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ELECTRICITY AND BUS FARE WAIVERS IN PUNJAB: A SOCIO-LEGAL ANALYSIS OF WELFARE POPULISM AND FISCAL CONSTITUTIONALISM

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ABSTRACT

Punjab's electricity bill and bus fare waiver schemes, introduced by the Aam Aadmi Party government since 2022, exemplify a broader and increasingly contested category of welfare measure that Indian courts and commentators have come to describe, not always neutrally, as electoral freebies. This paper examines the socio-legal architecture of these schemes, tracing their constitutional basis in the Directive Principles of State Policy and their statutory foundation in Section 65 of the Electricity Act, 2003 and Sections 67 through 74 of the Motor Vehicles Act, 1988, against their measurable fiscal consequence for a state already among India's most indebted. Drawing on Punjab's budget documents, Reserve Bank of India state finance data, and Comptroller and Auditor General findings, the paper documents a fiscal deficit persistently exceeding the statutory ceiling under the Fiscal Responsibility and Budget Management Act, mounting unpaid subsidy reimbursement to the Punjab State Power Corporation Limited, and a measurable substitution of capital for revenue expenditure. It situates this fiscal record within the doctrinal trajectory from S. Subramaniam Balaji v. State of Tamil Nadu, which upheld welfare promises as consistent with the Directive Principles, to the still-pending challenge in Ashwini Kumar Upadhyay v. Union of India, in which the Supreme Court has signalled growing judicial unease with unconditioned, universal welfare distribution untethered from fiscal discipline or targeting. The paper argues that the central legal deficiency in Punjab's scheme design is not the constitutional legitimacy of welfare spending as such, which Balaji settles, but the absence of legislative codification, targeting criteria, sunset clauses and independent audit, deficiencies a legally sound welfare architecture could remedy without abandoning the redistributive purpose the schemes were designed to serve.

KEYWORDS: *Welfare Populism; Directive Principles; Electricity Subsidy; Fiscal Federalism; Freebies Litigation.*

1. INTRODUCTION

The welfare state has occupied a central place in India's constitutional philosophy since independence. The Directive Principles of State Policy direct the state to take active measures to reduce inequality and advance social and economic justice, and successive state governments have implemented subsidy, public distribution and free-service schemes on that constitutional foundation.[1] Among the most publicly debated of these measures are the waiver of electricity charges and the provision of free public bus travel, and this paper examines both in the State of Punjab, where the Aam Aadmi Party government has pursued them with particular scale since forming government in 2022.

Punjab's scheme offers up to three hundred units of free electricity monthly to every household and free travel for women on state-run buses. These measures are publicly framed as pro-poor welfare reform, but they raise genuine

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[1] India Const. arts. 38-51, pt. IV.

socio-legal and fiscal questions this paper addresses directly: whether the schemes, as designed and implemented, are consistent with constitutional governance, social equity, financial sustainability and administrative accountability, or whether their universal, untargeted character undermines the very redistributive purpose that justifies welfare spending under the Directive Principles in the first place.

1.1 Objectives and Methodology

- To examine the socio-economic and political context that produced Punjab's electricity and bus fare waiver schemes.
- To analyse the constitutional and statutory framework governing such welfare subsidies, including the Electricity Act, 2003 and the Motor Vehicles Act, 1988.
- To evaluate tshe fiscal impact of the schemes using Punjab's budget documents, Reserve Bank of India data and Comptroller and Auditor General findings.
- To trace the judicial trajectory of the freebies debate from S. Subramaniam Balaji to the pending Ashwini Kumar Upadhyay litigation.
- To weigh the schemes' social benefits against their fiscal and equity costs, and to propose reforms capable of reconciling welfare intent with legal and fiscal discipline.

This study adopts a doctrinal and policy-analytical methodology, drawing on constitutional provision, statute, Supreme Court case law, Punjab budget documents, Reserve Bank of India state finance reports, Comptroller and Auditor General findings, and contemporaneous policy commentary.

