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IMPACT OF KARNATAKA STATE GOVERNMENT'S FIVE GUARANTEE SCHEMES ON GROSS STATE DOMESTIC PRODUCT: A FISCAL AND MACROECONOMIC ASSESSMENT

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ABSTRACT----------
The Government of Karnataka introduced five major guarantee schemes after assuming office in 2023: Gruha Lakshmi, Gruha Jyothi, Anna Bhagya, Shakti and Yuva Nidhi. The programmes represent a significant shift towards income support, subsidised household consumption and social protection. This study examines the potential impact of these schemes on Karnataka's Gross State Domestic Product (GSDP), with particular emphasis on the channels through which public transfers and subsidies may influence household consumption, aggregate demand, tax revenues, employment and fiscal sustainability. Using secondary data from the Government of Karnataka, the Comptroller and Auditor General of India (CAG), the Reserve Bank of India (RBI), the Karnataka Economic Survey and budget documents, the study compares fiscal and GSDP indicators before and after the introduction of the schemes.

The evidence shows that expenditure on the five guarantees increased from ₹36,497.96 crore in 2023–24 to ₹52,525.60 crore in 2024–25. The expenditure represented approximately 1.43 per cent and 1.82 per cent of GSDP respectively. During the same period, Karnataka's nominal GSDP increased from ₹25.57 lakh crore to ₹28.84 lakh crore, while real GSDP growth increased from approximately 6.0 per cent to 7.3 per cent. However, the temporal coincidence of higher guarantee expenditure and higher GSDP growth does not by itself demonstrate causality. At the same time, the schemes generated a substantial fiscal commitment and were associated with a widening revenue deficit and pressure on the composition of expenditure. CAG reported that the schemes accounted for about 15 per cent of revenue expenditure in 2023–24 and about 19 per cent in 2024–25.

The study concludes that the guarantee schemes can plausibly generate positive short-run demand effects, particularly through cash transfers to women and support to household expenditure, but their net long-run effect on GSDP depends on the fiscal multiplier, the extent of additional consumption, import leakages, crowding out of private investment and the displacement of productive public capital expenditure. A state-panel difference-in-differences framework is proposed as the preferred strategy for estimating the causal effect in future research.

KEYWORDS: *Karnataka, GSDP, Welfare Schemes, Fiscal Policy, Government Expenditure, Guarantees, Consumption, Fiscal Multiplier, Economic Growth, Social Protection.----------*

1. INTRODUCTION

The role of welfare expenditure in economic growth has become an important issue in Indian state-level public finance. Traditionally, welfare programmes have been evaluated primarily in terms of poverty reduction, redistribution and social protection. Increasingly, however, state governments are also presenting income-support and consumption-support programmes as instruments capable of stimulating economic activity.

Karnataka provides an important case for studying this relationship. Following the 2023 Assembly election, the Government of Karnataka implemented five flagship guarantee programmes: **Gruha Lakshmi**, **Gruha Jyothi**, **Anna Bhagya**, **Shakti** and **Yuva Nidhi**. The schemes provide cash transfers, subsidised electricity, food support, free public transport for women and unemployment assistance. The five schemes were budgeted at approximately ₹36,538 crore in 2023–24, and their actual expenditure was ₹36,497.96 crore. CComptroller and Auditor General of India.

The scale of expenditure increased considerably in the following year. According to the CAG's audit of Karnataka's finances, expenditure on the five guarantee schemes reached ₹52,525.60 crore in 2024–25. CComptroller and Auditor General of India This is economically significant because Karnataka's GSDP was approximately ₹28.84 lakh crore in 2024–25.

The central question of this paper is therefore:

To what extent have Karnataka's five guarantee schemes contributed to GSDP growth, and what are the fiscal costs and potential opportunity costs associated with this expenditure?

The question has two dimensions. First, the schemes may increase aggregate demand by increasing disposable income and reducing household expenditure on electricity, transport and food. Second, financing such schemes may increase revenue expenditure and borrowing or reduce resources available for capital expenditure. The net effect on GSDP therefore cannot be determined simply by comparing guarantee expenditure with economic growth.

