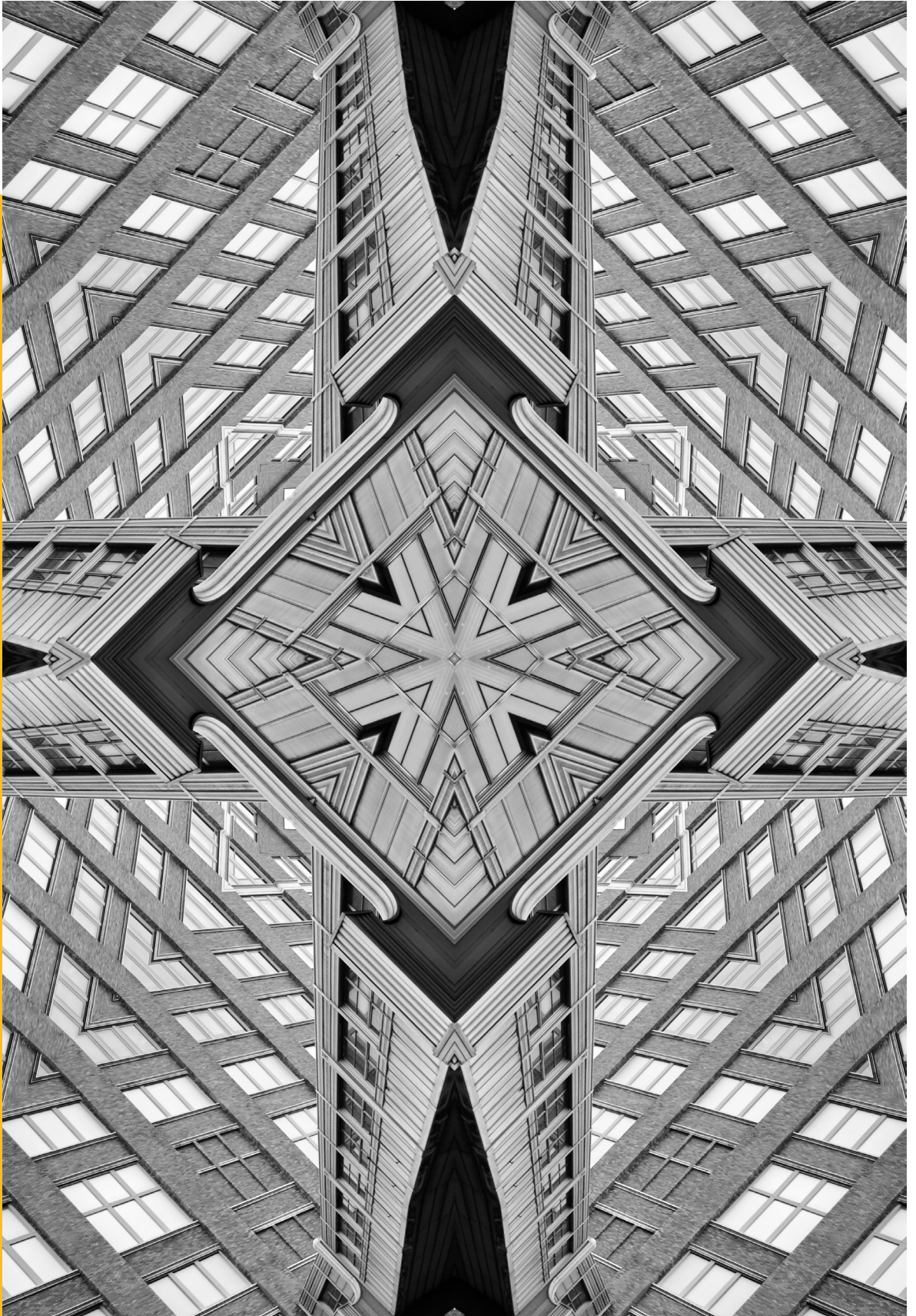


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‘Freebies’ and Welfare Schemes: Setting a Framework for the Debate in India

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Abstract

India has a long history of nurturing a social welfare regime whereby material goods are distributed to the poor and vulnerable populations of the country, helping uplift their socio-economic condition. However, many of such welfare goods are often called ‘hand-outs’ or ‘freebies’ that are promised or delivered based on electoral considerations; they are widely viewed as manipulative, aimed only at influencing electorates. The mass distribution of all kinds of welfare goods also has costs to the public exchequer, especially in terms of trade-offs with long-term developmental initiatives; it can also disincentivise human agency and enterprise. This paper underlines the core issues in the ongoing freebies debate and offers a sound framework for analysing the impacts on the welfare policies of the Indian state.