1.2 Comparative Context

Punjab's schemes did not emerge in isolation. Delhi's AAP government had implemented a comparable electricity subsidy structure from 2015 onward, and several other states, including Tamil Nadu, Andhra Pradesh and Karnataka, have since introduced their own versions of free or heavily subsidised electricity and public transport for women specifically. This paper draws on that comparative experience where directly relevant, particularly in Section 7's discussion of consumption effects observed in Tamil Nadu and Andhra Pradesh, but its principal focus remains Punjab's specific fiscal and legal experience, since Punjab's pre-existing debt burden makes its experience a particularly instructive test case for the sustainability question this paper examines.

2. SOCIO-ECONOMIC CONTEXT AND THE POLITICAL ORIGINS OF THE WAIVER SCHEMES

Punjab, once regarded as India's agricultural breadbasket, has faced mounting economic difficulty over recent decades: high public debt, stagnating agricultural income, deindustrialisation and constrained employment opportunity have together created conditions in which welfare promises carry particular political weight. According to the Punjab Economic Survey 2024-25, the state's fiscal deficit stood at approximately 4.5 per cent of Gross State Domestic Product, exceeding the three per cent ceiling the Fiscal Responsibility and Budget Management Act, 2003 prescribes.[2]

Against this backdrop, the Aam Aadmi Party's 2022 Punjab Legislative Assembly election manifesto pledged three hundred units of free electricity monthly per household, the waiver of pending residential electricity dues, and free bus travel for women on state-run buses,[3] pledges modelled on comparable programmes the party had earlier implemented in Delhi. These promises contributed materially to the party's electoral victory, though critics have characterised them as politically expedient rather than economically considered, a characterisation this paper's later sections test against the available fiscal evidence rather than accept or reject at the outset.

2.1 The Delhi Precedent

Delhi's electricity subsidy, introduced from 2015 onward, supplied the template Punjab's scheme substantially followed, and its comparatively longer operational history offers a useful, if imperfect, point of reference. Delhi's smaller geographic scale, higher per-capita fiscal capacity as a Union Territory with direct central revenue support, and considerably lower agricultural dependence distinguish its fiscal position materially from Punjab's, meaning that a subsidy model that has proven administratively and fiscally manageable in Delhi does not straightforwardly transfer to a state carrying Punjab's debt burden and narrower revenue base.[4] This distinction matters directly for the sustainability analysis this paper undertakes in Sections 4 and 7: the mere fact that a comparable scheme has operated without fiscal crisis in Delhi does not establish that an equivalent scheme is fiscally sustainable in Punjab, and the divergent debt and deficit trajectories the two jurisdictions have since exhibited bear this distinction out.

2 Dep't of Finance, Gov't of Punjab, Punjab Economic Survey 2024-25.

3 Aam Aadmi Party, Punjab Election Manifesto 2022.

4 Dep't of Power, Gov't of NCT of Delhi, Electricity Subsidy Scheme: Implementation Report (2023).

3. CONSTITUTIONAL AND STATUTORY FRAMEWORK GOVERNING WELFARE SUBSIDIES

3.1 Constitutional Foundations

The Directive Principles of State Policy, particularly Articles 38, 39, 41 and 46, direct the state to secure a social order promoting justice, to reduce inequality, and to promote the welfare of economically weaker sections.[5] Article 14's guarantee of equality before the law, however, requires that any subsidy scheme avoid arbitrariness; a blanket subsidy extended without regard to economic need risks constitutional vulnerability precisely because its discriminatory effect, favouring affluent and indigent beneficiaries alike at equal public cost, sits uneasily with the redistributive purpose Article 38 and Article 39 direct the state to pursue.[6]

The tension between these two constitutional commitments, the Directive Principles' affirmative encouragement of welfare spending and Article 14's requirement of non-arbitrary classification, does not admit of a mechanical resolution. Indian courts have generally accorded the legislature and executive considerable latitude in designing welfare schemes, recognising that perfect targeting is administratively costly and that some degree of over-inclusion may be an acceptable cost of ensuring no genuinely eligible beneficiary is wrongly excluded. That latitude, however, is not unlimited, and the specific question this paper's later sections examine, whether Punjab's schemes fall within the range of constitutionally tolerable over-inclusion or exceed it, depends on evidence of the kind Section 6's discussion of meter-splitting and consumption pattern below directly supplies.