The CAG's assessment is particularly relevant. It reported that the five schemes accounted for about 15 per cent of revenue expenditure in 2023–24. In 2024–25, the schemes constituted approximately 19 per cent of revenue expenditure. CComptroller and Auditor General of India+1

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The Karnataka Economic Survey, meanwhile, records substantial economic growth. GSDP at current prices increased from approximately ₹25.57 lakh crore in 2023–24 to ₹28.84 lakh crore in 2024–25, while constant-price GSDP growth was approximately 7.3 per cent in 2024–25. SScribd+1

This paper argues that the most defensible conclusion from the currently available evidence is that **the guarantee schemes and higher GSDP growth occurred simultaneously and that a positive demand-side mechanism is economically plausible, but the available aggregate data do not yet permit the entire increase in GSDP to be attributed to the guarantee programmes.**

2. BACKGROUND: KARNATAKA'S FIVE GUARANTEE SCHEMES

The five programmes differ substantially in their economic transmission mechanisms.

Scheme	Principal benefit	Main economic transmission mechanism
Gruha Lakshmi	₹2,000 monthly transfer to eligible women heads of households	Household income and consumption
Gruha Jyothi	Electricity subsidy up to specified consumption	Reduction in household expenditure
Anna Bhagya	Additional food-grain support	Food security and disposable-income effect
Shakti	Free bus travel for women	Reduction in transport cost and increased mobility
Yuva Nidhi	Unemployment assistance to eligible graduates/diploma holders	Temporary income support and consumption

The schemes are therefore not homogeneous government expenditures. Gruha Lakshmi and Yuva Nidhi operate primarily through cash transfers, whereas Gruha Jyothi, Anna Bhagya and Shakti provide subsidised goods or services.

This distinction matters for GSDP. A cash transfer may have a relatively direct consumption multiplier if beneficiaries have a high marginal propensity to consume. An electricity subsidy can release household income for other expenditures. Free transport can increase mobility and potentially labour-force participation. Food support can reduce household expenditure on basic consumption and release resources for other goods and services.

Consequently, the economic impact should not be measured solely by the amount spent by the government. It should also consider the **incremental expenditure generated by beneficiaries**.

3. REVIEW OF FISCAL AND ECONOMIC LITERATURE

Fiscal policy can affect output through several channels. Keynesian theory suggests that an increase in government expenditure can raise aggregate demand through a fiscal multiplier. The size of the multiplier depends on the marginal propensity to consume, tax structure, imports, monetary conditions, spare capacity and the response of private investment.

From a development perspective, however, all government expenditure is not equivalent. Public expenditure on infrastructure, health, education and productive assets can increase the economy's productive capacity, whereas transfers primarily affect demand and household welfare.

This creates an important distinction between:

1. **short-run demand effects**, and
2. **long-run supply-side effects**.

The Karnataka guarantee schemes are likely to have a stronger first-round demand effect than a direct infrastructure investment. However, some programmes may also have indirect supply-side effects. For example, free transport may improve access to employment, while income support to women may improve household investment in education, nutrition or health.

The Karnataka Fiscal Policy Institute's assessment of the Shakti scheme estimated that the programme contributed ₹309.64 crore to GST collections over the ten months from June 2023 to March 2024. It also estimated that Shakti represented 1.16 per cent of revenue expenditure in 2023–24 and 1.72 per cent in the 2024–25 budget. FFPI Bengaluru

The Institute for Social and Economic Change's evaluation prepared for the Sixteenth Finance Commission also recognised the possibility of consumption effects associated with the guarantee programmes, while explicitly noting that the counterfactual—what consumption would have been without the programmes—was unavailable. FFinance Commission India

This observation is central to the present research. If beneficiaries would have spent the same amount even without the schemes, the incremental GSDP effect would be limited. If a substantial proportion of transfers represents **additional consumption**, the multiplier effect could be considerably larger.

