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Algorithmic Persuasion and Populist Fiscal Politics: AI-Enabled Voter Targeting, Freebie-Based Political Marketing, and Their Long-Term Fiscal Consequences in India

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Abstract

This paper examines the convergence of two consequential developments in Indian democratic practice: the deployment of artificial intelligence (AI) tools for voter profiling and persuasion, and the intensification of populist 'freebie'-based fiscal politics at the state level. Drawing on the ideational and political-strategic traditions in populism studies (Mudde, 2004; Weyland, 2001), the paper argues that AI-enabled microtargeting has lowered the transaction costs of populist fiscal mobilisation by allowing parties to identify, message, and reward narrow demographic segments- most visibly women voters through unconditional cash-transfer schemes- with a precision that was unavailable to earlier generations of patronage politics. Using Reserve Bank of India state-finance data, budget documents from Madhya Pradesh, Karnataka, West Bengal, Maharashtra, and Tamil Nadu, Supreme Court litigation records, and industry and journalistic accounts of AI-enabled campaigning in the 2024 general election and the 2025 Bihar and Delhi state elections, the paper develops a composite account of how algorithmic persuasion and cash-transfer populism interact to reshape sub-national fiscal trajectories. The analysis finds that while aggregate consolidated state finances have remained within Fiscal Responsibility and Budget Management (FRBM) thresholds, an identifiable subset of high-debt states exhibits a widening gap between revenue-account subsidy commitments and capital expenditure, with debt-to-Gross State Domestic Product (GSDP) ratios persistently above the 35 per cent caution threshold flagged by the RBI. The paper concludes with an assessment of regulatory responses- including the Election Commission of India's AI-labelling advisories and the pending Supreme Court reference in Ashwini Kumar Upadhyay Vs Union of India- and offers policy recommendations for reconciling redistributive welfare politics with fiscal sustainability in an algorithmically mediated electoral environment.

Keywords: algorithmic persuasion, AI microtargeting, populism, freebies, voter targeting, FRBM

1. Introduction

India's electoral democracy has entered a period in which two previously distinct repertoires of political mobilisation - data-driven digital persuasion and cash-based welfare populism - have become mutually reinforcing. On one side of this convergence is the rapid diffusion of artificial intelligence tools into campaign operations: voice cloning in regional dialects, large-language-model chatbots that converse with voters on WhatsApp and Telegram, AI-generated video avatars that address citizens by name, and real-time multilingual translation of leaders' speeches (Rest of World, 2026; Asia Pacific Foundation of Canada, 2024). On the other side is the proliferation of state-level unconditional cash-transfer schemes targeted overwhelmingly at women voters - Madhya Pradesh's Ladli Behna Yojana, Karnataka's Gruha Lakshmi, West Bengal's Lakshmir Bhandar, and Maharashtra's Ladki Bahin Yojana among the most prominent - which the Reserve Bank of India (RBI) has repeatedly flagged as a source of "non-merit" subsidy risk to state finances (RBI, 2022, 2024).

This paper treats these two developments not as parallel but as functionally linked. AI-enabled voter analytics allow campaigns to identify precisely which demographic segments are electorally decisive at the constituency or even the booth level, and cash-transfer 'freebies' provide a fiscal instrument that can be calibrated, in amount and timing, to reward those segments with a directness and traceability that infrastructure spending cannot match. The result is what this paper terms algorithmically calibrated populist fiscal politics: a mode of political marketing in which persuasion technology and public expenditure are jointly optimised for electoral return rather than independently pursued for either communicative or developmental ends.

The paper proceeds as follows. Section 2 situates the analysis within the theoretical literature on populism and political marketing. Section 3 describes the data sources and analytical approach. Section 4 documents the architecture of AI-enabled voter targeting in recent Indian elections. Section 5 examines freebie-based political marketing as a genre of populist fiscal politics, with particular attention to women-targeted cash transfers. Section 6 analyses the fiscal consequences of this convergence using RBI and state budget data. Section 7 reviews the legal and regulatory response, including the Supreme Court's pending reference in Ashwini Kumar Upadhyay v. Union of India and the Election Commission of India's AI-labelling advisories. Section 8 discusses policy implications, and Section 9 concludes.

2. Theoretical Framework: Populism, Political Marketing, and Algorithmic Persuasion

2.1 Populism as Ideology, Strategy, and Discourse

Populism studies have converged, without fully resolving, around three complementary approaches. The ideational approach, most closely associated with Mudde (2004), conceptualises populism as a thin-centred ideology that divides society into "the pure people" and "the corrupt elite" and holds that politics should express the general will of the former. Because this ideology is "thin," it typically attaches itself to a fuller host ideology- nationalist, socialist, or, as in much of the Indian case, welfarist and caste- or region-specific (Mudde & Rovira Kaltwasser, 2017). The political-strategic approach, associated with Weyland (2001), instead defines populism by the organisational logic of a personalistic leader mobilising a mass following through direct, unmediated appeals, often via material largesse dispensed outside institutionalised party structures. The discursive-performative approach treats populism as a communicative style rather than a fixed ideology or organisational form, emphasising anti-establishment rhetoric, the invocation of crisis, and performative closeness to 'ordinary' people (Moffitt, 2016, as cited in the arXiv analysis of populist language, 2024).

