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Populist Policies in Post- Liberalisation India

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1. Introduction

The economic reforms of 1991 represent a watershed moment in modern Indian history. Under Prime Minister P.V. Narasimha Rao and Finance Minister Manmohan Singh, India dismantled the Licence-Permit Raj, liberalised trade, devalued the rupee, invited foreign direct investment, and initiated privatisation of public sector enterprises. The stated objective was to achieve higher growth rates, improve efficiency, integrate with the global economy, and reduce poverty through trickle-down effects.

The results were impressive on several fronts: average annual GDP growth rose from around 3.5% in the pre-reform era (1950–1990) to 6–7% in the post-reform decades, with peaks of 8–9% during 2003–2011. Extreme poverty (as per Tendulkar methodology) declined significantly from about 45% in the early 1990s to below 22% by 2011–12. A substantial urban middle class emerged, consumer markets expanded, and India became one of the fastest-growing major economies.

However, the gains were highly uneven. Income and wealth inequality reached historic highs — according to World Inequality Database, the top 1% income share rose to over 22–23% by the late 2010s, the highest level since the colonial period. Wealth concentration is even starker, with the top 1% owning nearly 40–42% of national wealth. Employment generation remained disappointing: over 80% of the workforce stays in the informal sector, real wages in agriculture stagnated for long periods, and youth unemployment (especially among educated graduates) touched alarming levels (15–25% in many NSSO rounds, and over 40% for under-25 urban youth in some CMIE estimates).

This combination of high growth with rising inequality, jobless growth, and agrarian crisis created fertile ground for populist politics. In a parliamentary democracy with universal adult franchise and fierce multi-party competition, political actors found it electorally rewarding to promise and deliver direct, visible benefits to large vote blocs — farmers, rural poor, women, lower castes — rather than rely solely on abstract promises of long-term growth.

2. Conceptualising Populism in the Indian Context

Populism in India, especially in the post-liberalisation era, manifests as a pragmatic and electoral tool, distinct from Western ideologies of left or right-wing populism. Indian populism primarily focuses on welfare measures aimed at providing immediate benefits to specific social groups. This includes cash transfers, subsidies, and loan waivers, often facilitated by technology, such as the Aadhaar-linked Direct Benefit Transfer (DBT), which has helped reduce leakage and ensured the effective distribution of resources.

In India, populism is less about ideological purity and more about appealing to voters' needs through targeted state intervention. It operates within the framework of a capitalist economy and often coexists with pro-market reforms. Key features of Indian populism include leader-centric branding, where schemes are named after leaders like PM Modi (e.g., PM-KISAN, PM AwasYojana), creating a direct connection between the leader and welfare measures.

Another distinctive feature is the competitive nature of populism. States and political parties often engage in a race to offer better or more extensive welfare benefits, creating a competitive bidding process. Additionally, Indian populism is closely tied to identity politics, particularly under the BJP since 2014, where welfare programs are often framed within a majoritarian-nationalist narrative, emphasizing "sabkasaath, sabkavikas" (together with all, development for all).

In essence, Indian populism is shaped by a combination of electoral pragmatism, welfare policies, technology, and identity politics, often diverging from the ideological strictures of Western populist movements.

3. Major Populist Policies: Central Level

MGNREGA (2005) — Mahatma Gandhi National Rural Employment Guarantee Act remains the largest rights-based welfare programme in the world. It legally guarantees 100 days of unskilled manual work per rural household at minimum wages. Conceived during UPA-I as a response to rural distress and farmer suicides in the liberalisation era, it peaked at over ₹40,000 crore annual expenditure. During COVID-19 (2020–21), person-days generated crossed 300 crore — a critical lifeline when urban migrants returned to villages.

PM-KISAN (2019) — Pradhan MantriKisanSammanNidhi provides ₹6,000 per year (in three instalments) to small and marginal farmers (land up to 2 hectares). Over 11–12 crore farmers benefited, with cumulative transfers exceeding ₹2.5 lakh crore by 2024. It replaced earlier episodic loan waivers with regular, predictable income support.