On 16 July 2022, Prime Minister Narendra Modi while inaugurating Bundelkhand Expressway in Jalaun, Uttar Pradesh cautioned against what he called *revadi* (culture of ‘freebies’) and called it “dangerous for the development of the country.”¹ Following the PM’s statement, a Public Interest Litigation (PIL) was filed in the Supreme Court (SC) by a ruling party lawmaker seeking strict regulations on the practice of promising and distributing freebies by political parties; it said “distribution of freebies from the public fund influences voters, disturbs the level playing field, impacts free and fair elections and vitiates purity of the process.”² The Supreme Court bench hearing the petition, declining to encroach upon the jurisdiction of the legislature, initially proposed to constitute a committee comprising various stakeholders to look into the matter. The apex court later referred the matter to a new three-member bench to take up the plea.³ At the time of writing this paper, that bench is yet to hear the matter. The Election Commission of India (ECI), which initially stayed silent, in October 2022 released a standard pro-forma to be used by political parties to disclose how they would fund their poll promises.⁴ The ECI’s directive provoked heated response from opposition parties, with some of them calling it an “overreach” and an “interference in their democratic rights.”⁵

To be sure, discussions in India around freebies are nothing new. A decade ago, the SC found itself dealing with a number of petitions on freebies. The bench hearing *Subramaniam Balaji v. the State of Tamil Nadu* (2013) ruled that although the distribution of freebies influences people and “shakes the root of free and fair elections but the Court held that the promise or distribution of such freebies cannot be considered bribery or corruption and court cannot tell the government how to spend public money.”⁶ Based on this ruling, the ECI in 2014 required political parties to explain the rationale behind their promises and ordered them to make only promises that can be fulfilled.⁷

Introduction

This time, however, the issue has been raised by none other than the prime minister, reopening a complex and crucial debate on the nature of welfare policies in the country. At the same time, it raises deeper questions about the nature of the welfare state in India^a and the underlying political, economic and institutional contexts in which ‘freebies’ are distributed. How do we differentiate social welfare schemes—which seek to translate the ‘welfare state’ characteristic of India to policies on-ground—and freebies, which are doled-out by political parties based on electoral considerations? Are they in fact distinguishable from one another—with one being a necessity that has been recognised by a succession of governments, and the other a wasteful use of public funds?

This paper aims to capture the key aspects of the freebies debate, which begins with the definitional conundrum. It outlines the key arguments in favour of, and against such welfare regime particularly the ‘populist’ aspects of it as well as the roles of regulatory institutions in addressing these concerns. The rest of the paper explores the evolution of the welfare state in India across different phases; sets the context for the primary research question, which interrogates the nature and dynamics of the social welfare regime in India both at the federal and state levels; and offers recommendations on the potential institutional safeguards and reforms that could streamline the social welfare regime to prevent its misuse.

a The Indian state has over the years rolled out a slew of social welfare schemes such as the distribution of subsidised food grains, health insurance, and other redistributive social goods. In a resource-starved ecosystem like India’s, the immediate needs for food and other essential means of survival make social welfare schemes extremely crucial. See Devesh Kapur and Prakirti Nangia, ‘Social Protection in India: A Welfare State Sans Public Goods’, *India Review*, Volume 14, 2015

Indian Democracy and Welfarism

Welfarism is as old as human civilisation itself.^b Throughout history, states have been confronted with shared challenges of financial insecurity, economic or income deprivation, and uncertainty of livelihoods. In contemporary times, rapid industrialisation, economic modernisation, and accelerated globalisation have dramatically heightened these uncertainties, necessitating some form of social protection and welfare measures as non-negotiable for nearly all nations. In the late 19th century, many democratic countries particularly in developed Europe sought to respond to market failures by developing structured and formal legislative initiatives to tackle the social welfare needs of their populations. Social protection received more attention in the region during the interwar period, in the form of Keynesian economic policies whose primary aim was to support a productive and healthy workforce.⁸

In the post-war period, the withering of the *laissez-faire* state in the West resulted in the consolidation of welfare policies. To mitigate the failures of market and the consequent inequalities, states increasingly intervened in the daily lives of people to provide basic necessities like shelter, food, education, health and employment.⁹ Among the triggers was the communist revolution that led to the establishment of Communist or Socialist regimes in Russia (1922) and China (1949) based on the ideal of heavy state intervention that promised to alter the distribution of income, and make society more equitable than the other alternative in place under capitalism.¹⁰

b For instance, Kautilya's *Arthashastra* notes the importance of 'welfare' during the Mauryan empire (322 BCE – 185 BCE). Kautilya writes: "In the happiness of his subjects lies his happiness; in their welfare, his welfare. He shall not consider as good only that which pleases him, but treat as beneficial to him whatever pleases his subjects". See L.N. Rangarajan. *Kautilya: The Arthashastra*, Delhi: Penguin, 1992