For the Indian case, elements of all three approaches are analytically useful but none is individually sufficient. State-level cash-transfer politics in India rarely invokes an explicit people-versus-elite antagonism in the manner of European or Latin American populism; instead, it operationalises a strategic logic- direct, traceable, personalised material transfers- combined with a performative register in which the chief minister or party leader is presented as the personal benefactor of the beneficiary, reinforced through the very AI tools examined in Section 4. This paper therefore treats 'freebie politics' in India as a strategic-performative variant of populism that need not carry a fully developed ideological antagonism but nonetheless replicates the core populist logic of unmediated, leader-centred, mass material appeal.

2.2 Political Marketing and the Economics of Persuasion

Political marketing scholarship treats campaigns as exercises in market segmentation: parties, like commercial firms, seek to identify sub-populations whose preferences can be moved at the lowest cost per converted vote. Historically, the cost of identifying and reaching narrow segments was high, favouring broad-based, one-size-fits-all appeals (highway construction, blanket subsidies) over narrowly targeted ones. Digital data infrastructure lowers this cost. In India, this lowering has been especially pronounced because of near-universal mobile phone penetration and an estimated 400 million WhatsApp users- the platform's largest national user base worldwide (Mozilla Foundation, 2024). Political parties have historically used WhatsApp groups organised at the booth level for message dissemination; the Indian National Congress, for instance, reportedly aimed to create 300,000 WhatsApp groups ahead of the 2019 general election (Mozilla Foundation, 2024).

Generative AI represents a second-order reduction in the marginal cost of targeted persuasion. Where earlier microtargeting required human volunteers to compose and disseminate messages, generative tools can now produce dialect-specific audio, personalised video, and interactive chatbot dialogue at near-zero marginal cost per additional voter reached (Rest of World, 2026). This shift is consequential for populist fiscal politics because it changes the relative efficiency of two persuasion strategies: broad, universal welfare provision versus narrow, segment-specific cash transfers publicised through personalised messaging. As the cost of narrow targeting falls, the electoral return on narrowly targeted fiscal transfers- amplified through AI-personalised communication - rises relative to broad public-goods provision, creating an incentive structure that this paper argues is observable in the sectoral composition of recent state budgets (Section 6).

3. Data and Methodology

This paper adopts a mixed-methods documentary approach combining (a) analysis of RBI state-finance publications, principally the annual 'State Finances: A Study of Budgets' series and the 2022 RBI Bulletin article 'State Finances: A Risk Analysis' (RBI, 2022, 2024); (b) budget documents and legislative analyses published by PRS Legislative Research for Madhya Pradesh and other states (PRS Legislative Research, 2025, 2026); (c) case law and litigation records from the Supreme Court of India, principally Ashwini Kumar Upadhyay v. Union of India (2022) and the precedent it seeks to revisit, S. Subramaniam Balaji v. State of Tamil Nadu (2013); and (d) journalistic and industry documentation of AI-enabled campaign practice during the 2024 Lok Sabha election and the 2025 Delhi and Bihar state elections, cross-checked across multiple independent outlets. Because systematic, party-disclosed data on AI campaign expenditure and targeting methodology are not publicly available in India- unlike, for instance, Meta's political-advertising library in some other jurisdictions - the empirical account of AI-enabled targeting in Section 4 relies on triangulated qualitative reporting rather than a proprietary dataset. This is a limitation acknowledged in Section 9. Fiscal figures are reported as published by the RBI and state finance departments and are not independently re-estimated; where sources use overlapping but not identical accounting years, this is noted in the text and tables.

4. AI-Enabled Voter Targeting in Indian Elections

The 2024 general election is widely regarded as the first Indian election in which generative AI tools were deployed at scale rather than experimentally. Reporting from that election documents an AI-generated video avatar of the sitting Prime Minister addressing individual voters by name over WhatsApp, alongside government-linked tools such as Bhashini enabling real-time translation of campaign speeches into Tamil, Kannada, Telugu, Bengali, Odia, and Malayalam (Asia Pacific Foundation of Canada, 2024). By the 2025 Bihar Assembly election, AI-driven campaigning had moved from novelty to standard practice: digital-marketing vendors offered voice-cloning services in local dialects, described by one vendor as the "most demanded product" in the campaign season, alongside chatbots built on consumer large-language-model platforms that continued to interact with voters through the mandatory 48-hour pre-poll 'silence period', a gap in the Model Code of Conduct that does not extend to AI chatbot interactions (Rest of World, 2026).
Table 1 summarises the principal categories of AI tool deployed in recent campaigns, their campaign function, and illustrative instances documented in the sources reviewed for this paper.

