

Impact of Freebies on Economic Growth and Social Development

Mr. Pritesh Gupta¹, Dr. Ram Sunder Kumar²,

¹*PhD Scholar, Department of Journalism and Mass Communication, Mandsaur University,
Mandsaur, e-mail- pritgupta93@gmail.com

²Assistant professor, Department of Media and Mass Communication, Graphic Era Hill University,
Haldwani, E-mail-rskumar@gehu.ac.in

Abstract

Freebies (free cash and free facilities) has a very long history, but it became a major concern since last decade and specially after 2021. Some people think these are necessary for the poor, but experts warn that this can destroy the economy. This research paper looks at the historical, constitutional, societal, and economic effects of freebies using new data and court observations. Free cash schemes like Ladli Behna, Ladki Bahin, Maiyan Samman, Subhadra is a new challenge for the society, for the government, for the administration and many more. Every election in India introduces new schemes like this and creates a burden on the treasury. It is not just a financial challenge. Gradually it is also causing social, industrial, developmental, and some other challenges. These schemes are aiming to enhance their social and economic well-being. While such welfare measures offer short-term relief and promote temporary empowerment, they also raise concerns about fiscal sustainability and economic dependency. This study investigates the economic and social implications of freebies through a focused analysis of LBYP. Using content analysis of news articles, reports, and editorials from Dainik Bhaskar and Free Press Journal. Heavy fiscal burden along with borrowing pressures, reduced infrastructure investment, and increased the beneficiary dependency. The study concludes that while LBYP contributes positively in short term, but it creates long-term fiscal challenges that may affect nation in multiple ways.

Keywords: Budget challenges, Freebies, Free cash for women, Ladli Behna, Free Schemes, free cash schemes, Government Schemes, Freebies in India, side effects, Government Budget, new schemes, Electoral promises.

Introduction

The list of free cash schemes is expanding with every new election. Now, more than 20 states are giving free cash to women. Central government and many Indian states are continuously launching free cash schemes and other populist measures, often as a means of fulfilling electoral promises. Some of them are, The Indira Gandhi Pyari Behna Sukh Samman Nidhi Yojana (Himachal Pradesh), Mukhya Mantri Mahila Samman Yojana (Delhi), Maiyan Samman (Jharkhand), Mukhyamantri Majhi Ladki Bahin Yojana (Maharashtra), Subhadra Yojana (Odisha), Gruha Lakshmi Scheme (Karnataka), Lakshmir Bhandar Scheme (West Bengal), and Magalir Urmiai Scheme (Tamil Nadu), Ladli Behna Yojana (MP). This is the list of schemes for women only. There are multiple freebies for various categories.

Some nation-wide schemes are also there like Pradhan Mantri Kisan Samman Nidhi. While these schemes can provide immediate relief to citizens, their long-term economic consequences are becoming increasingly apparent. Reports from the RBI, surveys, research papers, and media draw a picture of states grappling with mounting debt, as they struggle to balance social welfare obligations with fiscal responsibility.

These schemes are trending in discussions on media and social media platforms, but there is a lack of in-depth research into the wide-ranging consequences of these schemes. This research gap urgently needs to be addressed to understand the media's portrayal of these initiatives and their diverse economic, social, political, and developmental impacts. Moreover, it is crucial to analyze the political

motivations behind these schemes, which are increasingly seen as tools for getting votes. Given the escalating debt and interest burdens, a comprehensive study is essential to fully understand the multifaceted impacts of freebies and identify necessary corrective measures.