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The trajectories of welfarism in the global South have been very different, given the strong colonial legacy that has had ramifications in terms of weak political systems and pervasive poverty. Freed from colonial exploitation and moving away from agriculture as main base of the economy, the new states hardly had any surplus left for redistributive initiatives. In the West, redistributive policies were buoyed by affluence; the developing countries, for their part, have had to extend support to the poor while meeting goals of quality education and healthcare. Thus, welfare policies in the global South vary across countries and are often accompanied by social and political transformations.¹¹

This is not to deny that the post-colonial states have adopted many characteristics of the Western welfare state. The presence of large populations of impoverished and marginalised warranted an interventionist state.¹² The rise and consolidation of the democratic states in different parts of the world further reinforced the necessity of a welfare state, as government formation became contingent upon the support of the majority—that majority, in most regions comprised poor populations.¹³

T. H. Marshall's typology is useful in this analysis. Marshall underlines the need for “social rights through social policies in the areas of education, health care, unemployment insurance and social security” along with political and civic rights in liberal democracies across the world.¹⁴ As the neoliberal forces of free market gave rise to a globalised world order, inequities in growth have heightened, too, aggravating the challenges for the welfare state.¹⁵ The welfare state continues to be relevant, therefore, amid the many challenges,¹⁶ and in both the developed and developing world. In 2020, the COVID-19 pandemic only underscored the crucial and indispensable role of the welfare state, as large populations lost their livelihoods and the economic fallout reached all regions of the world. Welfare measures and social security initiatives were undertaken by governments across the world to mitigate the crises brought about by the pandemic.¹⁷

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India's trajectory as a welfare state has evolved in different phases,¹⁸ largely mediated by transformations in its social, political and economic landscapes. Both the Centre as well as the state governments have sought to provide social security benefits to vast populations.¹⁹ Colonial rule and Partition had left India a poor and vulnerable nation, and policymakers did not codify social protection in the Constitution. India's first prime minister, Jawaharlal Nehru said in 1958: "We cannot have a welfare state in India with all socialism or even communism in the world unless our national income goes up greatly....In India there is no existing wealth for you to divide; there is only poverty to divide.... We must produce wealth and then divide it equitably."²⁰ Where welfarism found mention in the Constitution, is in the non-enforceable Directive Principles of State Policy in Part IV of the supreme law.²¹ The Directive Principles make it the duty of the Indian state to ensure for its citizens adequate means of livelihood, equitable development and distribution of resources, special protection to children, women, weaker and vulnerable sections, proper healthcare, and other kinds of assistance to provide a life of basic dignity.²²

Despite the absence of constitutionally mandated provisions on social welfare, the Nehru government pushed for welfarism through the Five-Year Plan, unveiled in the early 1950s as the key to realising the goals of a socialist model of development in India. The Plan focused, for instance, on healthcare for women and children in pursuit of which a Central Social Welfare Board was established in 1953. However, welfare schemes—in terms of distribution of material goods—received far less attention as the expectation was that economic growth would have direct beneficial effects on reducing poverty. Rather than relying on social welfare schemes, the Nehru government placed its bets on industrialisation. It relied on increased agricultural outputs, and organised community development programs and cooperatives to transform the rural regions. However, Nehru's hope was belied as benefits of growth did not trickle down to the poorest sections of society.²³

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A contrasting trend happened at the sub-national level. A number of states started rolling out their own social schemes for the poor. The Tamil Nadu government, for instance, under then Chief Minister K. Kamaraj²⁴ rolled out an ambitious mid-day meal scheme for students. The programme resulted in a significant increase in the number of children attending schools, and the model found favour among many Indian states. Other states would later introduce similar schemes, such as Kerala in 1984. (This will be discussed in detail in the next section.)

The 1990s—largely a post-Congress phase marked by a series of coalition governments dominated by regional parties—witnessed India implement economic liberalisation policies and recording accelerated growth rates. The decade also saw quantitative and qualitative transformations in the Centre’s welfare policies, as the focus shifted towards a needs-based approach to welfare. This is seen in the Eighth Five-Year Plan (1992-1997), which emphasised ‘human development’ as the fundamental goal of policy. The Ninth Five-Year Plan (1997-2002) followed this up with a strategy of ‘growth with social justice’.²⁵ The Centre then launched a host of social schemes from the mid-1990s focusing on giving the poor access to essential services such as education and healthcare.