Table 1. AI-Enabled Voter-Targeting Toolkit Documented in Recent Indian Elections

AI Tool/Technique	Campaign Function	Illustrative Deployment
Voice cloning (e.g., ElevenLabs)	Personalised audio messages in local dialects	Bihar Assembly election, 2025 - candidate speeches cloned into regional dialects
Large language model chatbots	24/7 voter query resolution, persuasion dialogue	WhatsApp/Telegram bots built on ChatGPT/Google AI Studio for Bihar voters
AI video avatars	Hyper-personalised video greeting by name	AI avatar of Prime Minister addressing voters individually via WhatsApp, 2024 general election
Real-time speech translation (e.g., Bhashini)	Cross-linguistic outreach	Prime Minister's Hindi speeches auto-translated into Tamil, Telugu, Kannada, Bengali, Odia, Malayalam
Data-broker-sourced microtargeting lists	Constituency- and booth-level segmentation of voters by caste, income, religion	WhatsApp group purchase (~₹5,000 per 250-member group) for hyperlocal targeting
Deepfake video/audio	Both persuasive and disinformation use; impersonation of rivals or deceased leaders	Fabricated video of a deceased former Tamil Nadu Chief Minister; AI-manipulated audio of a sitting MP

Several features of this toolkit are relevant to the paper's central argument. First, much of the underlying voter data used for microtargeting is reported to be sourced through informal data-broker markets rather than through party-disclosed, consent-based collection, with WhatsApp group administration rights themselves traded as a commodity - reportedly around ₹5,000 for control of a 250-member constituency-level group in rural areas (Outlook Business, 2024). Second, the same infrastructure used for persuasive personalisation - dialect-specific voice cloning, real-time translation - is also implicated in disinformation, including fabricated video of a deceased former Tamil Nadu chief minister purportedly endorsing his son's continued leadership, and manipulated audio impersonating a sitting Member of Parliament (Outlook Business, 2024; Asia Pacific Foundation of Canada, 2024). Third, and most relevant to this paper's argument, the personalisation capability of these tools is what allows fiscal transfer schemes discussed in Section 5 to be communicated with an individually tailored, beneficiary-specific message - for example, AI-generated videos in which party workers' avatars remind a named voter of the government benefits they have specifically received (Pressreader, 2024) - collapsing the distance between the fiscal instrument and its electoral communication.

5. Freebie-Based Political Marketing: The Rise of Targeted Cash-Transfer Populism

5.1 The Shift from Universal Subsidy to Targeted Cash Transfer

Populist fiscal politics in India is not new: subsidised electricity, farm loan waivers, and free television sets or laptops have featured in state election campaigns since at least the 2000s, and were the subject of the Supreme Court's 2013 ruling in S. Subramaniam Balaji v. State of Tamil Nadu, which held that election promises of this kind did not constitute a corrupt practice under the Representation of the People Act, 1951 (Law Notes, 2023). What has changed in the past five years is the emergence of a specific instrument - the unconditional monthly cash transfer to women, disbursed by direct benefit transfer to individually verified Aadhaar-linked bank accounts - as the dominant vehicle of populist fiscal politics across states governed by different parties.

Madhya Pradesh's Ladli Behna Yojana, launched in June 2023 shortly before that year's Assembly election, is the paradigmatic case. The scheme began with a monthly transfer of ₹1,000 to eligible women aged 21–60 with household income below ₹2.5 lakh per annum, subsequently raised to ₹1,250 and then, after the incumbent Bharatiya Janata Party's decisive re-election, to ₹1,500 from late 2025, with the state government publicly committing to a further phased increase to ₹3,000 and, at one point, ₹5,000 (Deccan Herald, 2025a, 2025b, 2025c). Budgetary allocation for the scheme rose from an estimated ₹11,000 crore in its launch year to ₹23,883 crore budgeted for 2026–27 (PRS Legislative Research, 2026), a trajectory illustrated in Figure 2 below.