3.2 The Electricity Act, 2003

The Electricity Act, 2003 supplies the foundational legal framework for power sector governance in India, enacted to promote competition, encourage private participation, and secure universal access to electricity through transparent regulation.[7] Section 65 of the Act permits state governments to grant tariff subsidies, subject to the condition that the state compensate distribution companies for the resulting revenue shortfall through direct budgetary transfer.[8] This statutory design contemplates subsidy as a budgeted, transparent transfer rather than an unfunded mandate imposed on distribution utilities, a distinction whose practical significance becomes apparent in Section 4's examination of Punjab's reimbursement record. Punjab's power subsidy bill has been reported to exceed fifteen thousand crore rupees annually, and critics argue that a

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[5] India Const. arts. 38, 39, 41, 46.

[6] Indian Const. art. 14.

[7] The Electricity Act, 2003, No. 36, Acts of Parliament, 2003 (India).

[8] The Electricity Act, 2003, § 65, No. 36, Acts of Parliament, 2003 (India).

subsidy model of this scale, absent a comprehensive rationalisation framework, undermines market efficiency, distorts price signal, and compromises the financial viability the Act's broader objective requires of the power sector.

3.3 The Motor Vehicles Act, 1988

The Motor Vehicles Act, 1988 governs road transport regulation in India, and Sections 67 through 74 confer significant power on state governments to regulate transport operation, prescribe permit conditions and determine passenger fare, including concessions for specific categories of passenger.[9] These provisions supply the legal basis for concessional or free travel schemes for students, senior citizens, women and persons with disability across several Indian states: Section 67 authorises the state government to direct transport authority on fare structure in the public interest, and Sections 71 and 74 govern stage carriage and contract carriage permits respectively, each capable of incorporating concessional fare conditions.[10] The statute requires that such concessions be made transparent through official notification identifying the intended beneficiary category, though implementation has varied considerably across states in the absence of uniform national criteria, generating the concerns regarding fiscal sustainability and targeting efficiency this paper examines further in Section 6.

Read together, the Electricity Act and the Motor Vehicles Act supply Punjab's schemes with unambiguous statutory authorisation: neither the electricity waiver nor the bus fare waiver exceeds the delegated legislative power the two statutes confer on state government. The legal difficulty this paper identifies accordingly does not lie in the schemes' basic statutory legitimacy, which is not seriously contestable, but in the state's compliance with the specific conditions those statutes attach to that authorisation, namely Section 65's requirement of budgetary compensation to distribution utilities and the Motor Vehicles Act's requirement of transparent, beneficiary-specific notification. Section 4's examination of Punjab's reimbursement record demonstrates that the first of these conditions has been satisfied incompletely at best, a gap between statutory authorisation and statutory compliance that this paper's recommendations in Section 8 are designed to close.

4. GOVERNMENT NOTIFICATIONS, IMPLEMENTATION AND FISCAL IMPACT

The Punjab State Power Corporation Limited issued a circular on 1 July 2022 implementing the three-hundred-unit monthly electricity waiver for all

9 The Motor Vehicles Act, 1988, §§ 67-74, No. 59, Acts of Parliament, 1988 (India).

10 The Motor Vehicles Act, 1988, §§ 67, 71, 74, No. 59, Acts of Parliament, 1988 (India).

households,[11] and the Department of Transport issued Notification No. 10/02/2022-Transport-3/3404 on 1 April 2022, initiating free travel for women on state-owned buses.[12] Both notifications were issued under lawful delegated executive authority, but the absence of prior legislative debate or formal impact assessment drew criticism from economists and policy analysts, a criticism this paper's Section 8 recommendations address directly through a proposal for statutory codification.

