

Embedded Populism in India: Policy Transformations after Economic Liberalization

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Introduction:

Economic liberalization in India, initiated in 1991, marked a fundamental transformation in the country's developmental strategy and policy orientation. Triggered by a severe balance-of-payments crisis, the reforms dismantled key pillars of the dirigiste state, including industrial licensing, trade protectionism, and restrictions on foreign investment. Liberalization was accompanied by an ideological shift that emphasized market efficiency, fiscal discipline, and integration into the global economy. Within this framework, populist economic policies long associated with subsidies, state intervention, and redistributive politics were expected to diminish in significance. However, more than three decades after liberalization, populism remains a defining feature of Indian politics. Successive governments at both the national and state levels have relied extensively on welfare schemes, subsidies, income transfers, loan waivers, and symbolic redistributive measures to mobilize electoral support. Rather than disappearing, populism has evolved in form, discourse, and policy instruments, becoming deeply embedded in the post-liberalization political economy. This persistence of populism poses an important analytical puzzle. Conventional political economy theories often assume an inherent tension between market-oriented reforms and populist redistribution. Liberalization, by constraining fiscal space and enhancing the power of markets, is presumed to discipline political actors and limit redistributive excess. The Indian experience challenges this assumption by demonstrating the coexistence and, in some respects, mutual reinforcement of liberalization and populist politics.

The current study seeks to address three interrelated questions. First, why has populism persisted in India despite economic liberalization? Second, how has the nature of populist policy-making changed in the post-1991 period? Third, what are the broader implications of post-liberalization populism for democratic governance and economic policy? The central argument advanced here is that populism in India should not be understood as a residual or pathological feature of an incomplete reform process. Instead, it constitutes a structurally embedded response to the socio-economic inequalities, insecurities, and asymmetries generated by market-oriented reforms within a mass democratic polity.

Conceptualizing Populism

Populism is among the most debated concepts in contemporary political analysis. Scholars variously conceptualize it as a thin-cantered ideology that juxtaposes "the pure people" against "the corrupt elite" (Mudde, 2004), a political strategy cantered on direct mass mobilization (Weyland, 2001), or a discursive framework that constructs moral claims about political representation. Despite these divergences, there is broad agreement that populism is relational, context-dependent, and shaped by institutional environments. In economic discourse, populism has often been associated with fiscal profligacy, inflationary policies, and short-term redistribution at the expense of long-term growth. This understanding, derived largely from Latin American experiences in the late twentieth century, has significantly influenced policy-oriented critiques of populism. However, such macroeconomic models

inadequately capture populism in institutionalized democracies where fiscal, legal, and electoral constraints limit policy excess.

Populism as a Structural Response to Liberalization

Populism is conceptualized not as an episodic deviation from rational policy-making but as a structural feature of democratic capitalism under conditions of unequal market integration. Drawing on Karl Polanyi's notion of the "double movement," liberalization is seen as generating countervailing political pressures for protection, redistribution, and social regulation. As markets expand and social risks intensify, democratic electorates demand compensatory interventions from the state. In India, liberalization expanded opportunities for growth and accumulation while simultaneously producing new vulnerabilities. The weakening of employment security, persistence of informal labour, exposure to price volatility, and uneven regional development created constituencies that remained dependent on state intervention. Populism, in this context, emerges as a politically mediated response to these structural conditions rather than as an aberration from reform.

This perspective challenges binary frameworks that contrast "good governance" against "populism." Instead, it situates populism within a continuum of democratic responses to market-induced inequalities. Populist policies may thus function as corrective mechanisms that sustain political legitimacy in a liberalized economy.

The Distinctiveness of Indian Populism:

Indian populism differs from classical macroeconomic populism in three crucial respects. First, it is primarily welfare-oriented rather than inflationary, relying on targeted transfers and in-kind benefits rather than expansive wage and price controls. Second, it is institutionally mediated by constitutional democracy, judicial oversight, and fiscal rules. Third, it is deeply intertwined with identity-based claims rooted in caste, religion, and region.

These features render Indian populism comparatively resilient and adaptable. Rather than collapsing under fiscal pressures, it has been recalibrated to operate within the constraints of liberalization. This hybrid character combining market reforms with redistributive politics constitutes a defining feature of India's post-1991 political economy.

