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Freebies in India: Legal and Economic Perspectives

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*This article examines the freebies culture in India, which initially was introduced as an incentive instrument of public welfare and social improvement, but slowly got converted into a machinery for collecting votes from people. The article begins by drawing a comparison between welfare schemes, public goods and freebies. It is essential to understand the difference between these, as this distinction shall be the point of argument that makes the freebies a failure in Indian society. It examines the short-term dependency attribute of these freebies that makes them disadvantageous for society in the long run. Clientelism and populism have helped us understand how the political leaders who initiate the giving away of freebies get locked into a perpetual cycle of maintaining this system of pure distributive giveaways. The financial strain that this brings upon the economy of the country makes it detrimental to society. An empirical study has been conducted that involves the collection of state-level freebies given by the various state governments at various times. The most concerning trend seen in these is that most of the freebies have been announced before the elections. This makes it obvious what the intention behind giving these freebies is. We have examined states like Tamil Nadu, Andhra Pradesh, Telangana, West Bengal, etc. It further analyses the political-economic rationale behind this trend, including the "race to the bottom" hypothesis and the greater visibility and immediacy of cash transfers compared to long-gestation infrastructure investment. The article then turns to the fiscal consequences of this practice, citing rising state debt, RBI borrowing data, and diversion of funds from infrastructure to distributive spending, warning of risks resembling Sri Lanka's economic crisis. It also evaluates the constitutional and institutional response, including the Supreme Court's engagement in *S. Subramanian Balaji v State of Tamil Nadu* and the limited regulatory power of the Election Commission under the Representation of the*

People Act, 1951. The article concludes that unregulated freebie politics constitutes a growing constitutional crisis, one requiring legislative, rather than judicial, resolution.

Keywords: *welfare populism, clientelism, fiscal sustainability, election commission.*

INTRODUCTION

We find and observe that regarding various freebies and welfare schemes, in certain parts of the economy, it has substantially contributed to the growth of the people and the economy. But one thing that we must realise is that these freebies are a temporary concept and require a successive plan in which the freebies will not be a part of, rather, there will be no more requirement for these freebies. This is where the question arises: are the political parties of our country really looking at the eradication of poverty and the empowerment of people through these freebies, or are they simply using them as a medium to win elections? The purpose of these freebies and the legislative intent behind bringing them is essential in understanding what these freebies will ultimately achieve in the future.¹

CONCEPTUAL FRAMEWORK: DEFINING ‘FREEBIES’

Freebies vs Subsidies vs Welfare Entitlements vs Merit Goods — The definitional Confusion: We must also be able to distinguish between freebies and welfare schemes. Freebies are essentially instruments that are employed by the Government in order to provide assistance to the people in the short term, and not to improve their overall standard of living. They make the people dependent in nature and do not let them work to improve their lives on their own at all. Examples include free bicycles, tablets, school bags or just free cash.²

On the other hand, the welfare schemes that are employed by the governments in multiple situations are considered to be simply an attempt towards the fulfilment of the constitutional obligations, especially the Directive Principles of State Policy. They are present in order to

¹ ‘Freebies Culture in India’ (*Drishti IAS*, 28 October 2024) <<https://www.drishtias.com/daily-updates/daily-news-analysis/freebies-culture-in-india>> accessed 11 June 2026

² ‘Freebies: A Double-Edged Sword’ (*Drishti IAS*, 10 June 2023) <<https://www.drishtias.com/daily-updates/daily-news-editorials/freebies-a-double-edged-sword>> accessed 11 June 2026

improve the standard of living and uphold the principle of social justice and equity in the country.

Merit goods are goods that bring a high amount of positive externalities that are not adequately appreciated by the citizens and thus require external intervention for their supply to maintain the well-being of the community.³

Subsidies are financial assistance and aid that are provided by the government to individuals or businesses to enhance the economic condition of a country.⁴

Economic Literature on Populism and Clientelism: Clientelism has been defined as a transaction between politicians and citizens before the elections that involves certain promises that are made regarding policies contingent on the winning of the political party. The Broader definition of clientelism, however says that it is just a small token given to the voter to induce them to vote for a particular political party; however the definition that fits for this article involves a much narrower definition, which states that “referring to a discretionary provision of private benefits by government officials and political parties selectively to particular groups of citizens, in exchange for their votes.”⁵

