

Fiscal Sustainability and Welfare Outcomes of value added Programs in Karnataka: Evidence from Urban Households in Bengaluru

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ABSTRACT

Government assistance programs have emerged as a crucial policy tool for mitigating socio-economic disparities in developing nations. In India, state governments often implement subsidy-based welfare programs to facilitate access to essential services and augment household well-being. The Government of Karnataka has instituted many welfare programs, such as Gruha Lakshmi, Gruha Jyothi, Shakti Yojana, Anna Bhagya, and YuvaNidhi, within the overarching framework of social security and income support policies.

This study analyses the fiscal and welfare consequences of these schemes by evaluating their effects on household economic conditions and perceptions of policy efficacy. The research employs primary data gathered via a structured questionnaire from 157 urban homes in the South Zone of Bengaluru. Descriptive statistics and Pearson's Chi-Square test were utilized to analyse the correlations among demographic factors, welfare system utilization, and perceived economic consequences.

The results demonstrate that welfare programs offer temporary financial assistance to households, mostly by decreasing expenses related to electricity, transportation, and food consumption. Nonetheless, the influence of these programs on enduring household savings and financial stability is still constrained. The research underscores apprehensions about openness in the execution of schemes and public opinions concerning the political objectives behind social policy.

From a financial standpoint, the expansion of subsidy-based welfare programs may exert strain on state budgets and may diminish fiscal capacity for developmental investments in infrastructure, education, and healthcare. The study indicates that although welfare schemes are

crucial for social protection, policymakers must implement a balanced strategy that guarantees fiscal sustainability while fostering inclusive economic growth.

Keywords: Inclusive growth, Fiscal sustainability, Financial assistances, public expenditure, demographic, etc.,

1. Introduction

Government enabled programs are essential for mitigating socio-economic inequalities and fostering inclusive growth. In developing economies, public policies may encompass the provision of subsidies and welfare programs to enhance access to critical services, including food, power, healthcare, education, and transportation. These programs seek to improve the living conditions of economically disadvantaged groups and mitigate income disparity.

In India, societal programs have historically been a fundamental aspect of governmental governance. Numerous state governments execute subsidy-based programs to deliver direct financial aid or complimentary services to designated demographic groups. Such programs are frequently rationalized based on social welfare, poverty reduction, and economic inclusion.

The Karnataka government has launched multiple welfare schemes under the "Pancha Guarantee" framework subsequent to the 2023 State Assembly elections. The programs encompass Gruha Lakshmi, which grants monthly financial aid to female heads of households; GruhaJyothi, which supplies complimentary electricity up to a designated consumption threshold; Shakti Yojana, which permits free bus travel for women; Anna Bhagya, which delivers food security benefits; and YuvaNidhi, which provides unemployment allowances for graduates and diploma holders.

These initiatives seek to augment the wellbeing of economically disadvantaged groups and strengthen household financial stability. The swift proliferation of social subsidies has incited significant discourse among politicians, economists, and academics. Critics contend that extensive subsidy programs may heighten budgetary strain on state governments and diminish resources for infrastructure development and profitable investments. Proponents regard welfare programs as vital instruments for social safeguarding and economic integration.

Notwithstanding the growing significance of these social programs, empirical evidence concerning their real influence on household economic behaviour and financial results remains scarce. Policy discussions predominantly emphasize the fiscal ramifications of welfare spending, rather than assessing the welfare outcomes encountered by households.

This paper aims to fill this gap by performing an empirical examination of the budgetary and

welfare consequences of social policies introduced in Karnataka. This research utilizes primary data gathered from homes in Bengaluru to analyse the impact of these programs on household spending patterns, savings behaviour, and perceptions of economic security.

This study enhances the ongoing discourse on welfare policies and fiscal sustainability by offering micro-level evidence about the efficacy of subsidy-based welfare programs in urban India.