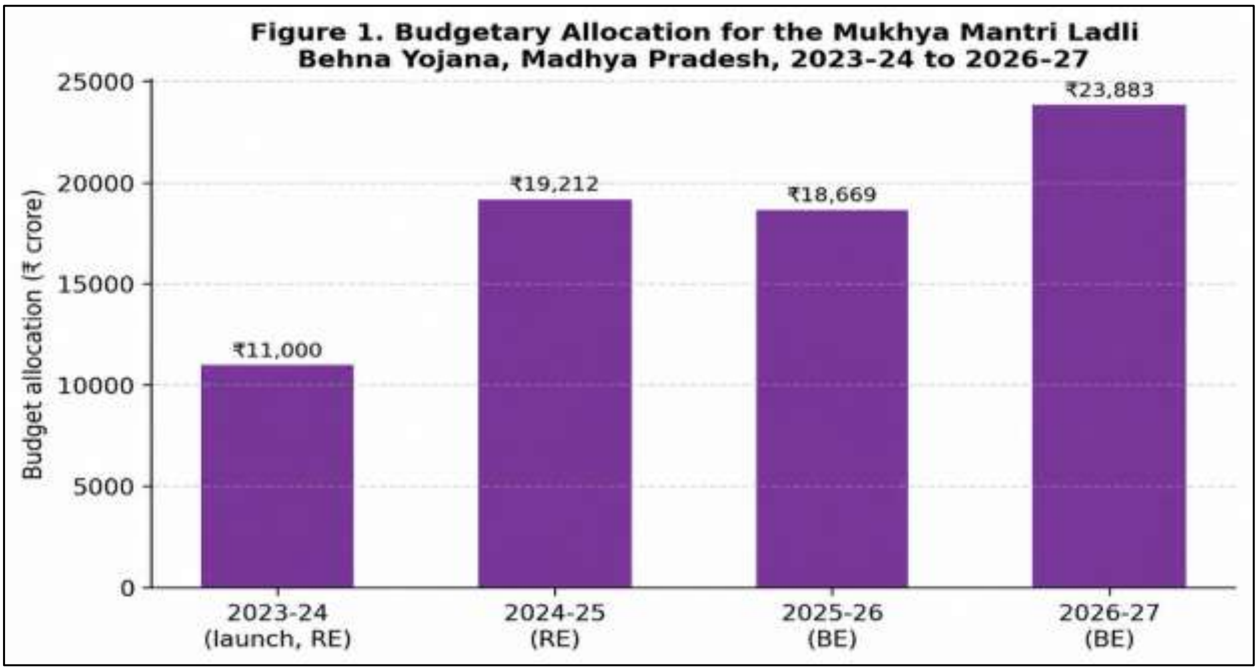

Figure 1. Growth in Budgetary Allocation for the Ladli Behna Yojana, Madhya Pradesh (₹ crore), Compiled from PRS Legislative Research Budget Analyses (2025, 2026) and Contemporaneous News Reporting

Comparable schemes have since been adopted, in varying design, by Karnataka (Gruha Lakshmi), West Bengal (Lakshmir Bhandar, predating the Madhya Pradesh scheme and often cited as its template), Maharashtra (Ladki Bahin Yojana), and Tamil Nadu (Magalir Urimai Thogai), among others, spanning the principal national and regional parties. Table 2 summarises the fiscal scale of a representative sample of these schemes.

Table 2. Selected Women-Targeted Cash-Transfer Schemes and Approximate Annual Fiscal Cost, Compiled from State Budget Documents and Contemporaneous Reporting (2023–2026)

State	Scheme (Year Launched)	Nature of Transfer	Approx. Annual Fiscal Cost
Madhya Pradesh	Mukhya Mantri Ladli Behna Yojana (2023)	Monthly unconditional cash transfer to women (₹1,250–1,500)	≈ ₹18,700–23,900 crore

State	Scheme (Year Launched)	Nature of Transfer	Approx. Annual Fiscal Cost
Karnataka	Gruha Lakshmi / Shakti / Anna Bhagya (2023)	Cash transfer to women heads of household, free bus travel, subsidised food grain	≈ ₹52,000 crore (five guarantees combined)
Delhi / Punjab	Free electricity up to 200–300 units, free bus rides for women	Utility subsidy, transport subsidy	≈ ₹3,000–3,500 crore (Delhi power subsidy alone)
West Bengal	Lakshmir Bhandar (2021)	Monthly cash transfer to women	≈ ₹12,000–14,000 crore
Tamil Nadu	Magalir Urimai Thogai (2023)	Monthly cash transfer to women heads of household	≈ ₹6,900 crore (partial rollout)
Maharashtra	Mukhyamantri Majhi Ladki Bahin Yojana (2024)	Monthly cash transfer to women	≈ ₹46,000 crore (annualised)

5.2 Electoral Return and the Logic of Targeting

Available empirical evidence, while limited, is consistent with the proposition that narrowly targeted cash transfers generate a measurable electoral return that broad-based subsidy provision may not. A State Bank of India Economic Research Department study of Ladli Behna beneficiaries found that beneficiaries increased spending at merchant point-of-sale terminals by approximately ₹9,302 more than comparable non-beneficiaries, and noted that the ruling party won all Assembly constituencies in the three districts with the highest concentration of scheme beneficiaries, and half of the seats among the ten districts with the highest beneficiary rollout (Business Standard, 2023). While this correlational evidence cannot establish a causal electoral effect independent of other campaign factors, it is consistent with the broader claim advanced in this paper: that the precision with which a scheme can be targeted, disbursed, and then communicated back to the beneficiary - increasingly via AI-personalised messaging, as documented in Section 4 - is itself a source of electoral value distinct from the welfare value of the transfer.