4. OBJECTIVES OF THE STUDY

The study has five objectives:

1. To examine the growth of Karnataka's GSDP before and after implementation of the five guarantee schemes.

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2. To measure the fiscal size of the schemes relative to GSDP and revenue expenditure.
3. To identify the potential transmission mechanisms from guarantee expenditure to economic growth.
4. To examine whether increased guarantee expenditure has been accompanied by changes in revenue deficit, fiscal deficit and capital expenditure.
5. To develop an empirical framework for estimating the causal impact of the schemes on GSDP.

5. RESEARCH QUESTIONS

The study addresses the following research questions:
RQ1: Has Karnataka's GSDP growth accelerated following implementation of the five guarantee schemes?
RQ2: What is the magnitude of guarantee expenditure relative to Karnataka's GSDP?
RQ3: Do the schemes generate a positive consumption multiplier?
RQ4: Has the increased revenue expenditure associated with the schemes created fiscal pressures that could offset part of their demand-side benefits?
RQ5: What is the appropriate econometric methodology for identifying the causal effect of the guarantee schemes on GSDP?

6. HYPOTHESES

The following hypotheses are proposed:
H1: Higher expenditure on the five guarantee schemes is positively associated with Karnataka's real GSDP growth.
H2: Cash-transfer components of the guarantee schemes have a stronger positive association with household consumption than non-cash subsidies.
H3: Guarantee expenditure increases short-run aggregate demand but may reduce the growth-enhancing impact of public capital expenditure if fiscal resources are shifted from capital to revenue expenditure.
H4: The net long-run effect of the guarantee schemes on GSDP depends on whether their consumption and human-capital effects exceed their fiscal and crowding-out costs.

7. DATA AND METHODOLOGY

7.1 Data sources

The study uses secondary data from:

- Government of Karnataka Budget Documents;
- Karnataka Economic Survey;
- Directorate of Economics and Statistics;
- Comptroller and Auditor General of India;
- Reserve Bank of India, *State Finances: A Study of Budgets*;
- Karnataka Fiscal Policy Institute;
- Ministry of Statistics and Programme Implementation.

The CAG's audited data are preferred for actual expenditure wherever available.

7.2 Key variables

The dependent variable is:
RGSDPit=real GSDP growth of state i in year t
The principal explanatory variable is:
GuaranteeIntensityit=GuaranteeExpenditureitGSDPit×100
Additional fiscal variables should include:

- capital expenditure/GSDP;
- revenue expenditure/GSDP;
- fiscal deficit/GSDP;
- revenue deficit/GSDP;
- state own-tax revenue/GSDP;
- outstanding liabilities/GSDP.

Macroeconomic controls should include:

- national GDP growth;
- inflation;
- rainfall/agricultural conditions;
- industrial growth;
- services growth;
- private investment;
- FDI;
- employment.

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8. DESCRIPTIVE EVIDENCE

Table 1. Expenditure on Karnataka's Five Guarantee Schemes

Indicator	2023–24	2024–25
Guarantee expenditure (₹ crore)	36,497.96	52,525.60
GSDP at current prices (₹ crore)	25,57,241	28,83,903
Guarantee expenditure/GSDP	1.43%	1.82%
Approximate increase in guarantee expenditure	—	43.9%
Nominal GSDP growth	—	12.77%
Real GSDP growth	~6.0%	~7.3%

Source: CAG, Government of Karnataka Economic Survey and related official fiscal data. CComptroller and Auditor General of India+3

The table indicates three important developments.

First, expenditure on the guarantee programmes increased by approximately 44 per cent between 2023–24 and 2024–25.

Second, guarantee expenditure increased from approximately 1.43 per cent of GSDP to approximately 1.82 per cent.

Third, real GSDP growth increased from approximately 6 per cent in 2023–24 to approximately 7.3 per cent in 2024–25. SStatistics Times+1

The relationship is therefore consistent with the hypothesis that welfare expenditure can support aggregate demand. Nevertheless, the increase in real GSDP growth cannot be attributed exclusively to the guarantee programmes.