Scheme Name	Primary Benefit	Target Beneficiary	Description & Comparison
Shakti Yojana	Free Bus Travel	All women and transgender residents of Karnataka.	Provides free intra-state travel in all non-premium government buses (KSRTC, BMTC, NWKRTC, KKRTC). Similar to Delhi's Pink Ticket , it aims to increase female workforce participation and mobility.
Gruha Jyothi	Free Electricity (Up to 200 Units)	Every residential household (Owners & Tenants).	Offers up to 200 units of free power monthly. Similar to models in Delhi and Punjab , it uses a "Zero Bill" system for those staying within the limit (calculated based on average usage plus a 10% buffer).
Gruha Lakshmi	₹2,000 Monthly Cash	Women heads of households (BPL, APL, & Antyodaya).	A Direct Benefit Transfer (DBT) of ₹2,000 to empowered women heads. Similar to West Bengal's Lakshmi Bhandar, it excludes families where the head or spouse pays Income Tax or GST.

Yuva Nidhi	Unemployment Allowance	Unemployed Graduates & Diploma holders (2023-25 batches).	Provides ₹3,000/month for graduates and ₹1,500/month for diploma holders for up to 2 years or until they find a job. Similar to Tamil Nadu's "Kalaingar Magalir Urimai Thogai" in its focus on youth financial stability.
Anna Bhagya	10 kg Food Grains / Food Kit	BPL and Antyodaya (AAY) card holders.	Originally 10 kg of free rice, the state recently introduced the "Indira Food Kit" (as of 2026) in lieu of 5kg of the rice quota to diversify nutrition and prevent grain misuse.

2. Theoretical Framework

The research is based on the theoretical principles of welfare economics and public finance theory. wellbeing economics highlights the need of government action in enhancing social wellbeing through the rectification of market failures and the redistribution of income.

Pigouvian welfare theory posits that government interventions to supply merit goods, like food, public transit, and power, can augment social welfare by facilitating access to vital services for economically disadvantaged populations.

In developing economies, welfare plans serve as mechanisms for poverty alleviation and social protection. Government spending on subsidies and social programs can enhance household consumption and elevate living standards, especially for low-income demographics. Keynesian economic theory advocates for government spending as a means to enhance aggregate demand and foster economic stability. Welfare transfers can augment disposable income for households, thereby enhancing consumption and economic activity.

Public finance theory provides the concept of fiscal sustainability, which underscores the necessity for government expenditure to be maintained within sustainable fiscal boundaries. Over commitment to subsidy-driven welfare programs may constrict budgetary capacity for productive expenditures, including infrastructure, healthcare, and education. economic space denotes a government's ability to spend resources for developmental initiatives without jeopardizing economic stability. A substantial portion of government expenditure allocated to subsidies and

transfers may limit the government's capacity to engage in long-term economic development.

Consequently, welfare programs must reconcile two critical objectives: enhancing social welfare and ensuring fiscal sustainability. This paper analyses social systems in Karnataka via this theoretical framework, assessing their effects on household welfare outcomes and potential implications for budgetary management.

3. Literature Review

Several scholars have examined the economic implications of welfare policies and subsidy-based government programmes.

Kanakamalini (2023) analysed the impact of the Shakti Yojana scheme on women's mobility in Karnataka. The study found that free bus travel improved women's access to education, employment, and social participation. However, the study also noted challenges related to crowd management and increased pressure on public transportation systems.

Mukhi, Tiwari, and Ghosh (2023) examined the fiscal implications of welfare subsidies in India and argued that politically motivated welfare schemes may increase fiscal burdens on state governments. The authors suggested that excessive subsidy commitments may reduce fiscal flexibility and limit public investment in productive sectors.

Kalle, Banati, and Meena (2024) explored the concept of fiscal space and analysed how expanding welfare commitments may increase committed expenditure in state budgets. The study highlighted the importance of balancing welfare policies with fiscal sustainability.

Rohra and Mishra (2025) studied the fiscal crises experienced by certain Indian states and argued that large-scale welfare subsidies may contribute to rising debt-to-GSDP ratios. Their findings emphasized the need for prudent fiscal management when implementing social welfare programmes.

Umakanth et al. (2024) examined the impact of welfare programmes such as Anna Bhagya and Shakti Yojana on public welfare outcomes. Their study highlighted both positive welfare effects and administrative challenges in implementation.