This targeting logic also explains why cash transfers to women, specifically, have become the preferred instrument across ideologically diverse state governments: women constitute a demographically identifiable, electorally decisive, and until recently under-mobilised segment of the electorate, with female voter turnout in several states now matching or exceeding male turnout, making them an efficient object of both microtargeted communication and microtargeted fiscal transfer simultaneously.

6. Fiscal Consequences: Evidence from State Finances

6.1 Aggregate Trends

At the aggregate level, consolidated state finances in India have, somewhat counterintuitively, shown improvement over the period in which freebie-based cash transfers expanded most rapidly. The RBI's 'State Finances: A Study of Budgets of 2024–25' reported that states collectively contained their gross fiscal deficit within 3 per cent of GDP for three consecutive years from 2021–22 to 2023–24, restricted the revenue deficit to 0.2 per cent of GDP in 2022–23 and 2023–24, and increased capital expenditure from 2.4 per cent of GDP in 2021–22 to 2.8 per cent in 2023–24 and a budgeted 3.1 per cent in 2024–25 (RBI, 2024; Business Standard, 2024). Average state tax buoyancy also improved, from 0.86 in 2013–2020 to 1.4 in 2021–2025, giving states greater own-revenue capacity to absorb new subsidy commitments without an immediate deterioration in headline deficit numbers (Drishti IAS, 2024). Figure 1 illustrates this aggregate trend.

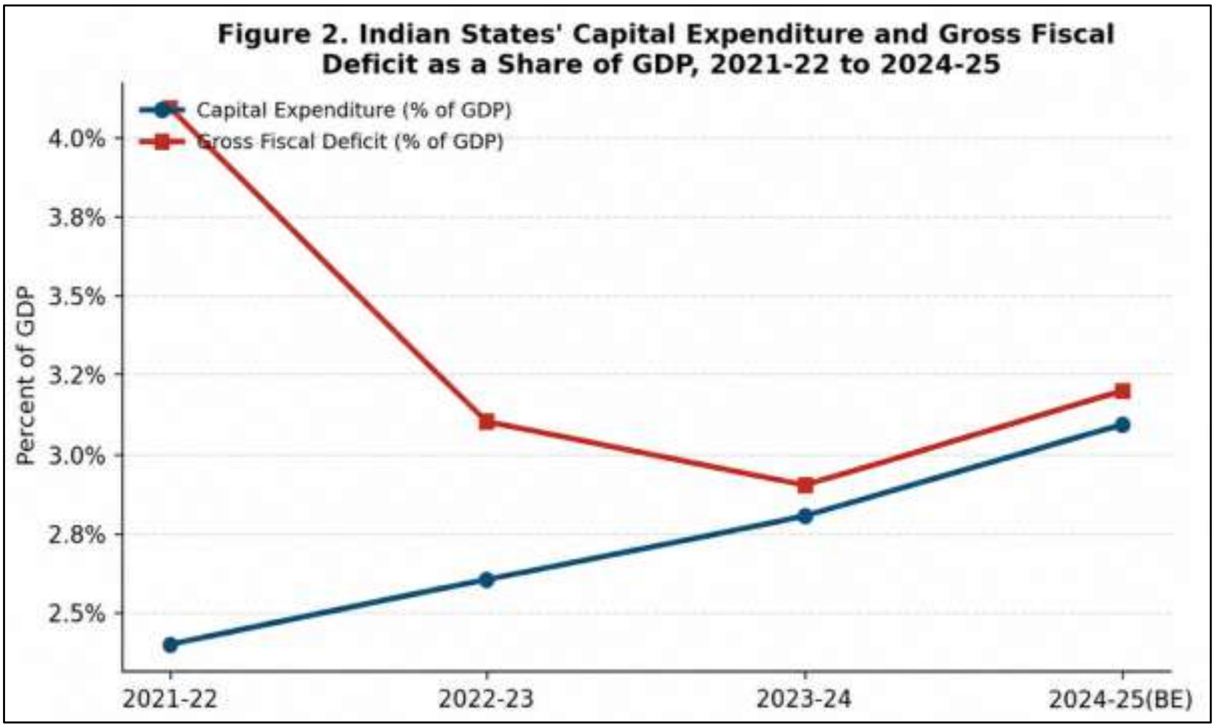

Figure 2. Indian States' Capital Expenditure and Gross Fiscal Deficit as a Share of GDP, 2021-22 to 2024-25 (Budget Estimate), Compiled from RBI State Finance Reports (2022, 2024)

This aggregate resilience, however, masks two structural risks that the RBI itself has repeatedly flagged. The first is a persistent divergence between a subset of highly indebted states and the national average. The second is a compositional risk within revenue expenditure: even where aggregate deficits remain controlled, the RBI's December 2024 report specifically identified the sharp rise in subsidy expenditure - driven substantially by farm loan waivers, free or subsidised electricity, free transport, subsidised gas cylinders, and cash transfers to women, youth, and farmers - as an area of "incipient stress" that risks "crowding out" resources needed for social and economic infrastructure (Business Standard, 2024; Drishti IAS, 2024).