I. Liberalization and Socio-Economic Restructuring

Reconfiguring the Indian State after 1991

Economic liberalization fundamentally reconfigured the role of the Indian state. The post-1991 reforms reduced the state's direct involvement in production, dismantled industrial licensing, liberalized trade and investment regimes, and promoted private sector-led growth. However, liberalization did not imply a retreat of the state from social policy. Instead, it produced a reorientation of state functions from producer and regulator to facilitator, allocator, and welfare provider. This transformation resulted in a paradoxical state form. On the one hand, the Indian state embraced fiscal prudence, market efficiency, and global competitiveness. On the other, it continued to bear responsibility for managing social risks in a highly unequal and informal economy. The coexistence of these imperatives created structural tensions that shaped post-liberalization populism.

Crucially, liberalization did not generate a comprehensive welfare regime capable of insulating citizens from market volatility. Social protection remained fragmented, employment security weak, and access to basic services uneven. In this context, populist policies emerged as ad hoc but politically effective mechanisms to address welfare deficits without dismantling the broader reform agenda.

Growth, Inequality, and the Distributional Consequences of Reform

While liberalization significantly increased India's growth rate, its distributional consequences were uneven. High-growth sectors such as information technology, finance, and services disproportionately benefited urban, educated, and middle-class populations. In contrast, large segments of the population—particularly informal workers, small farmers, and marginalized social groups—experienced limited gains.

Empirical studies document rising income and wealth inequality in post-liberalization India, alongside persistent regional disparities between states. The agrarian sector, employing a substantial share of the population, remained vulnerable to price fluctuations, indebtedness, and declining public investment. Employment growth failed to keep pace with output expansion, contributing to jobless or informal growth.

These outcomes had direct political implications. Economic liberalization, while expanding aggregate wealth, weakened the implicit social contract that linked growth with broad-based welfare. As a result, political actors faced intensified pressure to address distributional grievances through targeted interventions. Populism thus functioned as a compensatory mechanism that mitigated the social costs of reform without fundamentally altering the market-oriented policy framework.

Informalization and the Limits of Market Citizenship

One of the most significant consequences of liberalization has been the persistence—and in some cases intensification of informality. A large majority of Indian workers remain outside formal employment contracts, social insurance schemes, and labour protections. This structural informality undermines the notion of market citizenship, wherein individuals secure welfare primarily through participation in formal labour markets.

In the absence of universal social security, the Indian state relies on targeted welfare schemes to provide minimal protection. Populist policies thus operate as substitutes for comprehensive welfare institutions. Rather than dismantling informality, they manage its consequences politically. This dynamic reinforces the salience of populism in post-liberalization governance.

II. Transformation of Populist Policies in Post-Liberalization India: From Universal Subsidies to Targeted Welfare Delivery

A defining transformation of post-liberalization populism has been the shift from universal subsidies to targeted welfare provision. In the pre-reform era, populist policies often took the form of broad-based subsidies on food, fertilizer, fuel, and public services. Liberalization, fiscal constraints, and reform discourse rendered such universalism increasingly untenable. In response, governments adopted targeting mechanisms to reconcile welfare expansion with fiscal discipline. The introduction of Direct Benefit Transfers, biometric identification, and digital payment systems enabled more precise delivery of benefits. Targeting allowed political actors to claim both efficiency and inclusivity, reframing populism as smart governance rather than fiscal irresponsibility. Importantly, targeting did not depoliticize welfare. Instead, it intensified political competition over beneficiary inclusion, eligibility criteria, and scheme visibility. Populism thus adapted to liberalization by changing instruments rather than objectives.

Rights-Based Welfare and Institutionalized Populism (2004–2014)

The period between 2004 and 2014 marked a significant expansion of rights-based welfare policies. Unlike discretionary populist schemes, these interventions transformed

welfare provisions into legally enforceable entitlements. Programs such as employment guarantees, food security, education, and forest rights institutionalized redistributive commitments within statutory frameworks. This phase represented a distinctive form of populism—one that embedded mass welfare within constitutional and legal institutions. Rights-based welfare reduced arbitrariness in distribution while expanding the state’s redistributive role. At the same time, it enhanced the political legitimacy of the governing coalition by aligning welfare provision with democratic ideals of citizenship and rights. Critically, this institutionalization of populism did not reverse liberalization. Instead, it complemented market reforms by addressing their social externalities. The coexistence of neoliberal economic policies and expansive welfare rights underscored the hybrid nature of India’s political economy.

Technocratic and Managerial Populism in the Post-2014 Period

In the post-2014 period, populist policies increasingly assumed a technocratic and managerial character. Welfare delivery was reframed through the language of efficiency, digitization, and governance reform. Large-scale schemes emphasized data-driven targeting, financial inclusion, and infrastructure-led welfare. This phase reflects a shift from rights-based discourse toward performance-based legitimacy. Welfare policies were branded as evidence of strong leadership and administrative competence rather than as redistributive concessions. Populism thus became intertwined with technocracy, combining mass appeal with managerial rationality. This transformation also entailed a personalization of welfare. Political leadership was foregrounded in scheme narratives, reinforcing direct connections between beneficiaries and the executive. Such personalization strengthened populist appeal while maintaining adherence to fiscal and administrative constraints.