Budget & Debt of Governments

Chief Economist at Bank of Baroda Mr Madan Sabnavis highlights the detrimental impact of freebies on basic development. He believes that the growing debt in many states is mainly due to spending on freebie schemes. While these schemes might help politicians win elections in the short term, they cause long-term money problems for the state. Experts say that states should ideally not spend more than 1% of their GDP on such schemes. However, states like Punjab, Andhra Pradesh, Madhya Pradesh, and Jharkhand have crossed this limit. According to a recent RBI report, Indian states borrowed ₹2.28 trillion between April and December 2022. They also planned to borrow another ₹3.4 trillion in the first three months of 2023. Senior journalist of Dainik Bhaskar, Mr. Gurudutt Tiwari, wrote that new governments often take huge loans just to fulfil the expensive promises they made to win votes. (Tiwari G. , 2022) Mr. Anil Gupta, another senior journalist from Dainik Bhaskar, points out that this money pressure is affecting local government offices. It is causing delays in paying salaries to workers and stopping important work like building roads and other basic facilities. (Gupta, 2024)

Beyond the financial obstacle

The impact of these schemes extends beyond mere financial figures. Such schemes are creating disruption in the operation of administrative activities, developmental projects, and basic facilities. By analyzing the data and expert opinions, we aim to provide a comprehensive understanding of the economic challenges facing Indian states and the potential pathways to sustainable fiscal management. 'After a 1.5 km stretch of road was damaged by rain and left unrepaired by the administration, local villagers took action. The disrupted road was making it difficult for students to get to school. When approached, the Panchayat and other representatives stated they lacked the necessary funds for repairs. In response, the villagers collectively raised ₹40,000 and repaired the road themselves.' (Bhaskar Correspondent, 2025)

Literature Review

To understand how freebie schemes work and how they affect different states, we looked at several reports. Nidhi Sharma, a reporter for ET, wrote an article titled "*Bittersweet revdi politics: States struggle to fund freebie promises.*" She mentions an RBI report called '*State Finances: A Study of Budgets 2024-25*', which says that many states have started such schemes. The report warns that the money spent on these freebies takes away funds needed for building important things like schools and hospitals (socio-economic infrastructure). Once parties win the election, they face the hard reality of having no money. This is forcing states like Maharashtra, Madhya Pradesh, and Delhi to reduce the number of people who get these benefits:

- Maharashtra: The government is trying to cut down the number of women in the *Ladki Bahin Yojana* by making a rule that only one woman per family (husband, wife, and children) can get the money.
- Andhra Pradesh: A government spokesperson said that their "white papers" show the state's financial health is very poor, making it difficult to fulfill their promises. (Nidhi Sharma, 2025)

'Dr. Aruna Sharma, an economist and former government secretary, says there is a big gap in poverty data. While NITI Aayog claims that only 15% (24.8 crore) of people are below the poverty line, other data shows a different story. According to public records: 60% of people live on less than ₹258.41 per day, which is the World Bank's average poverty line. More than 25 crore people live on less than ₹166.71 per day. She asks why poverty is still not gone. Is it because of a lack of money, bad schemes, problems in distribution, or the way society thinks? In India, the problem is not always a lack of money. For example, since the 10th Five-Year Plan, every district got ₹800 crore, and now big districts

get ₹2000 crore. Also, Panchayats with more than 1500 people get ₹1 crore every year. This money is only for work and does not include the salaries of employees.’ (Dr Aruna Sharma, 2024)

The Supreme Court has expressed its unhappiness regarding freebies. A bench of Justice BR Gavai and Justice AG Masih said that because of these free things, people are not putting in effort or doing work. They asked if we are creating a group of "dependents" instead of helping people join the mainstream to develop the nation. Justice Gavai pointed out that, ‘People stop working because of election promises like the Ladli Behna Yojana. Farmers are struggling because they cannot find labourers to work in the fields.’ A Bengaluru resident, Shashank J Sridhar, has even asked the court to declare these freebies as bribes.’ (SupremeCourt, 2025)