6.2 Divergence Among Fiscally Stressed States

The RBI's 2022 risk analysis identified ten states accounting for roughly half of aggregate state expenditure as carrying disproportionate debt burdens relative to GSDP, with Punjab, Rajasthan, Bihar, Kerala, and West Bengal identified as the five most fiscally stressed on a composite vulnerability index (RBI Bulletin, 2022). The same analysis warned that, absent corrective action, the debt-to-GSDP ratio of these states was likely to remain above 35 per cent through 2026–27, a level at which debt growth outpaces GSDP growth and debt dynamics become self-reinforcing (Business Standard, 2022). Figure 3 presents illustrative debt-to-GSDP figures for these states relative to the all-India average, compiled from RBI risk-analysis reporting.

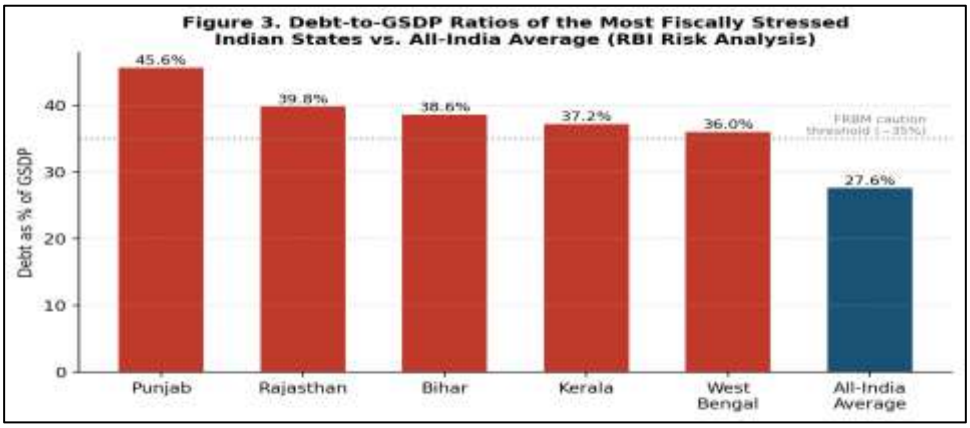

Figure 3. Debt-to-GSDP Ratios of the Most Fiscally Stressed Indian States Relative to the All-India Average, Compiled from RBI State Finance Risk Analyses (2022, 2024). Figures Are Illustrative Approximations Drawn from Cited RBI Reporting and Should Not Be Read as Official Point Estimates for a Single Fiscal Year.

It is notable that several of the states most associated with aggressive women-targeted cash-transfer schemes in the period covered by this paper - Madhya Pradesh, Maharashtra, and Karnataka among them - are not among the five states the RBI identifies as most acutely stressed on its composite index, while some of the most fiscally stressed states (Punjab, West Bengal) were early adopters of comparable schemes under different branding (e.g., Punjab's free electricity guarantee, West Bengal's Lakshmir Bhandar). This suggests that freebie-based cash transfers are best understood not as the sole or even primary cause of state fiscal stress, but as one component - alongside legacy DISCOM losses, which had accumulated to approximately ₹6.5 lakh crore, or 2.4 per cent of India's GDP, by 2022–23 (Drishti IAS, 2024), and the relaunch of the Old Pension Scheme in several states - of a broader "new sources of risk" category that the RBI has consistently paired with non-merit subsidy growth in its warnings since at least 2022 (RBI Bulletin, 2022).

Nonetheless, the compositional argument developed in this paper does not require that cash-transfer schemes be the dominant driver of aggregate fiscal stress; it requires only that the AI-amplified electoral efficiency of narrow cash transfers, relative to broad capital investment, creates a persistent structural incentive to expand revenue-account, non-merit subsidy commitments faster than the underlying revenue base would otherwise warrant - an incentive that operates independently of, and in addition to, the legacy structural risks the RBI has separately identified. The observed pattern - capital expenditure rising in percentage-of-GDP terms even as subsidy-linked revenue commitments expand in absolute rupee terms - is consistent with states drawing on improved own-tax buoyancy and central transfers to fund both priorities simultaneously in the short run, a strategy whose sustainability depends on continued double-digit nominal GSDP growth and is vulnerable to any cyclical slowdown in state revenue collection.

7. Legal and Regulatory Responses

7.1 Judicial Scrutiny of Freebies

The constitutionality and propriety of election-linked freebie promises has been before the Supreme Court of India since January 2022, when advocate Ashwini Kumar Upadhyay filed a public interest litigation arguing that pre-election freebie promises constitute bribery and undue influence under Sections 171B and 171C of the Indian Penal Code, 1860, and that the use of public funds for such transfers violates Articles 162, 266(3), and 282 of the Constitution, which respectively define the scope of state executive power, prohibit misappropriation from the Consolidated Fund, and permit expenditure only for a defined 'public purpose' (Supreme Court Observer, 2024a). The Aam Aadmi Party and other interveners, including the Dravida Munnetra Kazhagam and the All India Mahila Congress, opposed the petition, arguing that basic-utility subsidies such as free water, electricity, and public transport are properly understood as welfare entitlements rather than freebies, and that the litigation risked delegitimising redistributive policy as such (Supreme Court Observer, 2024a; India Legal, 2024).