Ayushman Bharat – PMJAY (2018) — Offers ₹5 lakh per family per year health insurance coverage to over 50 crore poor people. Combined with Health & Wellness Centres, it aims to reduce out-of-pocket expenditure.

UjjwalaYojana (2016) — Provided free LPG connections to BPL women households (over 10 crore connections by 2024), dramatically increasing clean fuel access.

Other notable schemes — PM AwasYojana (housing), Jal Jeevan Mission (tap water), free food grains under NFSA during pandemic (Pradhan MantriGaribKalyan Anna Yojana).

These schemes are characterised by massive scale, DBT efficiency, and strong political branding.

4. State-Level Competitive Populism

State-level competitive populism has become one of the most defining features of India’s federal political landscape. With states enjoying significant autonomy over welfare delivery, electoral competition has transformed social policy into an “arms race,” where political parties continuously expand and outbid each other through welfare schemes to secure voter loyalty. This phenomenon has intensified particularly after the 2010s, as welfare delivery became more efficient and politically visible.

Andhra Pradesh and Telangana provide strong examples of welfare-driven electoral strategies. In Andhra Pradesh, the YSR Congress government introduced schemes such as **YSR Rythu Bharosa**, offering over ₹13,500 per farmer annually, and **Amma Vodi**, which provides financial incentives to mothers to ensure children’s school attendance. Telangana’s **Rythu Bandhu** scheme, which offers direct input support to farmers regardless of land size, set a precedent that neighbouring states felt pressured to match or exceed. These schemes not only address agrarian distress but also function as powerful electoral tools by delivering tangible and recurring benefits.

Delhi under the Aam Aadmi Party (AAP) since 2015 represents a different but equally influential model of competitive populism. The provision of free electricity up to 200 units, free water up to 20,000 litres per household, and subsidised bus travel for women reframed welfare as a matter of “basic urban rights.” These policies helped AAP build a strong political identity centred on efficient governance combined with selective subsidies, forcing rival parties in other states to adopt similar promises in urban constituencies.

Tamil Nadu has the longest tradition of welfare populism, dating back to the Dravidian movement. The state institutionalised "freebies" as a core element of governance, beginning with free colour televisions in 2006, followed by initiatives such as **Amma Unavagam** (₹1 subsidised meals), free laptops for students, and household appliances like mixers and grinders. Over time, these measures became electorally non-negotiable, compelling successive governments—regardless of party—to continue and expand them.

Farm loan waivers illustrate the most fiscally intense form of competitive populism. Almost every major agricultural state has announced waivers before elections. Uttar Pradesh waived loans worth approximately ₹36,000 crore in 2017, Maharashtra announced waivers worth ₹34,000 crore in 2019, and states such as Punjab, Karnataka, and Rajasthan have implemented similar measures multiple times. While politically popular, these waivers often strain state finances and provide uneven benefits, favouring land-owning farmers over tenants and agricultural labourers.

The trend became even more pronounced during the 2023–2025 assembly elections in states such as Madhya Pradesh, Rajasthan, Chhattisgarh, Telangana, and Andhra Pradesh. Election manifestos were dominated by promises of direct cash transfers to women, free bus travel, unemployment allowances, and expanded food and fuel subsidies. Welfare commitments increasingly replaced ideological debates, signalling a shift toward outcome-oriented, voter-focused politics.

In sum, state-level competitive populism reflects both the strengths and limitations of Indian federal democracy. While it has expanded welfare coverage and made governments more responsive, it has also raised concerns about fiscal sustainability, long-term development priorities, and the reduction of politics to short-term material incentives

5. Political Economy Rationale & Impact

Populism in contemporary political economies is often driven by a combination of structural factors and immediate political incentives. One key reason why populism persists is the nature of the electoral system, particularly in countries with a **first-past-the-post (FPTP)** system. This system, which rewards candidates with the highest number of votes in a constituency rather than a proportional representation, tends to encourage narrow targeting of specific voter groups. Politicians focus on issues that directly benefit these groups in exchange for votes, bypassing broader, long-term policy goals. This results in a fragmented electorate where diverse and often conflicting demands are channeled into short-term promises, reinforcing the appeal of populist leaders.