4.1 Budgetary Allocation and Fiscal Deficit

Punjab's budget for FY 2023-24 allocated approximately twenty thousand two hundred crore rupees to electricity subsidy and a further six hundred crore rupees to the bus fare waiver, together constituting roughly fifteen per cent of the state's total annual budget, among the largest non-developmental expenditure categories in the state's fiscal architecture.[13] The Reserve Bank of India's report on state finances for 2023-24 places Punjab among the five Indian states with the highest debt-to-GSDP ratio, at 46.8 per cent as of March 2023,[14] and the state's fiscal deficit, projected at approximately 4.5 per cent of GSDP for FY 2024-25, continues to exceed the three per cent ceiling the FRBM Act prescribes, reflecting structural imbalance in which unsustainable subsidy across power, transport and welfare has contributed materially to the breach.

4.2 Delayed Reimbursement and Institutional Strain

The Comptroller and Auditor General of India has flagged delays in reimbursing subsidy to the Punjab State Power Corporation Limited as a source of operational stress on the utility.[15] As of December 2024, the Punjab government had not reimbursed approximately six thousand crore rupees in power subsidy, notwithstanding PSPCL reporting profit, generating significant cash flow difficulty for the utility, while government departments across the state collectively owed a further three thousand six hundred and seven crore rupees as of April 2024, compounding PSPCL's financial strain.[16] This pattern, subsidy promised through Section 65 of the Electricity Act but not reimbursed in the manner that provision contemplates, illustrates the practical gap between a statutorily compliant subsidy design and its actual fiscal execution: the Act's requirement of budgetary compensation is satisfied on paper through budgetary allocation, but the state's failure to disburse that allocation promptly transfers

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[11] Punjab State Power Corp. Ltd., Circular on Free Electricity Scheme Implementation (July 1, 2022).

[12] Dep't of Transport, Gov't of Punjab, Notification No. 10/02/2022-Transport-3/3404 (Apr. 1, 2022).

[13] Gov't of Punjab, Budget Document, FY 2023-24.

[14] Reserve Bank of India, State Finances: A Study of Budgets 2023-24 (2024).

[15] Comptroller and Auditor General of India, Report on State Finances: Punjab (2024).

[16] Punjab State Power Corp. Ltd., Annual Financial Statement (2024-25).

the fiscal burden onto the utility itself, undermining precisely the financial viability Section 65's compensation requirement was designed to protect.

4.3 Revenue Expenditure, Capital Outlay and the Risk of Populist Spiral

A disaggregated review of Punjab's budget reveals rising revenue expenditure, salary, pension, interest and subsidy payments, alongside declining capital outlay, with rural health, irrigation and secondary education capital projects experiencing consistent underutilisation according to CAG and budget documentation.[17] This pattern raises a distinct inter-generational equity concern: recurrent welfare expenditure financed through debt shifts fiscal burden onto future taxpayers while delivering political benefit to the present administration, a concern independent of whether the underlying welfare objective is itself legitimate. Commentators have further identified a risk of what is sometimes termed a populist spiral, in which competing political parties escalate welfare promises beyond what fiscal capacity can sustain; subsequent demands in Punjab for free LPG connection, expanded pension coverage and interest-free agricultural loan suggest this dynamic is not merely theoretical, and unless addressed through structural reform, risks compelling the state toward central bailout or off-budget borrowing that would further erode fiscal transparency.

Indicator	Figure	Source
Fiscal deficit (FY 2024-25, projected)	~4.5% of GSDP (against 3% FRBM ceiling)	Punjab Economic Survey 2024-25
Debt-to-GSDP ratio (March 2023)	46.8%	RBI, State Finances 2023-24
Annual power subsidy bill	~₹15,000 crore	PSPCL / Budget Documents
Combined FY 2023-24 waiver allocation	~₹20,800 crore (~15% of state budget)	Punjab Budget Document, FY 2023-24
Unreimbursed power subsidy (Dec. 2024)	~₹6,000 crore	PSPCL Annual Financial Statement 2024-25

Table 1: Key Fiscal Indicators, Punjab Electricity and Bus Fare Waiver Schemes. Source: Authors' compilation from the sources cited in this Section.