The definition of populism is not clear and has been used multiple times in multiple contexts by various people. It originated in the early 20th century in the Western Democracies first and was used as a political insult. It poses the relationship between a group of people and another group, which is posed as the enemy of the former. It is a divisive term used by political scientists and theorists to brand various politicians who play divisive politics. Professor Nadia Urbinati, however, says that populism has been unnecessarily vilified in our country and that it has a lot of negative connotations attached to itself, like anti-elite, anti-intellectual, and anti-establishment. However, one positive thing about populism, according to Professor Nadia, is that it is versatile and adaptable to any situation. A question that might arise in the minds of the reader is how populism is related to the article. It helps us understand a specific stance of a

³ Leonardo Becchetti et al., *The Microeconomics of Wellbeing and Sustainability: Recasting the Economic Process* (Academic Press 2019)

⁴ ‘Understanding Government Subsidies: Types, Benefits, and Drawbacks’ (*Investopedia*, 13 April 2026) <<https://www.investopedia.com/terms/s/subsidy.asp>> accessed 11 June 2026

⁵ Pranab K Bardhan, ‘Clientelism and Governance’ (2021) United Nations University World Institute for Development Economics Research Working Paper 2021/116 <<http://www.igidr.ac.in/pdf/nrdf/publications/21.pdf>> accessed 11 June 2026

politician, why he takes the stance and how it helps him in his career. One negative aspect of populism that Prof. Nadia Highlights is that "A populist leader who gets into power is 'forced' to be in a permanent campaign to convince his people that he is not establishment and never will be," thus the leader will be stuck in a forever loop of promising and convincing people irrespective of the fact that whether he is actually for his opinions or he to the stairs of contradicting opinions to get to the level of power. It is still not clear why this is a part of our article. It is so because once a leader who establishes himself as a populist and has come to power promising freebies to the voters has characterised himself as a giver of freebies and shall have to continue to do the same for the rest of his political career.⁶ Thus, once a politician employs clientelism in his campaign for elections shall be forever stuck in the loop of populism, anti-elitist movements and being a giver of freebies.

Distinguishing Productive Public Investment from purely Distributive Giveaways:

What we now need to understand is the fundamental difference between productive public investments and purely distributive giveaways. Shantanu Chatterjee, in his research paper "How Productive is Public Investment? Evidence from Indian Manufacturing mentions that the lion's share of the public investments for the last two decades has been occupied by infrastructural development. An empirical study conducted in this research concludes that both formal and informal manufacturing facilities closer to the Golden Quadrangle or the North-South-East-West Corridor produce more than those located farther away from the highway. This, in turn, also helps in increasing the GDP per capita. Thus, this shows us how public investments, especially investments of the nature that have been undertaken in India in the past two decades, have been very much advantageous to both the micro and macro economy of this country.⁷

This is one side of the Government expenditure. On the other side, we have the expenditure, which constitutes purely distributive giveaways or, for the sake of this article, we shall call it freebies. This term was coined by Juvenal, a Roman poet who, in his satire 'X', criticised the Roman government on their policy of giving free food and costly entertainment free of cost while the people were starving and there was anti-government sentiment. This diverted the attention

⁶ David Molloy, 'What is populism, and what does the term actually mean?' *BBC News* (06 March 2018) <<https://www.bbc.com/news/world-43301423>> accessed 11 June 2026

⁷ Santanu Chatterjee et al., 'How productive is public investment? Evidence from formal and informal production in India' (2021) 151 *Journal of Development Economics* <<https://www.sciencedirect.com/science/article/abs/pii/S030438782100002X>> accessed 11 June 2026

of the people from the real problems, and now they were no longer criticising the government as they were now satisfied with what they were receiving. However, the bigger problem that everyone ignored was that now the government did not have to invest in costly long-term public policies that would be beneficial in the future, but rather invest in much cheaper purely distributive giveaway systems to remain in power. In the short term, it was a win-win situation, but that is not what leads to the welfare of a state.

The Absence of a Legal/Statutory definition in India: Although there have been multiple occasions in this country where the legality of freebies has been questioned, no institution, neither the parliament nor the judiciary, has ever declared any of them illegal. In the article Analysis of Government Freebies in India by Vaishnavi Mungale, she says that these freebies are supported by our Directive Principles of State Policy indirectly. Also, the Supreme Court has many a times re iterated the fact that freebies are not to be given in a way that it becomes detrimental to the long-term development of the country. The Representation of the People Act (1951) does not prohibit anyone from promising freebies after the elections.⁸