The first notable initiative in this regard was the National Social Assistance Program (NSAP) of 1995, which extended benefits such as pensions for the elderly, the widows and those with disability, as well as maternity benefits. The flagship Public Distribution System (PDS), first implemented in the 1960s, received greater attention from the Centre as the Targeted Public Distribution System (TPDS) was launched in 1997. The PDS procures food grains from farmers at mutually beneficial prices, stores them, distributes to the designated government ration shops, and sells them at affordable prices. The PDS also maintains food stocks in case of emergency. It works as a joint venture between the federal government and the states.²⁶ The TPDS modified the system by identifying different classes of people based on income, and created new categories where the population was divided between ‘Above Poverty Line’ (APL) and ‘Below Poverty

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Line' (BPL) based on categories determined by the erstwhile Planning Commission. Another category would later be identified in 2000, under the Antyodaya Anna Yojna (AAY) which included the poorest of the poor belonging to the BPL category.²⁷

Education programs also received more serious attention with the launch of the Total Literacy Mission, later renamed *Sarva Sikshya Abhiyan*, aimed at universalisation of elementary education. Welfare policies, in general, received a thrust in the 2000s as the country's remarkable economic growth rates^c left many behind as a result of widening disparities. In the next two decades, the Centre and states launched a significant number of welfare schemes.²⁸

Throughout the history of India's various social welfare programmes, the most critical ones have been in the area of food security. In 1995, following the success of the mid-day meal scheme in Tamil Nadu, the Central government launched the National Programme of Nutritional Support to Primary Education (NP-NSPE). The key objective of the scheme was to increase student enrolment while improving the nutritional status of primary-school children. However, the scheme was limited to 2,408 blocks across the country. Given its usefulness,²⁹ the Supreme Court—based on a PIL filed by the NGO People's Union for Civil Liberties—directed the Union government in 2001 to provide cooked meals instead of dry rations in all government and government-aided primary schools across the country.³⁰

In 2013, the Congress-led United Progressive Alliance (UPA) government passed the National Food Security Act, which made key welfare schemes like the Mid-day meal, the PDS, and child development services, among others, legal entitlements. The law's beneficiaries account for 75 percent of the country's rural population and 50 percent of the urban population—or a combined 800 million people;

c Between 1990-2005, India was absent from the top ten countries in terms of GDP size. By 2010, India rose to ninth position and by 2017, it was the sixth largest economy in the world. See: <https://www.weforum.org/agenda/2022/09/india-uk-fifth-largest-economy-world>

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the coverage capacity of the scheme has room for an additional 10.58 million people.³¹ The BJP-led National Democratic Alliance (NDA) later renamed the mid-day meal scheme as PM-POSHAN (*Pradhan Mantri Poshan Shakti Nirman*) in September 2021.

Another area that has received attention is unemployment, especially in the rural areas. In 2006, the UPA government implemented the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)—a culmination of the ‘experiment’ initiated in Maharashtra in 1972 with the Employment Guarantee Scheme (EGS).^d The EGS, despite its shortcomings, is regarded as “the longest sustained effort at employment generation in the rural areas.”³² The MGNREGA is widely viewed as a success story,³³ even as it has met with allegations of corruption, misuse of funds, and delays in payments.³⁴ It has improved employment opportunities for the blue-collar workforce, especially for women. The central government has a number of other welfare schemes that aim to address issues such as shelter and housing (Awas Yojana), children’s welfare (Sarva Shiksha Abhiyan), farmers’ incomes (Kisan Samman Nidhi), and healthcare (Ayushman Bharat Yojana).

At present, there are 65 centrally sponsored schemes across the country, with 26 of them³⁵ having been launched by the Narendra Modi government in the last eight years.³⁶

State Initiatives

At the sub-national level, the first movers on welfarism were the southern states. Then Chief Minister K. Kamaraj launched the mid-day meal scheme in Tamil Nadu as early as in 1957.

d Maharashtra had consecutive droughts over a period of time which forced them to implement an anti-poverty scheme. Employment was provided through engagement in public works such as construction of sewer lanes, canals, and roads, and the wages were granted keeping in mind the minimum agricultural wage in the area for unskilled labour in public works that were labour-intensive.