This level of debt and deficit constrains Punjab's capacity to invest in long-term development priorities including public health infrastructure, education,

[17] Comptroller and Auditor General of India, supra note 8.

agricultural modernisation and job creation. The Centre for Policy Research's Punjab case study observes that the state has consistently diverted capital expenditure to fund politically popular subsidy, compromising long-term productivity.[18]

These indicators, read together, describe a state whose fiscal position was already fragile before the waiver schemes' introduction and has become measurably more so since. This does not, by itself, establish that the waiver schemes caused Punjab's fiscal difficulty, since the state's debt burden and agricultural sector stagnation, documented in Section 2, predate the schemes considerably; it does establish that the schemes have been layered onto an already constrained fiscal position without the kind of compensating reform, expenditure reprioritisation or revenue mobilisation that might have offset their cost, a sequencing choice this paper's Section 8 recommendations treat as itself correctable independent of any judgment about the schemes' underlying merit.

5. THE FREEBIES LITIGATION: FROM BALAJI TO ASHWINI KUMAR UPADHYAY

The constitutional legitimacy of welfare promises made during election campaigns received its most significant judicial treatment in *S. Subramaniam Balaji v. State of Tamil Nadu*[19], where the Supreme Court upheld the legality of welfare schemes, including the distribution of consumer goods, as consistent with the Directive Principles of State Policy, particularly Article 38, provided such measures are properly budgeted and traceable to a public purpose. *Balaji* established, in substance, that a welfare promise made during an election campaign does not, without more, violate constitutional norm merely because it is politically motivated; the relevant constitutional inquiry concerns budgetary traceability and public purpose rather than electoral timing or motive.

This permissive doctrinal position has since come under sustained challenge in *Ashwini Kumar Upadhyay v. Union of India*[20], a public interest litigation contending that pre-poll welfare promises amount to corrupt practice under Section 123 of the Representation of the People Act, 1951 and to bribery under Sections 171B and 171C of the Indian Penal Code, 1860, and that indiscriminate use of public fund for such purpose violates Articles 266(3) and 282 of the Constitution, which confine appropriation and discretionary spending of public money to genuine public purpose.[21]

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18 Centre for Policy Research, Punjab's Fiscal Trajectory: A Case Study (2024).

19 S. Subramaniam Balaji v. State of Tamil Nadu, (2013) 9 S.C.C. 659 (India).

20 Ashwini Kumar Upadhyay v. Union of India, W.P. (C) No. 1246 of 2020 (Sup. Ct. India).

21 India Const. arts. 266(3), 282.

In August 2022, the Supreme Court referred the matter to a three-judge bench specifically to reconsider *Balaji*, and sought institutional input from the Election Commission of India, NITI Aayog, the Finance Commission and the Law Commission on formulating criteria to distinguish genuine welfare measure from what the petition characterises as populist freebie.[22] In February 2025, a bench comprising Justices B.R. Gavai and Augustine Masih expressed sharp concern regarding the culture of political freebie, cautioning that indiscriminate, recurring freebie announcement risks creating what the Bench termed a class of economic dependents and undermining fiscal discipline, and observing that measures appearing as welfare on their face may, in substance, function as electoral strategy detached from economic logic. As of this writing, the *Upadhyay* litigation remains pending before the Supreme Court, and the government's own affidavit position, together with the Election Commission's consistent refusal to regulate campaign promises as a matter falling within its own mandate, indicates the matter is likely to require legislative rather than purely judicial resolution.[23]

The doctrinal significance of this pending litigation for Punjab's schemes specifically lies less in any predicted outcome than in the shift of judicial temperament it evidences. Where *Balaji* treated budgetary traceability and public purpose as largely sufficient conditions for constitutional validity, the *Upadhyay* bench's 2025 observations suggest a willingness to scrutinise the fiscal sustainability and targeting design of welfare schemes more searchingly than *Balaji* alone would require, a shift this paper's Section 8 recommendations anticipate by proposing statutory safeguards capable of satisfying either the permissive *Balaji* standard or a more exacting standard the pending litigation may eventually establish.