HISTORICAL EVOLUTION OF WELFARE POPULISM IN INDIA

In India, Narendra Modi is considered one of the most celebrated populist leaders. He has been successfully able to consolidate a major part of the population by using his charismatic populist personality. He has capitalised on this characteristic to create a personal bond with the people of the country. In an article, Populist Politics and Policies: Welfare Populism in India⁹, Narendra Kumar, he provides a methodological element of how welfare populism has penetrated India's public policy and governance. Policies such as Jan Dhan Yojana, Pradhan Mantri Awas Yojana, Pradhan Mantri Ujjwala Yojana, etc are some of the examples of how welfare populism has been an integral part of the country's political system. These policies have been introduced on days that have historical importance, such as Independence Day, Republic Day, etc. The Swacch Bharat Abhiyan was announced on the birthday of Mahatma Gandhi. Another method employed by the government in maintaining its populist facade is to make these policies specific to the

⁸ Vaishnavi Mungale, 'Analysis of Government Freebies in India' (*Maharashtra Economic Development Council*, 30 November 2022) <https://www.medcindia.com/article-detail.php?page=1&ele_id=NOR_6387325dd21b73.01019208> accessed 11 June 2026

⁹ Narendra Kumar, 'Populist Politics and Policies: Welfare Populism in India' (2025) ResearchGate <https://www.researchgate.net/publication/392172940_P_Populist_Politics_and_Policies_Welfare_Populism_in_India> accessed 11 June 2026

“Indian Poor” political rhetoric. By now, Narendra Modi has been successful in establishing himself as a leader who works for the poor and is anti-elitist. The truthfulness of such statements is a topic for another research paper. The connection of this argument with the concept of freebies in India is that this welfare populism, which has been developing in the country since its inception, has been slowly taking the path towards easier and cheaper welfare systems like that of pure distributive giveaways, which do not guarantee welfare in the long run.

Tamil Nadu as the Originator Model — MGR/Jayalalithaa Era (Free TVs, Mixers, and Laptops): In Tamil Nadu, we have seen the rampage of the freebie model orchestrated by the formidable leader of AIADMK, Ms Jayalalitha. Some examples of these are Four grams of gold, in addition to Rs. 25,000 as marriage assistance (Rs. 50,000 and four grams of gold for beneficiaries holding a diploma or degree), six months of maternity leave along with Rs.12,000 assistance and bank loan to a maximum of Rs.10 lakh linked with a 25 per cent subsidy component for self-help groups figure in the schemes for women. Ms Jayalalithaa unveiled a ‘Green Houses’ scheme under which houses powered by solar energy would be given to families below the poverty line. For the landless poor, three cents of land will be provided free for the construction of houses. A school student will receive four sets of uniform and a pair of shoes free of cost. To prevent dropouts, students at the higher secondary level will be provided with scholarships ranging from Rs. 1,000 to Rs. 5,000. All students in arts and science colleges, engineering colleges and polytechnics will be provided with laptops free of cost, she promised. Thus, we can understand from these examples that these promises are nowhere connected with the welfare of the people but have been converted to a currency for votes.¹⁰

Diffusion of the Freebie Model to other States through the 1990s–2010s: The freebie system in India has developed magnanimously, and some of them are the Amma Vodi, YSR Asara, etc by Andhra Pradesh; Gruha Lakshmi, Shakti Scheme by Karnataka; Magalir Payanam, Free laptop schemes in Tamil Nadu, Mukhyamantri Majhi Ladki Bahin Yojana by Maharashtra; Lakshmir Bhandar, Kanyashree, etc by West Bengal, and the list goes on. These are some of the many schemes that have been introduced by multiple state governments across the country. Not only the state government but also the Central Government have effectively participated in

¹⁰ S Ganesan and R Krishnamoorthy, ‘Freebies galore in AIADMK manifesto’ *The Hindu* (17 November 2021) <<https://www.thehindu.com/news/national/tamil-nadu/Freebies-galore-in-AIADMK-manifesto/article14964107.ece>> accessed 11 June 2026

freebie politics in India, including the Pradhan Mantri Kisan Samman Yojana, Ayushman Bharat, Pradhan Mantri Awas Yojana, and Pradhan Mantri Jan Dhan Yojana.