‘The International Monetary Fund (IMF) has warned that the total debt of India's central and state governments is now almost equal to the country's entire GDP. Back in August 1949, while making the Constitution, Dr. Bhim Rao Ambedkar suggested that Parliament should pass a law to set a limit on debt. Sadly, this was not done, and we are seeing the bad results today. Two years ago, when Sri Lanka faced a huge financial crisis, the IMF warned India too, but these warnings were ignored amidst political chaos. The World Bank and IMF say a country's debt should not go over 60% of its GDP. India's debt is now equal to or even more than its GDP. This puts India in the same list as struggling countries like Venezuela, Italy, Greece, Mozambique, and Sudan. In 2016, India's debt was 45% of GDP, but by 2020-21, it crossed the 60% mark. State debts also rose from 25% in 2016 to over 31% recently. In the year 2023-24, the government gave out loans worth 1.543 trillion rupees, which is even more than what was borrowed during the COVID-19 pandemic. These loans have an interest rate of 7%. (Tiwari A. , 2024)

Dr. Manoranjan Sharma, who is the Chief Economist of Infometrics Ratings, said that the Karnataka government will need an extra ₹60,000 crore to complete its "5 guarantees." Similarly, the Madhya Pradesh government needs ₹24,000 crore just to run the Ladli Behna Yojana. The situation is getting worse across the country. There are now 15 states whose total debt is more than 30% of their GDP. Last year, there were only 10 states on this list.

State	FY 2024-25		FY 2023-24	FY 2022-23
	Jan-Mar	Till Nov		
MP	45,000	18,650	26,264	26,849
UP	36,000	-709	85,535	41,797
Rajasthan	23,707	32,683	49,718	30,110
Gujarat	16,000	1000	11,974	28,300
Maharashtra	50,000	4,800	110,000	42,815
Bihar	15,546	15,922	29,910	27,467
Haryana	23,500	18750	28,364	28,638
Himachal	2000	3850	5,856	11,941
Chhattisgarh	7000	3000	26,213	-2287

Amount in Crore Rs (G Tiwari, 2025)

Senior lawyer Mr. Ashwini Kumar Upadhyay says that promising freebies is just like bribery (Section 171B) and using unfair influence (Section 171C) under the Indian Penal Code, 1860. He also says that using public money for freebies that do not truly help the people goes against the Constitution of India (1950). He points out three specific parts of the Constitution:

- Article 162: This explains how the government should use its powers.
- Article 266(3): This stops the government from misusing money from its main funds.
- Article 282: This allows the central and state governments to spend money only for a "public purpose."

(Ashwini Kumar Upadhyay V/s Union of India, 2022)

Akash Singh and Ashish Kumar Singh wrote an article in the *National Herald* titled 'Lessons from Sri Lanka: Politics of freebies has serious repercussions.' They say we must learn from what happened in Sri Lanka. Recently, some top government officers (bureaucrats) warned the PMO India that freebies given by state governments could lead to a serious economic crisis like the one in Sri Lanka. The article mentions these World Bank and IMF guidelines for debt:

- **20%:** This is the ideal GDP to debt ratio for a developing country.
- **60%:** If debt crosses this level, the country's economy will face serious challenges.
- **100% and above:** Any country at this level is considered bankrupt by the IMF.

The authors say looking at Sri Lanka is very important for India. Freebies played a big part in breaking Sri Lanka's economy. Now, most Indian states are facing the same money trouble because the number of freebies is increasing every day. (Akash Singh, 2022)

Research Methodology

This research employs a qualitative content analysis approach to understand the economic discourse around welfare freebies in India, with specific emphasis on the Ladli Behna Yojana. Content analysis was chosen because it enables the systematic examination of media texts to identify key themes, framing patterns, and underlying meanings. For this purpose, news articles, reports, and editorials published in Dainik Bhaskar and Free Press Journal were purposively selected, as these newspapers represent influential voices in the state and provide both supportive and critical viewpoints on government policies. Then, we compared the themes to see how each newspaper explained the good and bad points of the scheme. This method helped us catch the different stories being told in the media and understand the bigger impact of these freebies on the state's economy.

Data Analysis and Results

Our findings during the research reveal a concerning trend of freebies and multiple obstacles have been generated due to them. Here is the collected data to assess the impact of freebie schemes on economic growth and social development in India. The analysis is based on reports by economists, government data, court observations, and international financial institutions. The focus remains on financial sustainability, poverty outcomes, labour behaviour, and rising public debt related to freebie policies.