While these studies offer significant insights into welfare policies and fiscal sustainability, there is a deficiency of empirical research investigating household-level welfare effects. Most current research emphasizes macroeconomic fiscal indicators instead of micro-level household effects. This study seeks to address this research vacuum by analysing the impact of welfare programs on household economic behaviour, financial savings, and perceptions of policy efficacy.

4. Research Gap

The current literature predominantly examines the macroeconomic budgetary consequences of welfare payments. Nonetheless, there has been a paucity of empirical research regarding household-level welfare results of social initiatives in Karnataka. Moreover, there is scant research regarding the impact of social programs on household consumption patterns, financial savings, and views of fiscal sustainability. This study fills these gaps by performing an empirical analysis utilizing primary survey data gathered from families in Bengaluru.

5. Research Objectives

1. To assess the influence of welfare programs on the economic status of households in Bengaluru.
2. To examine the correlation between the utilization of welfare schemes and household savings behaviour.
3. To assess public attitudes concerning the financial ramifications of social programs.
4. To evaluate the efficacy of welfare policies in enhancing household welfare.

6. Research Methodology

The study adopts a quantitative empirical research design based on primary survey data.

Data Collection

Primary data were gathered using a standardized questionnaire comprising 50 items. The questionnaire comprised questions on demographic factors, awareness of social programs, financial advantages, and perceptions of policy execution.

Sample Size

The sample consists of 157 respondents from urban households located in the South Zone of Bengaluru.

Sampling Method

Random sampling was used to collect responses from households.

Analytical Tools

The collected data were analysed using EViews statistical software. The following analytical

techniques were used:

- Descriptive statistics
- Cross-tabulation
- Pearson Chi-Square test

The Chi-Square test was used to examine the relationship between categorical variables such as education level, income, welfare scheme access, and financial outcomes.

Limitations

The study is limited to urban households in Bengaluru and may not adequately represent rural areas of Karnataka. The significant proportion of educated respondents may influence opinions toward welfare policy.

7. Results and Analysis

Demographic Profile

The educational background of respondents reveals that 40% are graduates, 25% hold diplomas, 15% have completed higher secondary education, while smaller percentages have attained postgraduate or secondary education. This indicates that the sample population is comparatively more educated than the total population.

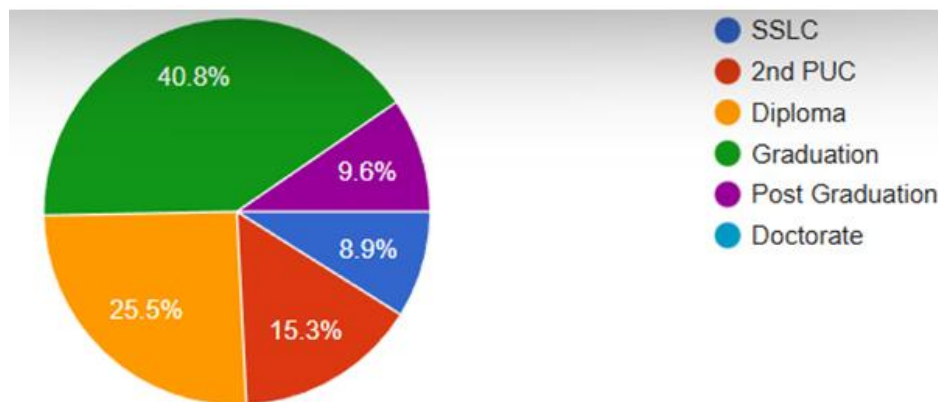
Given below is the table-1 representing the educational qualifications of the respondents, where the total number of respondents (n=157):

Table 1.2

Educational Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
SSLC	14	8.8%	8.8%	100.0%
2nd PUC	24	15.0%	15.0%	16.3%
Diploma	40	25.0%	25.0%	41.9%

Graduation	64	40.0%	40.0%	81.9%
Post-Graduation	15	9.4%	9.4%	91.3%
Total	157	100.0%	100.0%	100%

Graph 1.1



Transparency of Scheme Implementation

Approximately 72.5% of respondents indicated that the implementation process of welfare systems is moderately transparent, whilst 19.4% conveyed displeasure regarding transparency.