III. Competitive Populism and Federal Dynamics

The Role of Federalism in Shaping Populist Politics:

India’s federal structure plays a critical role in shaping populist policy trends. States possess substantial autonomy over social policy and welfare spending, while bearing primary responsibility for electoral accountability. This creates incentives for state governments to deploy populist measures as tools of political competition. Fiscal federalism further intensifies these dynamics. States face uneven revenue capacities and development challenges, yet operate under similar electoral pressures. As a result, populist welfare schemes become mechanisms for signalling responsiveness and securing political loyalty.

Innovation in Policy through Competitive Populism

Competitive populism manifests most clearly in state-level welfare initiatives. States often introduce free or heavily subsidized services such as electricity, water, transport, and consumer goods to outbid political rivals. While critics label such measures as “freebies,” they reflect rational political strategies within a competitive democratic environment. Importantly, competitive populism has also driven policy innovation. States experiment with new welfare models, delivery mechanisms, and targeting strategies. Successful initiatives are often emulated or scaled up nationally, contributing to policy diffusion across the federal system.

Fiscal Stress and Political Trade-offs

Despite its political effectiveness, competitive populism raises concerns about fiscal sustainability. States with limited revenue bases face rising debt burdens as they expand welfare commitments. This tension highlights the trade-offs inherent in post-liberalization populism: political responsiveness versus long-term fiscal capacity. However, it would be analytically misleading to attribute fiscal stress solely to populism. Structural factors such as revenue

centralization, expenditure mandates, and uneven development also constrain state finances. Populist policies thus operate within broader fiscal and institutional contexts that shape their outcomes.

Populism, Welfare, and Democratic Legitimacy

Populist policies in post-liberalization India play a crucial role in sustaining democratic legitimacy. In a context of persistent inequality and limited formal employment, welfare interventions provide tangible evidence of state responsiveness. They reinforce the normative expectation that democratic governance entails material protection as well as political rights. This legitimacy function helps explain the durability of populism across political regimes. Regardless of ideological orientation, governments face strong incentives to deliver visible welfare benefits. Populism thus becomes normalized within democratic practice rather than treated as an exceptional or deviant strategy.

IV. Identity, Culture, and Populist Mobilization Caste, Social Justice, and Redistributive Claims

Identity-based populism constitutes a central pillar of post-liberalization Indian politics. Far from being displaced by economic reforms, caste-based mobilization has adapted to the changing political economy, shaping both the content and justification of populist policies. Liberalization altered patterns of opportunity and exclusion, intensifying competition over state resources and recognition. In this context, caste-based claims for redistribution, reservation, and welfare emerged as mechanisms for negotiating inclusion within a market-oriented economy. Post-liberalization populism frequently frames welfare not merely as economic assistance but as social justice. Reservation policies, sub-quotas, and targeted schemes for historically marginalized communities exemplify how identity and redistribution intersect. These policies derive legitimacy from constitutional commitments to equality and affirmative action, allowing populism to operate within an institutionalized moral framework rather than as discretionary patronage. Importantly, caste-based populism is not inherently opposed to liberalization. Instead, it seeks to secure a share of liberalization's benefits for groups historically excluded from economic power. This underscores the compatibility of identity-based populism with market reforms, provided redistribution is framed as corrective rather than obstructive.

Nationalism, Cultural Symbolism, and Welfare

In the post-2014 period, populism has increasingly incorporated nationalist and cultural narratives. Welfare policies are embedded within discourses of national renewal, civilizational pride, and collective belonging. This form of cultural populism does not replace economic redistribution; rather, it reframes welfare as an expression of national solidarity. The fusion of welfare and nationalism serves multiple political functions. It moralizes redistribution by linking material benefits to citizenship and loyalty, strengthens emotional attachment to political leadership, and legitimizes state intervention as part of a broader national project. By embedding welfare within cultural narratives, populism transcends narrow economic appeals and mobilizes affective support. From a political economy perspective, this synthesis enhances the durability of populist policies. Material benefits gain symbolic significance, while identity narratives provide justification for continued state involvement in social provisioning within a liberalized economy.