In August 2022, a bench led by then Chief Justice N.V. Ramana referred the matter to a three-judge bench, on the view that the 2013 precedent in S. Subramaniam Balaji v. State of Tamil Nadu - which had held that election manifesto promises did not amount to a corrupt practice - required reconsideration (SCC Online, 2022). The Court's own observations in the referral order noted that pre-election promises made "without any assessment of the financial implications on the State" risked pushing states "towards bankruptcy," while simultaneously acknowledging the difficulty of judicially distinguishing 'freebies' from legitimate welfare policy - a line that the Court itself has struggled to draw consistently across cases involving colour televisions, laptops, and cash transfers (SCC Online, 2022; India Constitutional Law and Philosophy Blog, 2022). As of this writing, the matter remains pending before a larger bench, leaving unresolved the underlying tension between a judiciary reluctant to substitute its own judgment for that of elected governments on policy questions, and repeated judicial and central-bank warnings about the fiscal externalities of competitive freebie promising (Supreme Court Observer, 2024b).

7.2 Election Commission Regulation of AI-Enabled Campaigning

In parallel, the Election Commission of India (ECI) has developed a distinct, narrower regulatory response focused specifically on AI-generated content, without extending its Model Code of Conduct framework to the underlying data-driven targeting infrastructure described in Section 4. Ahead of the 2024 general election, the ECI issued guidelines on 6 May 2024 for the "responsible and ethical use of social media platforms," prohibiting political parties from publishing or circulating deepfake audio or video from official party accounts and requiring removal of such content within three hours of notice, with a warning to be issued to the responsible individual (Business and Human Rights Resource Centre, 2024). This framework was strengthened by a further advisory dated 16 January 2025, issued ahead of the Delhi Assembly election, mandating that all AI-generated or synthetically altered campaign content - images, video, or audio - carry a prominent label such as "AI-Generated," "Digitally Enhanced," or "Synthetic Content" (Medianama, 2025a; APAC News Network, 2025). Ahead of the 2025 Bihar Assembly election, the ECI extended this further, specifying that such labels must cover at least 10 per cent of the display area, prohibiting the misrepresentation of any person's identity, appearance, or voice without consent, and requiring parties to maintain internal records of AI-generated campaign material, including creator identity and timestamps, for production to the Commission on request (Deccan Herald, 2025d).

These measures nonetheless leave two significant gaps directly relevant to this paper's argument. First, the labelling and takedown obligations apply only to official party-affiliated social media accounts, not to the informal networks of 'dummy' accounts, digital-marketing vendors, and purchased WhatsApp groups through which much AI-personalised content, including that used to publicise cash-transfer schemes, is actually disseminated (Medianama, 2025b). Second, and more directly germane to the fiscal-populism nexus examined here, AI chatbots engaging voters in one-to-one dialogue are not covered by the pre-poll 'silence period' restrictions that apply to broadcast campaigning, meaning that AI-personalised communication - including reminders to individual voters about benefits they have received under schemes such as Ladli Behna - can continue within the 48 hours immediately preceding polling, when other campaign activity is legally paused (Rest of World, 2026).

8. Discussion: Toward an Algorithmically Calibrated Populist Fiscal Politics

Read together, Sections 4 through 7 support a central claim of this paper: AI-enabled voter targeting and freebie-based fiscal politics in contemporary India are not two independent trends but a single, mutually reinforcing electoral technology. AI tools reduce the cost of identifying which demographic segments - overwhelmingly, in the period examined, women voters in specific income and age bands - are most electorally responsive to a given transfer instrument; direct benefit transfer infrastructure allows that instrument to be disbursed with individual-level traceability; and AI-personalised communication allows the disbursing party to 'close the loop' by reminding the individual beneficiary, in their own dialect and by name, of the benefit they have received, immediately before they vote. Each stage of this pipeline is individually well documented in the sources reviewed above; the paper's contribution is to argue that their combination constitutes a distinct and increasingly dominant genre of populist political marketing in India, one that is structurally different from, and in important respects more fiscally efficient (in electoral-return terms) than, the broad-based subsidy or infrastructure politics that characterised earlier decades.