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**Table 1:
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	2001-2002
Centre	UPA Government	MGNREGA	2005
State (Bihar)	Janta Dal United	Mukhyamantri Balika Cycle Yojana (free bicycles for schoolgirls)	2006
Centre	UPA Government	Food Security Act 2013 (affordable food grains)	2013
State (West Bengal)	TMC	Cash incentive scheme for girls	2013
Centre	NDA Government	Swach 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

Source: Authors' own

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Some years later, in the early 1970s and 1980s, popular leaders like CN Annadurai, M.G. Ramachandran or MGR and M. Karunanidhi and subsequently J. Jayalalitha in Tamil Nadu and NT Rama Rao in then undivided Andhra Pradesh, cultivated strong electoral bases by rolling out popular schemes to distribute free material goods such as food grains, cash, gold coins and jewels, electronic gadgets, and home accessories.³⁷ Such model of distributing welfare goods has been replicated many times over by regional leaders over the decades.³⁸

Notable examples include: Naveen Patnaik's Rs 1/kg rice scheme and *Biju Swasthya Kalyan Joyana* (health cards)³⁹ in Odisha; Nitish Kumar's free bicycle scheme for school-going girls in Bihar; Jayalalitha's distribution of eight-gram gold for brides, amongst other schemes in Tamil Nadu; Mamata Banerjee's cash incentives for girls and health insurance scheme in West Bengal; subsidised food grains by Yogi Adityanath in UP; and free electricity and water from Arvind Kejriwal's government in Delhi.⁴⁰ Some of these state leaders, like Patnaik in Odisha and Kumar in Bihar, have reaped rich political dividends from repackaging central welfare schemes and launching many attractive schemes at their own levels.⁴¹ Chief Ministers from other states have followed these examples as extremely effective mobilisational tools for winning elections.

It is clear that welfare schemes have proliferated over time in India, and are now all-pervasive both at the Central and state level. Many analysts⁴² refer to a number of these schemes as doles or 'freebies'. At the same time, other sections of the political elite, policymakers, experts, and NGOs have repeatedly said that these schemes are instrumental in giving relief to the country's socio-economically vulnerable populations.⁴³ The crux of the debate, therefore, is whether the utility of welfare schemes in providing support to poor populations is trumped by the argument that they are fiscally imprudent and unproductive in the long run.

Welfare Schemes Vs. Freebies: Key Issues

The debate on the financial viability and social relevance of welfare schemes has been ongoing for some time now. Despite judicial interventions (i.e., the Subramaniam Balaji judgment of 2013 discussed earlier in this paper) and directives to parties from the Election Commission, the issues surrounding freebies remain unsettled.

Ambiguities in Definitions

The dictionary meaning of a 'freebie' is a thing that is given or provided free of charge. The Reserve Bank of India (RBI) in a bulletin in June 2022 defined 'freebies' as "a public welfare measure that is provided free of charge."⁴⁴ RBI adds that freebies can be distinguished from public or merit goods such as education and healthcare, and other state expenditures that have wider and long-term benefits. However, it is extremely difficult to distinguish welfare or so-called 'merit' goods from freebies or 'non-merit' goods.⁴⁵ Analysts⁴⁶ have emphasised that merit goods like free or subsidised food, education, shelter and healthcare are crucial for accelerating human development and in turn contribute to the country's growth. However, the mass distribution of non-merit goods like mixer grinder, laptops, television, or gold jewels can drain government revenue.⁴⁷

At the same time, there are other analysts⁴⁸ who are of the view that even 'freebies or non-merit goods' like mixer-grinders help improve the lives of households; these items also free up some time for girls, who are expected by social norms to do most of the kitchen chores, giving them more time to devote to other activities like studying.⁴⁹ The provision of bicycles has also resulted in improvements in school attendance among girls in rural areas. Similar results of improved access to education, information and avenues of learning have been found amongst children after being provided with gadgets like mobile phones, tablets and laptops.⁵⁰

Welfare Schemes Vs. Freebies: Key Issues

As certain material goods normally regarded as ‘freebies’ also have indirect socio-economic benefits, the task of distinguishing welfare goods from freebies becomes a policy challenge.⁵¹ Such ambiguity regarding the definition of desirable and undesirable welfare goods complicates the debate, which is framed by four crucial aspects: a) the necessity of social welfare schemes in India, given widespread poverty, and their positive outcomes; b) the political motivations behind the distribution of welfare goods; c) the challenges in the implementation of such schemes, and their misuse; and d) the question of fiscal imprudence of these schemes.

Welfare schemes as conduits of development

Welfare schemes like mid-day meals, PDS, MGNREGA, health insurance schemes have played a crucial role in the improvement of lives of both the rural and urban poor in the country—often, in fact, ensuring their very survival. The distribution of food grains under the PMGKAY scheme,⁵² for instance, as the COVID-19 crisis peaked in 2021 was instrumental in averting widespread hunger amongst huge populations. The health schemes also helped in the treatment of COVID-19 patients at minimum cost. MGNREGA, which is often criticised⁵³ as a wasteful exercise, is being credited for not only providing work to the rural poor but also increasing the participation of women in the workforce.⁵⁴ Subsidies on implements such as seeds, as well as loan waivers have helped debt-ridden small farmers across the country. Mid-day meals result in more children attending school regularly, and improving their nutrition. In a society marred by stark social inequality, therefore, such schemes are crucial interventions that mitigate the consequences of poverty and lack of opportunity.⁵⁵