It is worth noting, in fairness to the AAP government's position, that the party has consistently defended these schemes not as freebies in the pejorative sense the Upadhyay petition assumes, but as the provision of basic utility, electricity and public transport, that any welfare-oriented state should guarantee as a matter of course, comparable to public education or public health. On this view, the relevant constitutional inquiry is not whether the state should subsidise a basic utility at all, since the Directive Principles plainly contemplate that it may, but whether the specific manner of subsidy, universal versus targeted, funded versus unfunded, chosen for Punjab meets the standard of fiscal responsibility and administrative design the schemes' scale now requires. This paper's analysis, weighing the evidence in Sections 4 and 6, suggests the schemes' underlying purpose is defensible while their specific implementation

22 Supreme Court Observer, Freebies in Electoral Democracy and Welfare State: Case Background (2024).

23 Election Commission of India, Affidavit in W.P. (C) No. 1246 of 2020 (Apr. 10, 2022).

is not, a distinction this paper's recommendations in Section 8 are calibrated to preserve.

The Election Commission's own institutional position within this litigation deserves separate mention, since it bears directly on where responsibility for reform ultimately lies. The Commission has consistently declined to regulate campaign promises of this kind, taking the position that doing so would exceed its constitutional mandate and would draw it into adjudicating the economic merit of policy proposals, a function properly belonging to the electorate and, where constitutional limits are exceeded, to the courts. This institutional restraint means that neither the Commission nor, on the *Balaji* standard, the judiciary in the ordinary course is well positioned to police the specific design choices, targeting, sunset provision, audit, this paper has identified as Punjab's principal deficiency; that responsibility falls, by process of elimination, to the state legislature itself, reinforcing the priority this paper's Section 8 recommendations place on legislative codification as the primary vehicle for reform rather than reliance on judicial intervention or electoral regulation to supply correction the political process has not yet delivered.

6. UNIVERSALISM VERSUS TARGETED WELFARE: EQUITY CONSIDERATIONS

The central controversy surrounding Punjab's waivers concerns their universal, rather than targeted, character, a design choice that raises distinct legal and equity difficulty under Article 14 and, in the specific case of the bus fare waiver, under Article 15.

6.1 Universalism and the Meter-Splitting Problem

Targeted subsidy is generally regarded as the hallmark of efficient welfare economics, since universal subsidy, whatever its political appeal, risks misallocating scarce fiscal resource toward beneficiaries who do not require public assistance. In Punjab's specific context, some households have installed two or three separate electricity connections, thereby accessing six hundred to nine hundred units of free electricity monthly rather than the intended three hundred, a pattern PSPCL officials have attributed substantially to the bifurcation or trifurcation of meters exploiting weaknesses in the new-connection process.[24] At the scheme's launch, sixty-three of seventy-four point six lakh consumers were already using less than three hundred units monthly, meaning the scheme's marginal redistributive effect for genuinely low-consumption households was correspondingly limited; the proportion of domestic consumers receiving a zero electricity bill rose from 67.53 per cent in August 2022 to 89 per cent by the close of the 2022-23 financial year, a

24 PSPCL Officials, Statement on Domestic Connection Trends (2023).

trajectory indicating that the scheme's fiscal cost has grown considerably faster than any plausible measure of its targeted welfare impact.

6.2 The Gendered Dimension of the Bus Fare Waiver

The bus fare waiver's confinement to women, while defensible as a special provision under Article 15(3), leaves other vulnerable groups, disabled individuals and elderly widowers among them, without comparable relief, raising a genuine, if narrower, equity concern regarding discriminatory access. This is not, on the analysis this paper adopts, a decisive objection to the scheme's constitutional validity, since Article 15(3) expressly permits special provision for women; it is, however, a legitimate design consideration bearing on whether the scheme, as presently structured, achieves the broadest possible welfare impact per rupee spent, a consideration Section 8's recommendations address through the proposal for needs-based rather than purely categorical targeting.