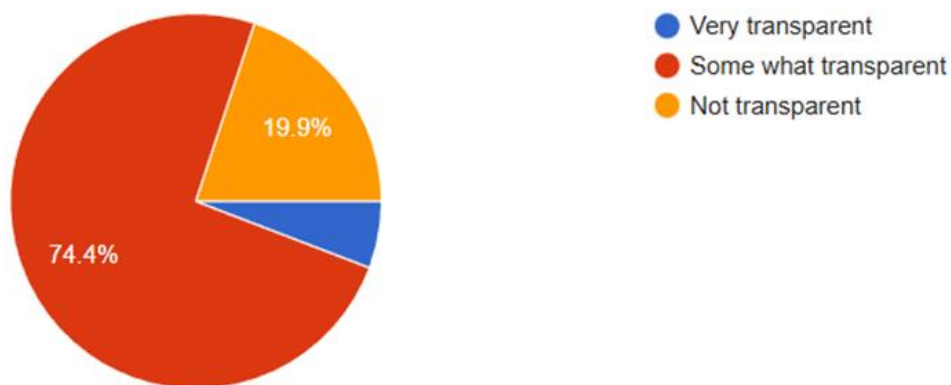
This data indicates that while the schemes are available to numerous households, there are apprehensions about administrative transparency and execution procedures.

Table 1.2

Level of Transparency	Frequency (N)	Percentage (%)	Valid Percentage (%)	Cumulative Percentage (%)
Not Transparent	31	19.4	19.4	21.9*
Somewhat Transparent	116	72.5	72.5	94.4

Very Transparent	10	5.6	5.6	100.0
Total	157	100.0	--	--

Graph 1.2



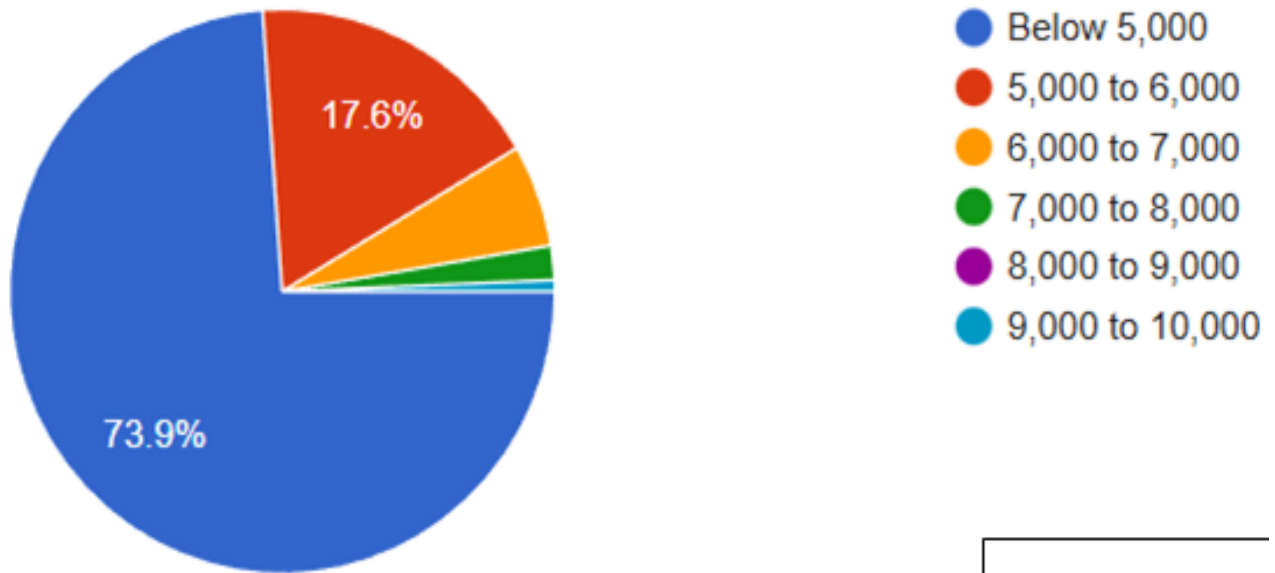
Financial Impact of Welfare Schemes

The study results reveal that most households see minor financial savings due to assistance initiatives.