Certain distinctions in the taxonomy are crucial. A ‘freebie’ may be a gift for which there is no payment, but certain essential welfare goods that the beneficiary cannot afford and which are essential for maintaining the basic dignity of life—healthcare, education, social protection—cannot be called ‘freebies’. These welfare goods reduce

Welfare Schemes Vs. Freebies: Key Issues

the impacts of growth-constraining factors such as poor education, lack of proper nutrition, higher morbidity and early mortality—thus they are costs that the state bears for the upliftment of the poor which, in turn, contributes to positive economic growth.^e

Better living conditions brought about by these welfare goods help emancipate the poor, infusing them with a better perception of themselves and their position within the nation as citizens. Similarly, subsidies for fertilisers, food, affordable homes, or LPG connections are crucial policy interventions for the socio-economic upliftment of the vulnerable section and cannot be dubbed as ‘freebies’. Even business subsidies, accorded with transparency and within a sound regulatory framework, is an essential component for attracting investment and industrial growth. However, such subsidies need to be better targeted, and distributed within a prescribed limited period and within the affordable fiscal framework.

The Politics of Welfare

The proliferation and consolidation of welfare schemes in India can be attributed largely to their role in providing electoral rewards for political leaders both at regional and national levels. Political analysts have noted how, in the last few decades, the provision of welfare schemes has helped swing electoral outcomes in favour of the benefactor party.⁵⁶ There is evidence to show that, in India and in other countries, the distribution of welfare benefits has been subsumed under patronage or clientelistic politics—i.e., benefits are provided to people in exchange for votes. With time, universal as well as targeted schemes have been introduced to mobilise specific constituencies like women, farmers, and youth.⁵⁷ In the absence of long-term and productive asset-building developmental policy initiatives,⁵⁸ the political elite use these tangible private material goods that directly and immediately touch the lives of the voters and thus accrue assured

e The authors are thankful to Mr Sanjeev Ahluwalia of ORF, for his insights on this.

Welfare Schemes Vs. Freebies: Key Issues

political benefits.⁵⁹ Such welfare schemes are often popularised in the name of the leader as paternalistic grants to oblige the electorates, helping to enhance the leader's electoral acceptability. The practise, entrenched in India's political culture, are often derided as baits for electoral victory.⁶⁰

Wide Scope for Misuse

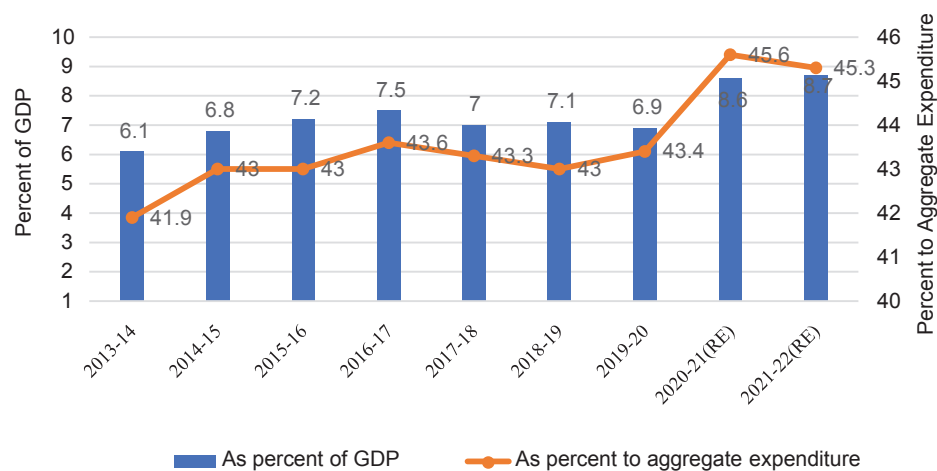
Notwithstanding the positive impacts of many welfare schemes, their implementation has been shrouded in corruption and nepotism leading to gross misuse of scarce state resources.⁶¹ For instance, the PDS scheme has been criticised for breeding corrupt behaviour and inefficiency—only one rupee reached the BPL families each, for every 3.65 rupees spent by the government.⁶² Many schemes that are universal in nature cover populations from more privileged classes who do not require subsidised goods or free of cost benefits.⁶³ The targeted or means-tested distribution of such welfare benefits, often over-excludes, leaving the poorest families out of the welfare net as seen in the PDS scheme during the initial phase of the COVID-19 pandemic.⁶⁴ Experts have also pointed out that means-tested distribution should be done with caution as it might lead to further inefficiency if “the economic cost of means-testing outweighs the cost of making the programme universal.”⁶⁵