Karnataka's economy is strongly services-oriented. The Economic Survey indicates that services accounted for about 68 per cent of GSDP in 2024–25, while industry accounted for about 20 per cent and agriculture for about 12 per cent. SScribd

Consequently, external demand, information technology, professional services, investment, exports and other macroeconomic factors are likely to have had a substantial influence on GSDP.

9. SCHEME-WISE FISCAL IMPACT

The CAG provides a useful breakdown of expenditure.

Table 2. Scheme-wise Expenditure

Scheme	2023–24 expenditure (₹ crore)	2024–25 expenditure (₹ crore)
Gruha Lakshmi	16,964.40	29,608.40
Gruha Jyothi	8,900.00	9,157.66
Anna Bhagya	5,706.00*	7,857.63
Shakti	3,200.00	5,615.00
Yuva Nidhi	88.88	286.91
Total	**34,859.28***	**52,525.60**

The CAG notes differences in accounting/recording for some 2023–24 expenditure; its earlier audit records total expenditure of ₹36,497.96 crore for the year. The 2024–25 audited figure is ₹52,525.60 crore. CComptroller and Auditor General of India+1

Gruha Lakshmi is clearly the largest programme. Its cash-transfer character makes it especially important for analysing consumption effects. If beneficiaries have a high marginal propensity to consume, a significant portion of the transfer can return to the local economy through purchases of food, clothing, services, transport, health and education.

This generates a simplified transmission mechanism:

Government transfer→Disposable income→Consumption→Business revenue→Employment/income→Further consumption→GSDP

However, the multiplier will be smaller if additional income is saved, used to repay debt, spent outside Karnataka or offset by higher taxation elsewhere.

10. FISCAL SUSTAINABILITY AND THE GSDP EFFECT

An important contribution of this study is to distinguish the **gross demand effect** from the **net fiscal effect**.

Government expenditure can increase GSDP directly through demand. However, if it is financed through borrowing, the government incurs future interest and repayment obligations. If it reduces capital expenditure, the state may sacrifice future productive capacity. The CAG reported that the implementation of the five guarantee schemes contributed to higher revenue expenditure and that the schemes accounted for a substantial share of the state's subsidy expenditure. It also observed a reduction in infrastructure-related expenditure in 2023–24 relative to the previous year. CComptroller and Auditor General of India+1

The fiscal position consequently becomes important for interpreting the GSDP effect.

Karnataka had a revenue surplus of ₹13,496 crore in 2022–23. This changed to a revenue deficit of ₹9,272 crore in 2023–24 and ₹20,834 crore in 2024–25. CComptroller and Auditor General of India

This does not establish that the guarantees alone caused the revenue deficit. Other expenditure and revenue factors also matter. Nevertheless, the timing indicates that the guarantee programmes formed an important component of the change in the state's fiscal position.

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11. POTENTIAL POSITIVE EFFECTS ON GSDP

11.1 Consumption multiplier

The strongest theoretical channel is the household-consumption multiplier.
The cash transfer under Gruha Lakshmi increases purchasing power among beneficiary households. Because lower-income households generally have relatively high propensities to consume, the initial transfer can generate subsequent rounds of expenditure.

For example, if an additional ₹100 of household income results in ₹80 of additional consumption, the first-round consumption effect is ₹80. If businesses receiving this expenditure subsequently spend part of their additional income, further rounds of expenditure can occur.

The actual multiplier, however, will depend on taxation, savings, imports, capacity constraints and the extent to which expenditure remains within Karnataka.

11.2 Local economic activity

A large proportion of welfare expenditure is likely to be spent locally. This may benefit:

- retail trade;
- food and grocery businesses;
- transport services;
- small enterprises;
- personal services;
- rural markets.

The effect may be especially important in districts with lower household incomes.

11.3 Women's labour-market participation

Shakti can reduce transport costs for women and potentially increase their mobility. Greater mobility can facilitate access to employment, education, markets and public services.

This creates a potential medium-term supply-side effect:
Free/cheaper transport→Greater mobility→Higher labour−force participation→Higher household income→Higher output
The magnitude of this effect requires micro-level empirical investigation.