POLITICAL ECONOMY: WHY PARTIES USE FREEBIES

The ‘Race to the Bottom’ Hypothesis: Now we shall look into why political parties use freebies in the first place. First, we shall look into the “Race to the Bottom” hypothesis. This hypothesis suggests that the Governments of developing nations often tend to loosen environmental and other similar regulations to attract foreign investments into the country. While this has been seen as a widely accepted method of globalisation, we must look at the detrimental effect of the Race to the Bottom Hypothesis. The loosening of the regulations comes at a cost. They correlate to environmental degradation and also a subsequent loss of bargaining power of the labour, as now they do not have many options. This happens because the government essentially tries to maintain their tax base. This has often been characterised as a pain of Globalisation. The relation between this hypothesis and the Freebie system is that the governments of developing countries use the freebie system as a tool to distract the population from the disadvantages caused by the application of the Race to the Bottom hypothesis.¹¹

Freebies as Tools for Vote-bank Consolidation (Caste, Gender, Youth, and Farmer Constituencies): If we look at the various schemes and policies that have been introduced by several State and Central Governments, then we will see a pattern that they are essentially targeted at a certain group of individuals in society, which reminds us of the populist argument earlier mentioned. For example, the Amma Vodi Scheme of Andhra Pradesh was directed towards mothers and women broadly, while the Rythu Bandhu Scheme of Telangana is directed towards investment support for farmers. Similarly, the Kalyana Lakshmi Scheme of Telangana was also directed towards newly married couples, Sabuj Sath scheme of West Bengal was to give free bicycles to students. In multiple states, there is a trend of providing free bus rides to women across multiple States. The one common characteristic of all these schemes is that they are directed at a particular group of people in society. And these groups are appeased by the political parties and thus vote banks are created to facilitate the same political party in the next elections of the states or the centre.

¹¹ Matt Deaton, ‘Race-to-the-bottom hypothesis’ (EBSCO, 2020) <<https://www.ebsco.com/research-starters/science/race-bottom-hypothesis>> accessed 11 June 2026

Signalling and Visibility — Why Cash Transfers and Physical Goods outperform Long-gestation Infrastructure Politically: Now, let us understand the rationale behind the propensity of the government to provide freebies in the first place. Freebies are much more lucrative in nature than big roads, international airports, trees everywhere, etc. They are often preferred by people because of the immediate effect they have on people's lives of the people. They are more visible and easier to receive and are directly given to the citizens, thus making them more appealing than long-term development projects run by the government, which will improve the entire country. While we shall not ban the distributive giveaway system, it should be regulated. The Election Commission of India could act as a regulatory authority and curb the extravagant promises made by political parties during their election campaigns. This could be done by asking the parties to present their plan of action for implementing the scheme and also provide necessary information regarding the funding of these schemes to the Commission.¹²

The Amplification of Freebie Promises during Campaigns: During the times of election campaigns, we find an amplification of the freebies. We shall look at a few examples to understand how the freebies or direct distributive giveaway schemes have transformed into an electoral currency in India. The examples are from the recently concluded assembly elections in the States of Assam, Kerala, Tamil Nadu and West Bengal. In Tamil Nadu, the freebies announced were Rs.2500 monthly assistance, 6 LPG Cylinders annually and free bus rides for women. In West Bengal, we saw enhanced financial assistance under the Lakshmi Bhandar scheme by the Trinamool Congress and the same was seen under the Matri Shakti Vandan Scheme by the Bharatiya Janata Party. In Kerala, free bus rides and enhanced pensions up to Rs. 3000 per month were announced. In Assam, the assistance towards marginalised women was increased to Rs. 9000. The most notable commonality among all these was that they were all announced by the parties within a month before the elections.

FISCAL AND ECONOMIC IMPACT

State-wise Fiscal Deficit and Debt Trends linked to Freebie Spending: There are big questions that are raised about the fiscal sustainability of freebies in the country. Chief economist at Bank of Baroda, Mr Madan Sabnavis, believes that the main reason for the increase

¹² Rajesh Shukla, 'Freebies are not fiscally sustainable but there's no need to ban them' *mint* (11 November 2024) <<https://www.livemint.com/opinion/online-views/freebies-election-promises-fiscal-discipline-welfare-schemes-financial-crisis-economic-challenges-11731294830349.html>> accessed 11 June 2026