1. Financial Stress on State Budgets

The data indicates that freebie schemes have placed significant pressure on state finances. According to the RBI report *State Finances: A Study of Budgets 2024–25*, several states introduced welfare schemes with direct cash transfers, especially during election periods. However, these schemes have reduced the funds available for long-term development needs such as education, healthcare, and other socio-economic infrastructure.

States like Maharashtra, Madhya Pradesh, and Andhra Pradesh are already facing difficulties in sustaining these promises. States have begun limiting beneficiaries under such schemes by allowing only one woman per family to receive assistance. In Andhra Pradesh, official “white papers” released by the government admit that the state’s financial condition is weak, making it hard to fulfil electoral promises. These examples show that freebie schemes often become financially unviable after elections and force governments to reduce coverage.

2. Poverty Claims and Ground Reality

An important finding from the data is the mismatch between official poverty estimates and actual living conditions. Dr. Aruna Sharma points out that while NITI Aayog claims only 15% of the population is below the poverty line, other public data suggests a much larger population is struggling economically. Around 60% of people live on less than ₹258.41 per day, and over 25 crore people survive on less than ₹166.71 per day. Despite large financial allocations to districts and Panchayats since the 10th Five-Year Plan, poverty has not been eliminated. Districts have received ₹800 crore earlier and up to ₹2000 crore in recent years, while Panchayats with populations above 1500 receive

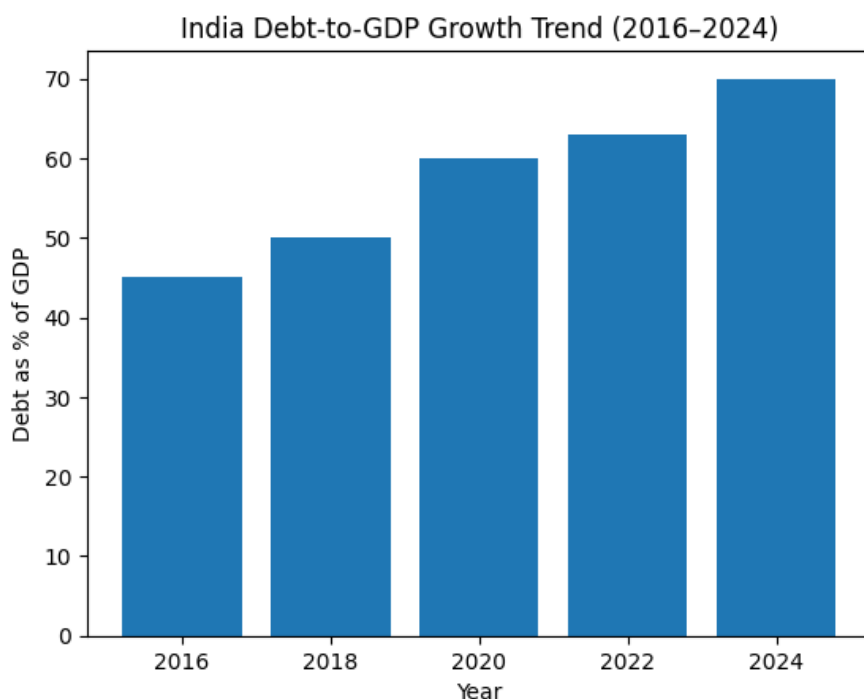
₹1 crore annually. This indicates that the issue is not always a lack of funds, but rather inefficiencies in scheme design, implementation, and distribution. The data suggests that freebies alone have not been effective in addressing structural poverty.

3. Impact on Work Culture and Social Behaviour

The Supreme Court's observations provide insight into the social impact of freebie schemes. The Court expressed concern that excessive welfare benefits may discourage people from working and promote dependency. These schemes are affecting labour availability, particularly in agriculture, where farmers are struggling to find workers. The Court questioned whether such policies are integrating people into the mainstream economy or creating long-term dependence. A petition even demanded that freebies be declared as bribes. These observations suggest that while freebies may provide temporary relief, they may negatively influence work ethics and social productivity over time.