There are many private goods such as subsidies on agricultural utilities like fertilisers, or free electricity to farmers, predominantly seen in Punjab, for instance,⁶⁶ that end up not only costing the state substantial finances but also causes harm to the fertility of the soil and leads to wastage.⁶⁷ In more recent times, the proliferation of welfare schemes in Andhra Pradesh ended up being wasteful and caused financial difficulties for the state government, provoking public furor.⁶⁸ As per the July 2022 *Reserve Bank of India Bulletin*,⁶⁹ a number of other Indian states are similarly reeling from financial crises partly due to unsustainable subsidies.⁷⁰

The current round of debate around freebies was triggered by the Centre, which is putting the blame on the states for rolling out unsustainable volumes of freebies or subsidies to win elections. Yet, both the Centre and the States are accountable for the seemingly runaway practice of freebies. Both have, over the years, allocated significant amounts of public funds for their welfare schemes.⁷¹

The combined expenditures of states and the Centre on social welfare schemes in the areas of labour welfare, healthcare, urban development, and water supply, increased from INR 65.24 lakh crore in 2020-21 to INR 71.61 lakh crore in 2021-22—or an increase of almost 10 percent.⁷² Overall, the combined social spending of states and the Centre amounted to 8.6 percent of GDP in 2021, rising from 8.3 percent the year before.⁷³ Social welfare spending by state governments saw a sharp jump owing to higher spending on health and medical services during the pandemic (see Figure 1).⁷⁴

Figure 1:
Social Sector Expenditure of States in India



Source: Reserve Bank of India⁷⁵

Sector-wise spending by state governments saw a marginal increase across sectors, with urban development, water supply and sanitation being given the highest allocations (see Table 2).⁷⁶

**Table 2:
Composition of Expenditure on
Social Services (Revenue and
Capital Accounts)**

	2016-17	2017-18	2018-19	2019-20	2020-21 (RE)	2021-22 (BE)
Expenditure on Social Services	100	100	100	100	100	100
(a) Education, Sports, Art and Culture	43	42.9	41.8	43.8	39.5	38.3
(b) Medical and Public Health	11.8	12.3	12.3	12.5	13.1	13
(c) Family Welfare	1.9	2	2.1	2.2	2.1	2.1
(d) Water Supply and Sanitation	6.5	7	6.6	5.3	6.2	7.6
(e) Housing	3.2	3.8	3.5	2.6	3.7	4
(f) Urban Development	8	7.6	7.6	7.4	8.3	9.1
(g) Welfare of SCs, ST and OBCs	6.9	7.4	6.9	7.7	7.1	7.4
(h) Labour and Labour Welfare	0.8	0.9	1	0.9	1	1.1
(i) Social Security and Welfare	10.9	10.4	11.9	10.9	10.9	11
(j) Nutrition	2.4	2.3	2.1	2.2	2.3	2.1
(k) Expenditure on Natural Calamities	2.9	1.6	2.6	3.2	4.3	2.7
(l) Others	1.6	1.8	1.6	1.3	1.6	1.7

Source: Reserve Bank of India⁷⁷

Note: Percent of expenditure on social services. RE-Revised Estimates; BE- Budget Estimates

Assigning Accountability

Data from the Comptroller and Auditor General of India (CAG) shows that the State governments' expenditure on subsidies has increased by 12.9 percent in 2020-21 and 11.2 percent in 2021-22, after contracting in 2019-20. Moreover, the proportion of subsidies in the states' total revenue expenditure has grown to 8.2 percent in 2021-22 from 7.8 percent in 2019-20. States like Jharkhand, Kerala, Odisha, Telangana and Uttar Pradesh have witnessed the largest rise in subsidies over the last three years. Meanwhile, states like Gujarat, Punjab and Chhattisgarh spent more than 10 percent of their total revenue expenditure on subsidies.⁷⁸ The RBI warned in June 2022 that "new sources of risks have emerged in the form of rising expenditure on non-merit freebies, expanding contingent liabilities, and the ballooning overdue of DISCOMs."⁷⁹

As all direct state borrowings are subject to approval by the Centre, states' revenue expenditure on such social welfare schemes can be monitored. Experts highlight, however, that states are also engaging in off-budget borrowings which "are not declared in the net borrowing ceiling of a state as prescribed by the central government. This leads to a situation where the total outstanding borrowings of a state government are not correctly stated."⁸⁰