Approximately 73.9% of respondents indicated monthly savings of less than ₹5,000 attributable to welfare assistance. A little fraction indicated savings exceeding ₹6,000. This indicates that although welfare programs offer monetary assistance, their effect on household financial stability is constrained.

Monthly Savings Amount	Percentage of Households
Below 5,000	73.9%
5,000 to 6,000	17.6%
6,000 to 10,000	Remaining ~8.5% (Small slivers)

Graph 1.3

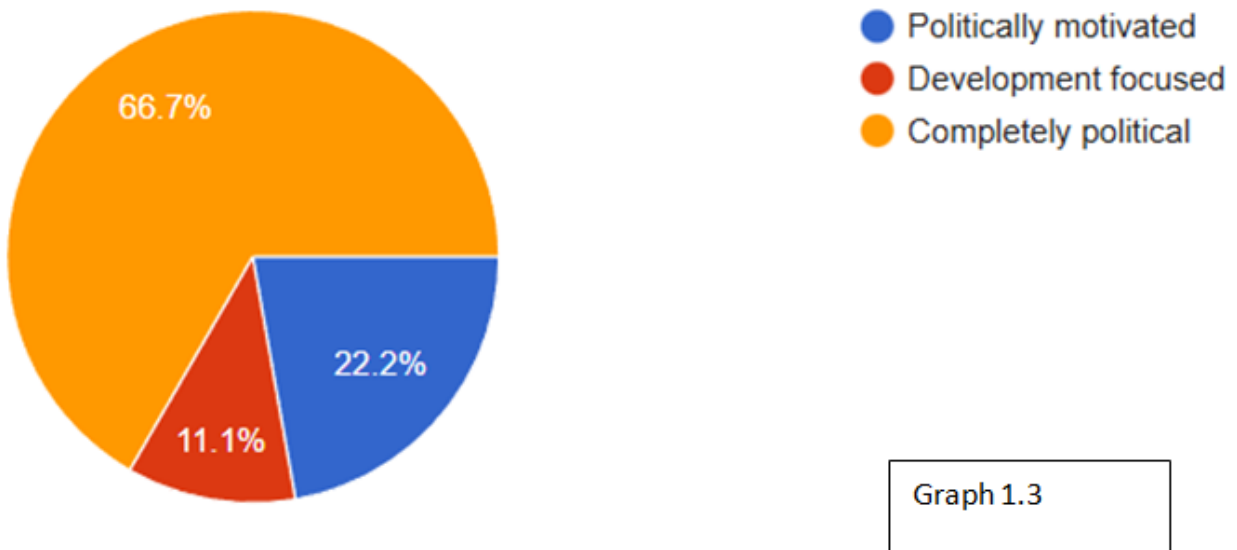


Political Perception of Welfare Schemes

A majority of participants (63.7%) regarded welfare schemes as politically motivated, whilst 21.3% viewed them as politically influenced. A minor fraction of respondents perceived these initiatives as exclusively development-focused.

Perceived Nature of Schemes	Frequency (N)	Percentage (%)	Valid Percentage (%)
Completely political	102	63.7	63.7
Politically motivated	34	21.3	21.3
Development focused	17	10.6	10.6
Other Valid Responses	4	4.4	4.4
Total	157	100.0	100.0

Graph 1.3



8. Discussion

The empirical evidence indicates that welfare programs offer immediate consumption advantages but may not substantially enhance long-term financial stability for households. Although initiatives like free electricity and transportation diminish specific household expenses, they seemingly do not substantially enhance savings or employment results. Moreover, views of transparency and political reasons underscore the necessity of enhancing administrative accountability in the execution of social programs.

9. Policy Implications

The study suggests several policy recommendations:

- Improve transparency and administrative efficiency in welfare programme implementation
- Combine welfare transfers with employment generation initiatives
- Promote skill development programmes to enhance economic productivity
- Ensure fiscal sustainability by balancing welfare expenditure with developmental investments

10. Conclusion

This study analysed the financial and welfare consequences of subsidy programs in Karnataka, utilizing primary survey data from households in Bengaluru.

The results demonstrate that welfare programs offer temporary financial assistance but exert minimal influence on the long-term financial stability of households. Policymakers should thus implement a balanced strategy that integrates welfare programs with sustainable economic development initiatives.

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