4. Rising Debt and Economic Sustainability

The data clearly shows a sharp rise in public debt associated with increased welfare spending. The IMF has warned that India's combined central and state government debt is now close to or equal to the country's GDP. This is much higher than the World Bank and IMF's recommended limit of 60% for economic stability. India's debt rose from 45% of GDP in 2016 to over 60% by 2020–21. State debt also increased from 25% to more than 31%. In 2023–24 alone, government borrowing reached ₹1.543 trillion at an interest rate of 7%. Several states now have debt levels exceeding 30% of their GDP. Karnataka requires ₹60,000 crore to fund its guarantees, while Madhya Pradesh needs around ₹19,000 crore annually for the Ladli Behna Yojana. These figures show that freebie schemes are contributing significantly to fiscal imbalance.

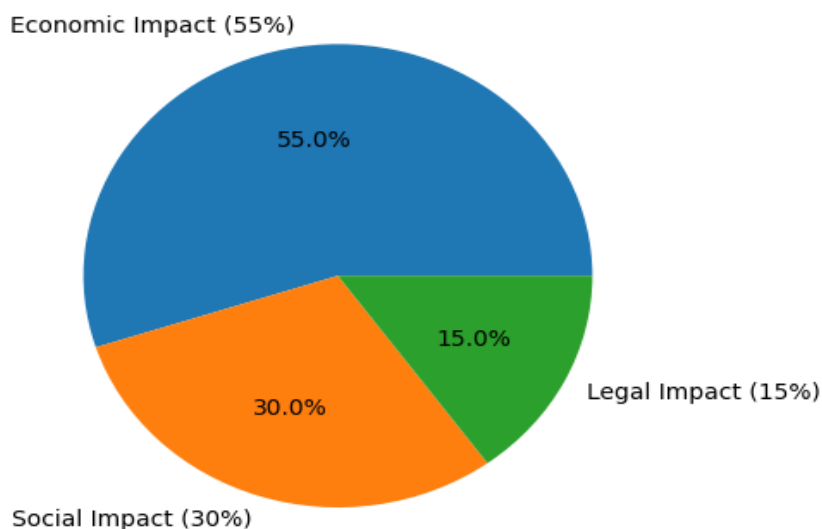


5. Legal Issues and International Lessons

Legal experts argue that freebie promises raise constitutional concerns. Senior advocate Ashwini Kumar Upadhyay states that such promises resemble bribery under Sections 171B and 171C of the Indian Penal Code. He also argues that misuse of public funds violates Articles 162, 266(3), and 282 of the Constitution, which restrict government spending to genuine public purposes. International experiences further support these concerns. The Sri Lankan economic crisis is cited as a warning example. According to IMF guidelines, debt exceeding 100% of GDP indicates bankruptcy. Sri Lanka

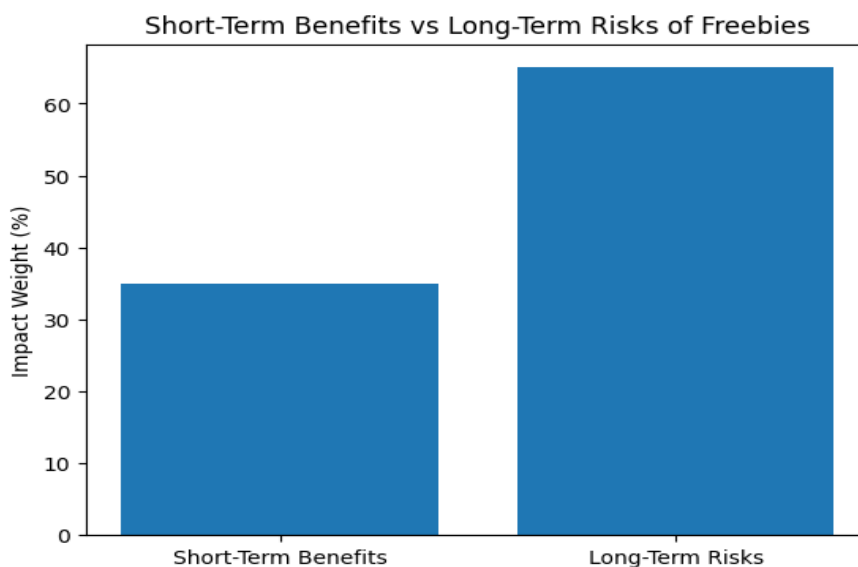
crossed this level, and freebie politics played a key role in its collapse. Indian bureaucrats have warned that similar policies could push India toward a comparable crisis if corrective measures are not taken.