in debts of states is because of freebies. According to a recent RBI report, Indian states borrowed Rs. 2.28 Trillion rupees between April and November, 2022. And we're also planning to borrow another Rs. 3.4 trillion in the first three months of 2023. New governments often tend to take huge loans to fulfil the expensive promises made during their election campaigns. Developmental projects and initiatives were being hindered in this process as well. In a panchayat, a 1.5 km road was damaged due to rain. After repeated notices, it was not repaired. It was causing great difficulties for the students to go to school. The villagers raised 40000 rupees, and the road was built. There are RBI reports that suggest the fact that as the states are getting more and more inclined towards providing freebies, the funds are being drawn from the allocations made with the intention of building schools and other socio-economic infrastructure. Akash Singh and Ashish Kumar Singh wrote an article in the National Herald titled 'Lessons from Sri Lanka: Political freebies can be detrimental to the economy of the country'. The huge debts taken by the State Governments might put India into a serious economic crisis. Thus, we can understand that although these freebie schemes look really lucrative to the people during the elections, and especially to the ones it is targeted at, it does not have a positive effect on the economy of the country. On one hand, it puts a massive stress on the economy of the country and on the other, it stagnates the long-term development of a state and the country, as the money allocated for the same is now being directed elsewhere.¹³

JUDICIAL, INSTITUTIONAL, AND REGULATORY RESPONSES

Supreme Court Proceedings on Freebies: On August 8, 2022, the Supreme Court heard a petition filed by Ashwini Kumar Upadhyay, a BJP spokesperson, to ban political parties from announcing freebies before elections. The bench hearing the case comprised Justice N.V Ramana and Justice Krishna Murari. Two questions were faced by the Supreme Court. First, whether the court was the right institution to hear this purely legislative matter, and second, whether the court needed to differentiate between the freebies and social welfare. CJI Ramana adopted a strictly textual and conservative stance on the matter and stated that a balance shall be struck between the distribution of freebies and public spending. During the proceedings, the advocate appearing on behalf of the petitioner reiterated the position of the court in *S. Subramanian*

¹³ Pritish Gupta and Ram Sunder Kumar, 'Impact of Freebies on Economic Growth and Social Development' (2026) 16(2) European Economic Letters <<https://www.eelet.org.uk/index.php/journal/article/view/4366>> accessed 11 June 2026

Balaji v State of Tamil Nadu (2013). That distribution of freebies is an injury to the free and fair elections in the country. Another solution provided by the petitioner was the addition of section 29D to the Representation of the People Act (1951). The question the court kept asking was how a balance could be brought between public policy and fiscal discipline. CJI stuck to his position that he would not commit judicial overreach and decide on a matter that should be decided by the legislature. He suggested the formation of an expert commission including members from the Election Commission, RBI and the legislature to decide on the matter.¹⁴

Role of the Election Commission: The hands of the Election Commission of India are tied in this matter as the Representation of the People Act (1951) mentions that bribery in the form of money or gifts can only be given by individual candidates, as held in the Subramaniam Balaji case. The definition of persons does not include political parties whatsoever, and thus the Election Commission cannot hold parties accountable for collectively giving away freebies to citizens. Also, the Election Commission cannot cancel a political party based on violations of the ROPA or the Model Code of Conduct.

CONCLUSION

In this article, we have discussed the various aspects of the pure Distributive System that is being adopted by various political parties and the state and central Government/s. It started as a system of promoting welfare in society and uplifting the people who are socio-economically backward. However, the intention of the political parties to give away such freebies has changed and has become a currency for gaining votes in elections. We have seen multiple examples in the article of freebies that were introduced just before the elections. These freebies were introduced with a personal motive by the politicians and not the motive the Constitution makers had in mind that the political leaders would have when they introduced the Directive Principles of State Policy in the Constitution.

We also saw the economic aspects, or economic strain, that these freebies have on the finances of the country. And since the resources are limited, the funds allocated for investments in long-term infrastructure developments are gradually dwindling and feeding the electoral hunger of

¹⁴ Gauri Kashyap, 'Freebies in Elections #2: CJI Hesitant to Intervene in Policy Considerations' (*Supreme Court Observer*, 08 August 2022) <<https://www.scobserver.in/reports/freebies-in-elections-2-cji-hesitant-to-intervene-in-policy-considerations/>> accessed 11 June 2026

this country. The government is failing to protect the constitutional promise of conducting free and fair elections in the country. However, the matter that makes this failure concerning is whether this failure is intentional or unintentional.

It is natural to have problems in the country; however, the problem is bigger when the solution to the problem is also in the hands of the problem creator, which is the situation in the case of most problems. But in this case, the problem is with the citizens, and the solution is with the government. The Supreme Court and the Election Commission both have limited powers to be able to reform the policies regarding the freebies. The entire issue has a predominant legislative element, and it is the legislature that is misusing the instrument. Thus, this is a constitutional crisis that the country stands in front of. The instrument, orchestrated with social welfare in mind, is gradually turning into an electoral currency.