V. Agrarian Populism and Rural Political Economy Structural Vulnerabilities of Indian Agriculture

Agriculture remains a critical domain of populist intervention due to its structural vulnerabilities and political salience. Despite contributing a declining share to national income, agriculture continues to employ a substantial proportion of the population. Liberalization exposed farmers to market volatility, global price fluctuations, and input cost pressures, while public

investment in agriculture remained relatively stagnant. These conditions generated recurrent agrarian distress, manifested in indebtedness, income instability, and rural underemployment. Given the electoral importance of rural constituencies, governments have consistently responded through populist measures aimed at providing immediate relief.

Instruments of Agrarian Populism

Agrarian populism in post-liberalization India takes multiple forms, including loan waivers, minimum support price increases, subsidized inputs, and direct income transfers. These measures offer short-term relief and signal political responsiveness, but they rarely address structural issues such as productivity, diversification, and market access.

Loan waivers, in particular, exemplify the tensions inherent in populist policy-making. While they provide immediate respite to indebted farmers, they raise concerns about fiscal burden, credit discipline, and long-term viability. Nevertheless, their recurrence across political regimes underscores the enduring political logic of agrarian populism.

Political Logic and Policy Limitations

Agrarian populism persists because it aligns with electoral incentives in a context where structural agricultural reform is politically risky and administratively complex. Incremental populist interventions allow governments to manage rural discontent without confronting deeper political economy constraints, such as land fragmentation, federal coordination, and market reform. This pattern highlights a broader characteristic of post-liberalization populism: its emphasis on distributive mitigation rather than transformative restructuring.

VI. Fiscal Sustainability and Institutional Containment

Critiques of Populist Welfare Expansion

A central critique of populist policies concerns their fiscal implications. Critics argue that expansive welfare spending increases revenue expenditure, crowds out capital investment, and undermines long-term growth. At the state level, concerns about rising debt-to-income ratios and fiscal stress are frequently linked to populist commitments. Such critiques, while not unfounded, often adopt a narrow macroeconomic lens that overlooks institutional and political constraints shaping fiscal outcomes.

Institutional Constraints on Populism

Indian populism operates within a dense institutional framework that constrains excess. Fiscal responsibility legislation, judicial oversight, electoral competition, and federal checks limit the scope for unchecked expansionary policies. These mechanisms help explain why Indian populism has remained fiscally bounded rather than macro economically destabilizing. Moreover, the coexistence of welfare expansion and fiscal discipline suggests that populism in India is adaptive rather than reckless. Political actors calibrate welfare commitments to remain within acceptable fiscal and institutional limits.

Welfare as Democratic Investment

An alternative perspective views welfare spending not as a fiscal liability but as a democratic investment. Social protection enhances human capital, stabilizes aggregate demand, and sustains political legitimacy in unequal societies. From this standpoint, the relevant question is not whether populism exists, but how welfare policies are designed, targeted, and evaluated.

Comparative Perspective: India in Global Context

Comparatively, Indian populism differs from many global variants. Unlike Latin American macroeconomic populism, it has not relied on inflationary financing. Unlike some contemporary right-wing populisms, it has not entailed wholesale dismantling of welfare institutions. Instead, Indian populism combines redistribution, institutional mediation, and identity narratives within a democratic framework. This positions India as a critical case of “embedded populism,” where

populist politics coexist with liberal economic institutions. The Indian experience thus complicates linear theories that predict the erosion of populism under liberalization or its inevitable slide into authoritarianism.

Conclusion

Populist policies in India have persisted and transformed in the post-liberalization era, despite predictions that market-oriented reforms would constrain redistributive politics. Rather than disappearing, populism has evolved in form and strategy: broad-based subsidies gave way to targeted welfare schemes, rights-based entitlements, and digitally mediated benefit delivery, reflecting both fiscal constraints and administrative innovation. Indian populism is structurally embedded within democratic and market frameworks. It emerges from the socio-economic dislocations generated by liberalization, electoral competition in a federal system, and institutional constraints that bound fiscal expansion. This combination ensures that populist policies remain politically effective yet fiscally and administratively sustainable. Identity, culture, and nationalism have become integral to populist appeals. Welfare provision is increasingly intertwined with caste, regional, and national narratives, reinforcing both material and symbolic legitimacy. In rural and agrarian contexts, populist interventions address immediate vulnerabilities without fundamentally restructuring structural inequalities, illustrating the pragmatic and adaptive character of Indian populism. Comparatively, India exemplifies “embedded populism,” where redistributive policies coexist with liberalized markets and democratic institutions. Populism functions as a corrective mechanism that addresses social insecurities, sustains political legitimacy, and mediates the consequences of economic reform. The challenge lies in harnessing its adaptive potential to strengthen inclusive development, institutional accountability, and sustainable welfare systems, rather than attempting to eliminate populism altogether.

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