Economic vs Social vs Legal Impact Distribution



Conclusion

The analysis clearly shows that freebie schemes may help political parties gain short-term support, but they create serious problems in the long run. While these schemes appear attractive during elections, they place a heavy burden on state finances after elections are over. Large amounts of public money are spent on free facilities, leaving fewer resources for important areas such as education, healthcare, and infrastructure. This weakens economic growth and affects overall social development. Another major concern highlighted by the data is the rapid increase in public debt. Continuous spending on freebies forces governments to borrow more money, pushing both state and national debt to dangerous levels. When debt increases, future governments are left with fewer choices and limited financial freedom. This makes development planning difficult and increases economic risks for the country.



The findings also show that freebie culture is affecting work participation. When people receive free food, free electricity, free travel, and direct cash support without any work requirement, the motivation to earn through labour gradually declines. India is known for having a large and active workforce, but the growing dependence on free facilities is changing this strength into a weakness.

Instead of encouraging people to become self-reliant, freebies are creating a mindset of dependency. This dependency is not only harmful to the economy but also raises social concerns. A system where people feel they do not need to work for their basic needs can lead to laziness and reduced productivity. Over time, this affects agriculture, small industries, and other labour-intensive sectors.

Suggestions

The findings of this study suggest that the government must adopt a more disciplined and long-term approach toward welfare policies. One of the most important steps is to strictly follow the Debt–GDP ratio recommended by the IMF and other international organizations. Rising debt levels show that the present model of freebie distribution is not financially sustainable. Therefore, governments need to rethink the structure and purpose of freebie schemes and move toward more effective and responsible welfare strategies. Only cooked food, medical facilities, education, stay shelters, and justice should be free, nothing else.

Priorities should be revised: Government must focus on basic needs first and then if the budget allow, free cash may help in some issues. Ensuring food, health, education, home, and justice, and public infrastructure for everyone should be the priority.

Food instead of Raw Material: Instead of distributing free goods or subsidized raw materials through the Public Distribution System (PDS), the government should focus on operating community kitchens for poor people. These kitchens should provide cooked food rather than raw items. The entire system should be managed by the government, while the cooking and daily operations should involve the beneficiaries themselves. This approach offers several advantages. First, poor people will continue to receive free food, ensuring food security. Second, corruption commonly associated with the PDS can be reduced. Third, when beneficiaries participate in cooking and managing the kitchens, they remain active and maintain their self-respect, rather than becoming fully dependent on handouts.

Alternate of Free Cash: Tokens can be given instead of cash, these tokens should be bound to redeem to get certain things like sanitary pads (limited number every month), medicines, and similar basic needs etc. instead of giving direct cash transfers, the government should focus on meeting specific needs of beneficiaries. Support should be provided in the form of sanitary pads, free health check-up camps, free medicines, and awareness and education programs. Direct money is not always an effective solution, especially when beneficiaries are not fully empowered to control or use it independently. In schemes like the Ladli Behna Yojana, many women depend on male family members to withdraw or use the money, which limits the intended benefits. Need-based services can ensure that assistance reaches its actual purpose.

Free Travel only for work force: Free travel facilities also place a heavy financial burden on the government and lead to unnecessary crowding in public transport. Instead of offering free travel, the responsibility of providing transportation should be shifted to employers. If employers arrange transport for their workers, the government's financial burden will be reduced, and only necessary travel will take place. Government can also limit free passes to the working people only.