11.4 Human capital

Food security, household income and access to services can improve nutrition and educational outcomes. If such effects are sustained, they can increase labour productivity over the longer term.
Thus, some components of welfare expenditure may have both consumption and investment characteristics.

12. Potential Negative Effects on GSDP

12.1 Crowding out of capital expenditure

The principal macroeconomic concern is the opportunity cost of revenue expenditure.
Capital expenditure on roads, irrigation, urban infrastructure, logistics and public facilities can raise productive capacity. If guarantee expenditure causes significant reductions in such investment, the short-run consumption gain may occur at the cost of slower long-run productivity growth.

This is particularly important because CAG identified a reduction in infrastructure spending associated with the fiscal pressures surrounding the schemes in 2023–24. TThe Indian Express

12.2 Borrowing and interest burden

If current transfers are increasingly financed through borrowing, future budgets may face higher interest expenditure.
The fiscal transmission mechanism becomes:
Higher guarantee expenditure→Higher revenue expenditure→Higher deficit→Higher borrowing→Higher future interest payments→Less fiscal space
This can reduce the state's ability to undertake productive investment.

12.3 Limited productivity effect of some subsidies

Not every rupee of subsidy necessarily increases production. Some expenditure may simply substitute for spending that households would have undertaken anyway.
For example, if a household would have paid its electricity bill in the absence of Gruha Jyothi and spends the entire saving on another good, there is a redistribution of expenditure rather than necessarily a large increase in aggregate demand.
Consequently, the critical variable is **additional consumption**, not simply the value of the subsidy.

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13. PRELIMINARY ASSESSMENT OF THE IMPACT ON GSDP

The descriptive evidence can be summarised as follows.

Finding 1: Guarantee expenditure expanded substantially

Audited expenditure increased from approximately ₹36,498 crore in 2023–24 to ₹52,526 crore in 2024–25. CComptroller and Auditor General of India+1

Finding 2: The economic size of the programmes is significant

Guarantee expenditure increased from approximately 1.43 per cent of GSDP to 1.82 per cent.

Finding 3: GSDP growth remained strong

Karnataka's real GSDP growth was approximately 6 per cent in 2023–24 and 7.3 per cent in 2024–25. Current-price GSDP grew by 12.77 per cent in 2024–25. SStatistics Times+1

Finding 4: The evidence is consistent with a positive demand effect

The timing of increased transfers and higher GSDP growth is compatible with a positive fiscal multiplier. The Karnataka Fiscal Policy Institute also identified an increase in GST associated with consumption under the Shakti programme. FFPI Bengaluru

Finding 5: Causality cannot be established from aggregate before-after data

The increase in GSDP was simultaneously influenced by services, investment, exports, agriculture, national economic conditions and other government policies. Therefore:

Correlation≠Causation

The available evidence cannot justify the statement that "the guarantee schemes increased Karnataka's GSDP by X per cent" without a counterfactual analysis.

14. PROPOSED ECONOMETRIC MODEL

For a publishable empirical paper, the preferred approach is a **state-level panel difference-in-differences model**.

Let Karnataka be the treatment state and other comparable Indian states constitute the comparison group.

The basic model is:

$$Growth_{it}=\alpha+\beta(Karnataka_i\times Post_t)+\gamma X_{it}+\mu_i+\lambda_t+\epsilon_{it}$$

where:

- $Growth_{it}$ = real GSDP growth of state i in year t;
- $Karnataka_i$ = 1 for Karnataka and 0 otherwise;
- $Post_t$ = 1 for the post-2023 guarantee period;
- X_{it} = vector of control variables;
- μ_i = state fixed effects;
- λ_t = year fixed effects;
- β = estimated treatment effect.

A stronger specification would use **guarantee intensity**:

$$Growth_{it}=\alpha+\beta GuaranteeIntensity_{it}+\gamma X_{it}+\mu_i+\lambda_t+\epsilon_{it}$$

where:

$$GuaranteeIntensity_{it}=\frac{GuaranteeExpenditure_{it}}{GSDP_{it}}$$

This model is preferable because it recognises that welfare expenditure differs substantially across states.