The Centre also invests in a number of welfare schemes, especially through Centrally Sponsored Schemes (CSS). Opposition state leaders accuse the Centre of non-payment of dues for these CSS.⁸¹ They also say the Centre is committing fiscal imprudence, noting that "the average revenue deficit of the states has been negligible until Covid-19 at 0.05%, while that of the Union government hovered around 3.15%."⁸² According to data published in *Bloomberg Quint* in January 2022,⁸³ the central government's subsidy bill on food, petrol and fertilisers has increased to 3 percent of GDP in 2020-21 from 1.1 percent in the previous year.⁸⁴ Some analysts also observe that the Central government engages in 'invisible freebies' like writing-off huge loans of big corporations, bailing out banks from corporate bad loans, and cutting down of the base corporate tax rate as it did in September 2019 from 30 percent to 22 percent.^{85,86} Therefore, the Centre and the states have their fair share of accountability in this regard.

The above discussion has underlined three crucial issues that should frame any discussion on ‘freebies’ in India. First, for a country with high poverty rates and persistent economic disparities, welfare schemes are a lifeline for huge populations. The World Bank Report of March 2021 has noted that those who came out of poverty between 2005-12 in India, could again fall back into poverty following just one income shock.⁸⁷ Indeed, the COVID-19 pandemic pushed millions to below poverty level.⁸⁸ Social security schemes have therefore played a crucial role in mitigating the hardships of the poor and vulnerable.

Second, despite the wide network of welfare schemes, India still has a large ground to cover in healthcare⁸⁹ and education spending, even when compared to other developing countries.⁹⁰ India is also facing challenges in unemployment,⁹¹ hunger,⁹² and overall Human Development.⁹³ The welfare schemes that constitute India’s social protection architecture have not been able to adequately address the gamut of developmental challenges as long-term capacity-building projects in education, healthcare and employment remain under-utilised. Third, the widespread practice of offering freebies by politicians, across party lines and for electoral benefits, drains public finances that can be used instead for more concrete policy initiatives. The vote-bank compulsions and likely electoral dividends accrued from such tailor-made schemes complicate their reconfiguration based on actual needs that can prevent overlaps, ensure better targeting, and prevent misuse of resources.

To be sure, the issues related to freebies are serious in nature. At the same time, there should be caution against judicial overreach, as seen in the past instances of the judiciary’s intervention in this domain.⁹⁴ The Election Commission’s order for political parties to regulate their freebies can also have undesirable consequences. Such directives could simply backfire as political parties consider them as interfering in their democratic rights.⁹⁵ Moreover, as the promises of welfare made by political parties to their electorates are part of the key process of bargaining in a democracy—where the voter’s

judgement is paramount—the interference, perceived or real, of non-elected institutions can distort the dynamics of electoral democracy; it also belittles the electorate’s agency and sense of judgement.⁹⁶ The parliament, as a representative body, can debate on the subject and legislate policies although political consensus on regulating a policy that benefits all parties is a difficult task. It is parliament, and other democratic forums including inter-governmental institutions, which should frame the freebies debate and build a political consensus on the redlines.

Institutionally, there are a few policy tools that can help improve the utilisation of welfare schemes in India. First, the financial regulatory institutions should be strengthened so that invisible and irrational expenditures of both the Centre and the states can be better monitored and channelled towards more productive uses. For that, institutional reforms have to be envisaged so that these regulatory bodies can function with more autonomy. Second, the welfare schemes that aim for targeted intervention should be streamlined to identify and cater to the requirements of the poor. Avenues for corruption during distribution of welfare goods should also be plugged through sound policy correction.

It is also essential to consider new categories and typologies for defining ‘welfare goods’ and ‘freebies’, premised upon their utility and impact.

Lastly, attention must be paid to laws that are in place but are not being followed adequately. The Fiscal Responsibility and Budget Management (FRBM) Act, 2003, for example, directs that “the revenue deficit must be eliminated, which means no borrowed money can be used for revenue expenditure, including freebies.” Yet this has not brought visible improvement on the ground.⁹⁷ A combination of legislative mechanisms and increased public awareness regarding the necessity of long-term productive agenda of welfare can be more helpful in the long run, rather than judicial intervention or the ECI issuing guidelines for political parties.

Conclusion

There are rightful concerns about the long-term negative effects of a runaway ‘freebies’ culture. At the same time, solutions are not easy, particularly in a highly competitive democratic polity. This is largely because of the porous nature of social welfare schemes and their increasing attractiveness among electorates. In a country with huge impoverished populations who lack formal social protection, welfare goods—including non-merit or freebies—serve multiple needs.

It is imperative, however, to build a political consensus involving the Centre as well as states to arrest the misuse of welfare schemes and the resultant adverse impacts on the country’s fiscal health. [ORF](#)

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