Employment instead of Unemployment allowances: Unemployment allowances should be replaced with efforts to provide employment or self-employment opportunities. India has sufficient resources and a continuous demand for manpower in many sectors. Giving money without requiring work discourages productivity and weakens the workforce. Helping people find jobs or livelihood options will strengthen both the economy and individual dignity.

Finally, while beneficiaries may find it difficult to refuse freebies, such policies can harm the nation in the long run. Discouraging excessive freebie culture will allow governments to invest more in healthcare, education, infrastructure, and governance. This shift is essential for achieving sustainable development and long-term national progress.

References

1. Akash Singh, A. K. (2022, May 24). Lessons from Sri Lanka: Politics of freebies has serious repercussions. *National Herald*. Retrieved from <https://www.nationalheraldindia.com/india/lessons-from-sri-lanka-politics-of-freebies-has-serious-repercussions>
2. *Ashwini Kumar Upadhyay V/s Union of India*. (2022). Retrieved from Supreme Court Observer: <https://www.scoobserver.in/cases/freebies-in-electoral-democracy-and-welfare-state/>
3. Bhaskar Correspondent. (2025, July 8). पंचायत के पास फंड का रोना: कीचड़ के कारण बच्चे 15 दिन से नहीं जा पा रहे थे स्कूल, प्रशासन ने नहीं सुधारी तो ग्रामीणों ने खुद ठीक की सड़क. 1. Retrieved from <https://www.bhaskar.com/epaper/detail-page/mandsaur/134/2025-07-08?pid=2>
4. Dr Aruna Sharma, P. D. (2024, April 23). सरकार पैसा तो देती है, पर हालात क्यों नहीं सुधर रहे? p. 4. Retrieved from <https://www.bhaskar.com/epaper/detail-page/mandsaur/134/2024-04-23?pid=9>
5. G Tiwari. (2025, Jan 28). Freebies: States are taking record debt to fulfil promises . Retrieved from <https://www.bhaskar.com/epaper/detail-page/mandsaur/134/2025-01-28?pid=4>
6. Gupta, A. (2024). 400 निकायों के पैसों पर कैची: लाइली के खर्च व चुंगी के नुकसान से वेतन लेट, भुगतान अटके. Retrieved from <https://www.bhaskar.com/local/mp/bhopal/news/scissors-on-money-of-400-bodies-132467461.html>
7. Nidhi Sharma. (2025, January). *Bittersweet revdi politics: States struggle to fund freebie promises*. Retrieved from Economic Times: <https://economictimes.indiatimes.com/news/politics-and-nation/bittersweet-revdi-politics-states-struggle-to-fund-freebie-promises/articleshow/117179945.cms?from=mdr>
8. SupremeCourt. (2025). मुफ्त की चीजों के चलते लोग काम नहीं कर रहे, क्या परजीवी नहीं बना रहे: कोर्ट. *Dainik Bhaskar*, J4. Retrieved from <https://www.bhaskar.com/epaper/detail-page/mandsaur/134/2025-02-13?pid=3>
9. Tiwari, A. (2024, January 17). सरकार का कर्ज जीडीपी के बराबर है! *Abhivyakti*, p. J4. Retrieved January 17, 2024, from <https://www.bhaskar.com/epaper/detail-page/mandsaur/134/2024-01-17?pid=3>
10. Tiwari, G. (2022). *फ्री और गैरजरूरी खर्चों ने बिगाड़े राज्यों के हालात: बड़ी कमाई ब्याज में जा रही, फिर भी कर्ज बढ़ा रहे हैं राज्य*. Retrieved December 17, 2023, from Bhaskar.com: <https://www.bhaskar.com/business/news/free-and-unnecessary-expenses-have-spoiled-the-condition-of-the-states-huge-earnings-are-going-in-interest-yet-the-states-are-increasing-the-debt-130829744.html>