financial Guarantees offered by states (Percent of GSDP)

Years/States	Bihar	Kerala	Punjab	Rajasthan	West Bengal	Andhra Pradesh	Uttar Pradesh	Haryana
2017-18	1.1	2.5	4.5	7.5	0.9	4.6	6.3	2.2
2018-19	1.0	3.4	0.9	7.6	0.6	6.2	6.9	2.6
2019-20	0.9	3.2	4.1	8.1	0.5	8.1	6.7	2.7
2020-21	3.4	3.9	5.3	8.6	0.6	9.0	8.0	NA

Source: (Reserve Bank of India - RBI Bulletin, 2022)

Table 6. Shows the Guarantees granted by the state governments as per the percentage of the GSDP of states from 2017-18 to 2020-21. Andhra Pradesh with 9.0% has the highest mark, followed by Rajasthan, Uttar Pradesh, and Punjab, with 8.6%, 8.0%, and 5.3%, respectively. So, the state government needs to keep the guarantees under control and manage its risk. Otherwise, it would be a tremendous financial burden to the financial health of vulnerable states.



Graph 2: Correlations between Social Services, Fiscal Deficit, and Unemployment

Table 7: The correlation between social service, Gross fiscal Deficit and Unemployment rate

Correlations				
		Social Services ND	Gross Fiscal Deficit (As Percentage of GDP)(ND)	Unemployment rate ND
Social Services ND	Pearson Correlation	1	1.000**	-.194
	Sig. (2-tailed)		.000	.375
	N	23	23	23
Gross Fiscal Deficit (As Percentage of GDP)(ND)	Pearson Correlation	1.000**	1	-.192
	Sig. (2-tailed)	.000		.381
	N	23	23	23
Unemployment rate ND	Pearson Correlation	-.194	-.192	1
	Sig. (2-tailed)	.375	.381	
	N	23	23	23

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the correlation table provided:

The correlation coefficient between Social Services ND and Gross Fiscal Deficit is 1.000**, indicating a perfect positive correlation between these two variables. This suggests that as

Gross Fiscal Deficit increases or decreases, Social Services ND also increases or decreases linearly.

The correlation coefficient between Social Services ND and Unemployment rate ND is $-.194$. This indicates a weak negative correlation between these two variables. However, the correlation is not statistically significant at the 0.01 level (2-tailed), as indicated by the p-value of $.375$.

The correlation coefficient between Gross Fiscal Deficit and Unemployment rate ND is $-.192$, which is also a weak negative correlation. Similarly, this correlation is not statistically significant at the 0.01 level (2-tailed), with a p-value of $.381$.

In summary, there appears to be a strong positive correlation between Social Services ND and Gross Fiscal Deficit, while the correlations between Social Services ND and Unemployment rate ND, as well as between Gross Fiscal Deficit and Unemployment rate ND, are weak and not statistically significant.

CONCLUSION

It is plain from the above discussion that populist schemes and unjustified freebies lead the country to harmful and dangerous situations; empty promises that are left unfulfilled could insult people and disappoint voters to retake part in the democratic election process and it prevents society from progressing; meanwhile, ordinary people must pay the costs in the form of higher taxes and less development.

The study found a substantial relationship between welfare spending and state debt-to-GDP ratios, indicating fiscal implications. Concerns about freebies' impact on workforce participation are verified, although correlations with unemployment rates remain ambiguous, necessitating further inquiry.

According to data, many state electricity companies are in the red line, and DISCOMs' performance has remained poor. As a result, providing subsidies is putting states in dire financial straits.

"But the freebie culture is not a road to prosperity, but a quick passport to fiscal disaster" (Singh, 2022).

It's too early to judge the financial impact of welfare schemes on Indian states that recently started different welfare schemes and the opposite parties calling them political freebies; especially for statistical analysis (time series tests), it needs data for more extended periods intervals, investigate the negative and positive points of welfare schemes.

Suggestions

Banning political parties for promising irrational freebies would be a big step.

The election commission should push the parties to provide funding mechanisms for such promises.

The power of the EC to fight freebies has remained vague and limited.

The central government must maintain fiscal integrity and make credible policies to change this political culture.

Drawing a big line between welfare and freebies.

Concentrate on skill development rather than freebies: give a guy a fish, and you feed him for a day; teach a man how to catch fish, and you feed him for a lifetime. Providing individuals with valuable skills is always greater than giving them freebies.

Clear rationale and indication of funds: States should be able to create subsidy programs to help people in need. Still, such programs must justify spending more on basic amenities and show the funds to support the state's economic health.

Voter awareness: in a democracy, the power to block or allow the march of freebies rests with the voters. There is a need for consensus between regulating irrational freebies and ensuring voters don't get swayed by irrational promises.

Judicial intervention: a constructive debate and discussion in parliament are challenging since the freebie culture impacts every political party, directly or indirectly. Therefore, judicial involvement is required to propose measures.

Constitution of centrally devised communities to explore the possibilities of implementation of promises.

Public debt sustainability is essential and can be sustained by responsible fiscal management techniques.

They are reducing the size of subsidies to make sure that only the most deserving people receive them.

The political party should not be the criterion for sanctioning welfare schemes.

The centrally constituted body should approve the manifestation of the respective political party before its public announcement.

Rejuvenating India must be our single aim for the next quarter century.

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