6.3 The Administrative Origins of Over-Inclusion

The meter-splitting phenomenon Section 6.1 documents deserves closer attention than a purely economic account of over-inclusion supplies, because its origin lies substantially in administrative failure rather than beneficiary opportunism alone. PSPCL officials have attributed much of the connection-splitting pattern to the poor mechanism governing new connection applications generally, meaning that a household seeking a second connection for entirely legitimate reasons, an extended family occupying a shared property, for instance, faces the same weak verification regime as a household splitting connections specifically to maximise free-unit entitlement. This administrative rather than purely behavioural origin matters for the reform this paper proposes: a targeting mechanism confined to income verification alone would leave the underlying weak-verification problem in the connection process itself unaddressed, whereas a reform combining income-based targeting with strengthened connection-application scrutiny, as Section 8's recommendations propose, addresses both the demand-side incentive and the supply-side administrative gap that together produced the scale of over-inclusion this paper has documented.

7. WEIGHING THE BENEFITS AND COSTS OF THE WAIVER POLICIES

The dual waiver policy has produced measurable benefit alongside measurable long-term liability, and a balanced assessment requires weighing both directly.

7.1 Positive Impacts

- Improved access and inclusion: the bus fare waiver has measurably increased mobility for women in rural and peri-urban Punjab, improving access to education, employment and healthcare, and aligning with the special-provision guarantee of Article 15(3).

- Reduction in cost of living: households consuming below three hundred units monthly save between approximately twelve hundred and two thousand rupees, depending on their prior tariff slab, freeing disposable income for food, health or education.
- Encouragement of public transport usage: the shift of some women from private or informal transport toward the state bus network carries a plausible, if modest, environmental co-benefit through reduced congestion and emission.

7.2 Negative Impacts

- Non-targeted distribution: middle-class and affluent households benefit from the free electricity slab and free bus travel equally with genuinely low-income beneficiaries, violating the principle of vertical equity under which public subsidy ought to benefit the poorest disproportionately.
- Fiscal unsustainability: the combined roughly twenty thousand eight hundred crore rupee cost, representing approximately fifteen per cent of Punjab's annual budget, contributes to rising revenue deficit, higher borrowing cost and constrained future capital investment.
- Administrative leakage: the absence of income or socio-economic verification permits inclusion error, including meter-splitting of the kind Section 6.1 documents, diluting the schemes' credibility and cost-effectiveness.
- Perverse consumption incentive: comparative experience from Tamil Nadu and Andhra Pradesh suggests subsidised electricity below a fixed slab can encourage overconsumption, straining generation and distribution capacity.
- Political precedent: the schemes may entrench a pattern of competitive populism in which political parties escalate welfare promise to outbid rivals, a dynamic Section 4.3 above identifies as already emerging in Punjab's subsequent demand for further freebies.

7.3 The Opportunity Cost of Universal Design

The clearest way to appreciate the opportunity cost Punjab's universal design imposes is to compare the scale of the waiver expenditure against comparably scaled alternative interventions the state's fiscal position would otherwise support. The approximately twenty thousand eight hundred crore rupees the combined schemes cost annually exceeds the state's entire capital expenditure on rural health and secondary education combined in several recent budget years, a comparison that does not, by itself, establish that the waiver schemes are unjustified, but does establish that their opportunity cost is not merely theoretical: every rupee spent on a free electricity unit consumed by a household that would readily have paid the ordinary tariff is, in a fiscally constrained state, a rupee unavailable for a primary health centre, a rural school upgrade, or an irrigation project whose absence falls disproportionately on the same low-income population the waiver schemes are nominally designed to benefit. This opportunity cost calculus, rather than any abstract objection to welfare spending as such, supplies the strongest practical argument for the targeting reform Section 8 proposes.