This has two structural implications for fiscal federalism. First, it creates an asymmetric incentive within state budgets: capital expenditure, which benefits the electorate diffusely and is difficult to communicate as an individually attributable transfer, competes for fiscal space against narrowly targeted revenue-account transfers whose electoral return is amplified precisely because they can be communicated as individually attributable. The RBI's repeated warning that subsidy growth risks "crowding out" capital and social infrastructure spending (RBI, 2024) can be read, in this light, not merely as a warning about aggregate deficit levels but as a warning about a shift in the underlying composition of state fiscal choices driven by changes in the marginal cost of political communication. Second, because the RBI's fiscal risk analysis is conducted at the level of aggregate state accounts, and the ECI's regulatory response is conducted at the level of individual pieces of campaign content, neither institution is currently positioned to regulate or even systematically observe the interaction between the two - the point at which a specific AI-personalised message is used to publicise a specific fiscal transfer to a specific voter. This institutional gap is, this paper argues, the central regulatory challenge posed by algorithmically calibrated populist fiscal politics, and it falls between the mandates of the RBI, the ECI, and the judiciary as currently constituted.

9. Policy Recommendations

Building on the analysis above, this paper advances four recommendations, offered in the spirit of reconciling redistributive welfare politics - which retains a legitimate constitutional and developmental rationale, as several interveners in the Upadhyay litigation have argued - with long-term fiscal sustainability and electoral fairness.

First, state Finance Departments could be required, as several petitioners in the Upadhyay litigation have proposed, to publish a standardised pre-election fiscal-impact statement for any scheme announced within a defined pre-election window, following the model of Section 29D proposed before the Supreme Court, without requiring courts to adjudicate the substantive merits of the scheme itself (Supreme Court Observer, 2024b).

Second, the Election Commission's AI-content regulatory framework could be extended from a content-labelling model to a targeting-disclosure model, requiring parties to disclose, in aggregate and non-personally-identifying form, the categories of AI-driven microtargeting deployed in a given constituency, analogous to political-advertising transparency requirements adopted in other jurisdictions, while maintaining the existing labelling and takedown obligations for synthetic content.

Third, given that AI chatbot interactions are not currently covered by the pre-poll silence-period restriction that applies to broadcast and print campaigning, the Commission could consider whether the rationale for that restriction - preventing last-minute, unrebuttable persuasion - applies with comparable force to individualised AI dialogue, and if so, extend an appropriately scoped version of the restriction to officially registered party chatbots and voice-messaging campaigns.

Fourth, the RBI's existing fiscal-risk monitoring framework, which currently reports on subsidy expenditure at the sectoral level, could be extended to separately track the growth rate of individually attributable, direct-benefit-transfer-linked revenue expenditure relative to capital expenditure, providing Finance Commissions and rating agencies with an earlier warning indicator of the specific compositional risk identified in Section 6, distinct from the aggregate deficit and debt indicators the RBI currently emphasises.

10. Limitations

This paper's central limitation is data availability. No Indian regulatory body currently requires disclosure of AI-driven campaign expenditure, targeting methodology, or reach, in contrast to the political-advertising transparency archives maintained by some social media platforms in other jurisdictions. The account of AI-enabled targeting in Section 4 therefore relies on triangulated journalistic and industry reporting rather than a verifiable, comprehensive dataset, and the specific causal claim that AI-personalised communication measurably amplifies the electoral return of cash-transfer schemes - as distinct from being merely correlated with schemes that also succeed through other campaign channels - cannot be established with the data reviewed here and should be treated as a hypothesis for future empirical research rather than an established finding. Similarly, the fiscal figures presented in Section 6, while drawn from RBI and PRS Legislative Research publications, are compiled across reports using different base years and estimate types (actuals, revised estimates, and budget estimates) and are presented as illustrative of documented trends rather than as a harmonised, single-vintage dataset; readers seeking figures for a specific state and fiscal year should consult the underlying RBI and state budget documents directly.

11. Conclusion

The convergence of AI-enabled voter targeting and freebie-based political marketing represents a structural shift in the technology of populist fiscal politics in India, not merely an incremental change in campaign tactics. By reducing the cost of identifying and persuading narrow electoral segments, generative AI tools have made narrowly targeted, individually traceable cash transfers - exemplified by the rapid diffusion of women-targeted schemes such as Madhya Pradesh's Ladli Behna Yojana - an increasingly efficient instrument of political mobilisation relative to broad-based public investment. Aggregate state finances have, to date, absorbed this shift without a corresponding deterioration in headline fiscal indicators, aided by improved state tax buoyancy and central transfers; but the RBI's own repeated warnings about crowding-out risk, the persistent debt stress of a subset of states, and the unresolved regulatory gap between the RBI's aggregate fiscal-risk monitoring, the Election Commission's content-level AI regulation, and the Supreme Court's still-pending constitutional reference together indicate that India's existing institutional architecture has not yet caught up with the technology reshaping its electoral political economy. Whether this architecture adapts - through fiscal-impact disclosure requirements, targeting transparency, or compositional fiscal monitoring of the kind proposed in Section 9 - will materially shape whether algorithmically calibrated populist fiscal politics remains a manageable feature of Indian federalism or develops into the kind of structural fiscal risk that the RBI has, since at least 2022, consistently warned against.

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