Economic failures further fuel populism. Growth in many countries has not created enough formal jobs, leaving large segments of the population in precarious economic conditions. This failure of the market to generate widespread employment leads to increased voter demands for immediate relief, often in the form of **direct transfers or subsidies**. The absence of robust labor markets means that many people depend on government interventions to meet their basic needs, which populist leaders promise to deliver.

Social media has further amplified the reach of populist messaging, enabling direct communication with voters. This bypasses traditional party structures and patronage networks, creating a more personalized form of political outreach. Politicians can directly link themselves to the beneficiaries of programs such as cash transfers, making the relationship more transactional and immediate. This has eroded the influence of traditional political elites, making it easier for populist leaders to build support through promises of direct economic relief.

Positive Impacts of Populism:

Populist policies, especially in countries with high poverty rates, have led to several **positive outcomes**. One of the most notable is **poverty alleviation**. Programs such as the **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** in India, which guarantees employment in rural areas, have lifted millions of people out of poverty. Similarly, schemes like **Ujjwala**, which provides free cooking gas connections to low-income households, have contributed to improving living standards.

Populism has also fostered **women empowerment** by targeting welfare programs directly at women. MGNREGA and Ujjwala, for instance, have disproportionately benefited women, giving them both economic opportunities and reducing the physical toll of traditional cooking practices, which often involve dangerous and unhealthy biomass fuels. During economic crises or natural disasters, populist policies, such as direct **cash transfers**, have helped **reduce hunger** and maintain basic living standards, particularly in the absence of functioning market systems.

Moreover, the **Direct Benefit Transfer (DBT)** system has introduced a level of transparency and accountability into the distribution of welfare benefits, reducing corruption and leakage in traditional patronage networks.

Negative Consequences of Populism:

However, the **negative consequences** of populism are significant and can have long-term detrimental effects on the economy. One of the most pressing concerns is the **fiscal stress** it creates. Populist measures often come with large explicit and implicit subsidies, such as **free electricity**, **fertilizer**, and **fuel**, which consume a substantial portion of national GDP (around 2-3% annually). These subsidies place a heavy burden on government finances, diverting funds from crucial areas like infrastructure, education, health, and research.

Another downside is the practice of **loan waivers** and other forms of debt relief, which, while politically popular, undermine banking discipline. Large-scale loan waivers can reduce the incentives for borrowers to repay debts and discourage financial institutions from lending, which weakens the broader financial system.

Populist policies can also create **market distortions**. For example, **free electricity** and **water** encourage wasteful consumption and overuse of natural resources, contributing to problems like **groundwater depletion** and **energy inefficiency**. These distorted incentives harm the environment and hinder sustainable development.

olitical Economy Rationale & Impacts

6. Conclusion

In conclusion, **populist policies** in post-1991 India should not be seen as a deviation from the process of liberalization, but rather as its political shadow. These policies serve as a mechanism to manage the social tensions arising from the **unequal, jobless growth** that liberalization has fostered. While they help provide **democratic legitimacy** to market reforms, they do so at the expense of fiscal responsibility and meaningful **structural change**. In the short term, populism offers immediate relief to those who feel left behind by rapid economic growth, but in the long run, it risks undermining the very foundation of sustainable development.

A **sustainable path** forward requires a shift in policy priorities. First, the government should move away from universal **"freebie"** models and instead focus on **targeted, time-bound**

support that is directly linked to **skilling and employment**. This would empower individuals to become self-reliant rather than dependent on unsustainable handouts. Additionally, there must be a significant increase in public investment in **education** (particularly vocational training), **healthcare**, and **infrastructure**, areas that have been historically underfunded but are crucial for long-term growth and development.

Another key reform lies in **agriculture**. Instead of continuing with **perpetual loan waivers**, India needs to focus on **crop diversification** and the development of **agri-value chains** to improve productivity and farmer incomes sustainably. Finally, the government must build **fiscal rules** that **cap populist spending**, ensuring that it doesn't crowd out essential public investments. These rules should also protect genuine social safety nets, ensuring that vulnerable populations continue to receive support without exacerbating fiscal deficits.

Ultimately, a balanced approach that addresses both immediate needs and long-term structural reforms is necessary to create a more equitable and sustainable future for India.

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