7.4 Comparative Consumption Evidence

The overconsumption concern Section 7.2 identifies is not speculative. Studies of comparable free-electricity-slab schemes in Tamil Nadu and Andhra Pradesh have documented measurable increases in average household consumption following the introduction of a free monthly unit allowance, an effect economists generally attribute to the removal of marginal price signal below the free threshold: a household facing zero marginal cost for consumption up to three hundred units has a correspondingly diminished incentive to conserve electricity within that band, compared with a household facing the ordinary tariff throughout.[25] This consumption effect compounds the fiscal concern Section 4 documents in a specific way worth making explicit: not only does the free electricity scheme cost the state more per household than a narrowly targeted transfer would, it may also increase the underlying quantity of electricity households consume, meaning PSPCL's total power procurement cost rises on two independent margins simultaneously, the number of free units distributed and the volume of electricity actually generated to meet the resulting demand.

8. CONCLUSION AND RECOMMENDATIONS

Punjab's electricity and bus fare waivers reflect a genuine, and constitutionally legitimate, welfare intent that has nonetheless been implemented without the legal and fiscal safeguards a scheme of this scale requires. *S. Subramaniam Balaji* confirms that welfare promises made during an election campaign do not, without more, offend constitutional principle, but the pending *Ashwini Kumar Upadhyay* litigation, and the fiscal record this paper has documented, together indicate that budgetary traceability alone is an insufficient safeguard where the scheme lacks targeting, sunset provision or independent audit.

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[25] Ashok Kumar & Priya Menon, Free Electricity Slabs and Household Consumption Behaviour: Evidence from South India, 58 Econ. & Pol. Wkly. 44 (2023).

The following reforms would allow Punjab's welfare schemes to retain their redistributive purpose while addressing the legal and fiscal deficiencies this paper has identified.

- Legal codification: enact State legislation establishing waiver eligibility criteria, sunset clauses and mandatory periodic review, ensuring executive welfare decisions of this scale do not bypass legislative scrutiny, directly addressing the absence of legislative debate Section 4 documents.
- Targeted delivery: adopt Aadhaar-based verification and income-tax database integration to confine subsidy to genuinely eligible low-income households, drawing on Andhra Pradesh's direct benefit transfer model for electricity and ration subsidy, directly addressing the meter-splitting and non-targeted distribution documented in Section 6.
- Independent public audit: mandate annual third-party audit by the Comptroller and Auditor General or certified independent auditors, with results published on an open-data portal, addressing the reimbursement opacity Section 4.2 documents.
- Periodic performance evaluation: conduct impact evaluation in partnership with universities and research institutions to assess socio-economic outcome and permit course correction where the evidence warrants it.
- Judicial and legislative oversight: encourage public interest litigation and legislative committee scrutiny to ensure scheme design remains consistent with constitutional and fiscal principle, particularly pending the Supreme Court's eventual resolution of the Upadhyay litigation.

These five reforms are deliberately structured to operate together rather than as alternatives. Legal codification supplies the institutional durability targeting criteria and sunset clauses require, since a purely executive scheme can be altered or reversed without legislative scrutiny at any point; targeted delivery addresses the specific over-inclusion problem Section 6 documents; independent audit and periodic evaluation together supply the evidentiary basis for the course correction codification and targeting alone cannot guarantee; and judicial and legislative oversight supplies the accountability mechanism ensuring the other four reforms are not merely aspirational. None of these reforms requires Punjab to abandon its underlying welfare commitment, and each is consistent with the doctrinal space *Balaji* preserves for genuinely budgeted, public-purpose welfare spending; together, they would move Punjab's scheme design from the universal, largely unaudited model this paper has documented toward the kind of legally disciplined welfare architecture capable of withstanding the more exacting scrutiny the pending *Upadhyay* litigation may eventually require of every Indian state pursuing comparable programmes.

A genuinely welfare-oriented state must distinguish between relief and entitlement, between vote-seeking populism and sustainable equity. The path forward for Punjab lies not in abandoning the welfare commitment its schemes reflect, but in reassessing their structure and scope against constitutional mandate, economic rationale and administrative capacity, so that welfare spending serves as an instrument of genuine social justice rather than merely of electoral strategy.