15. EVENT-STUDY SPECIFICATION

An event-study model should also be estimated to test whether Karnataka and the control states had parallel trends before implementation:

$$Growth_{it}=\alpha+\sum_{k\neq -1}\beta_k(Karnataka_i\times Year=k)+\gamma X_{it}+\mu_i+\lambda_t+\epsilon_{it}$$

If pre-treatment coefficients are statistically indistinguishable from zero, confidence in the difference-in-differences design increases.

This approach is particularly important because Karnataka's economy is structurally different from many other states, especially due to its large services and information-technology sector.

16. ROBUSTNESS TESTS

This Article has following robustness tests:

1. **Synthetic control method:** Construct a weighted combination of other states that best reproduces Karnataka's pre-2023 GSDP trajectory.
2. **Alternative control groups:** Exclude states with unusually high welfare expenditure.
3. **Placebo tests:** Artificially assign the treatment to another state and test whether a similar effect appears.
4. **Alternative dependent variables:** Use:
    - real GSDP growth;
    - per-capita GSDP;
    - private consumption proxies;
    - GST collections;
    - employment;

- sectoral GVA.

5. **Sectoral analysis:** Estimate separate effects on agriculture, manufacturing and services.
6. **Capital-expenditure interaction:** Test whether the growth effect differs according to the state's capital expenditure/GSDP ratio.

17. CONCEPTUAL FRAMEWORK FOR THE NET GSDP EFFECT

The net effect can be represented as:
Net Effect=Consumption Multiplier+Human Capital Effect+Labour Supply Effect−Crowding Out−Fiscal Cost−Leakages
The first three components are positive potential channels, whereas the latter three represent possible negative effects.
This framework suggests that a guarantee programme should not be evaluated simply by asking:
"How much did the government spend?"
The more relevant question is:
"How much additional economic activity was generated per rupee of government expenditure, after accounting for fiscal financing and opportunity costs?"
A useful policy indicator would therefore be:
Fiscal GSDP Multiplier=ΔReal GSDP attributable to guaranteesΔGuarantee Expenditure
This coefficient should be estimated econometrically rather than assumed.

18. POLICY IMPLICATIONS

The findings suggest several policy implications for Karnataka.

18.1 Maintain fiscal transparency

The state should publish annual and preferably quarterly expenditure, beneficiary and outcome data for each guarantee scheme.

18.2 Distinguish welfare from growth expenditure

Budget documents should clearly distinguish:

- consumption-support programmes;
- human-capital expenditure;
- infrastructure investment;
- productive capital expenditure.

This would make the long-term fiscal-growth trade-off more transparent.

18.3 Evaluate additional consumption

For cash transfers such as Gruha Lakshmi, household surveys should estimate how much of the transfer represents additional expenditure rather than substitution for pre-existing consumption.

18.4 Protect productive capital expenditure

Guarantees should ideally be financed without reducing expenditure on infrastructure, education, health and other investments that increase productive capacity.

18.5 Improve targeting where appropriate

Universal or broad eligibility may increase fiscal cost. Periodic assessment of beneficiary income, economic vulnerability and programme outcomes can improve fiscal efficiency.

18.6 Measure outcomes, not only expenditure

The evaluation framework should include:

- household consumption;
- women's labour-force participation;
- school attendance;
- nutrition;
- employment;
- enterprise turnover;
- GST collections;
- poverty;
- district-level GSDP.

19. LIMITATIONS OF THE STUDY

The study has several limitations.
First, the five guarantee schemes were introduced only in 2023. Therefore, the post-treatment period remains short.
Second, Karnataka's GSDP is influenced by numerous factors unrelated to the guarantees, including IT exports, FDI, agriculture, national growth, monetary conditions and private investment.

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Third, actual additional consumption generated by each scheme is not currently observed in a sufficiently detailed longitudinal dataset.

Fourth, guarantee expenditure is not necessarily exogenous. Government expenditure may respond to economic and political conditions, producing endogeneity.

Fifth, current GSDP estimates may subsequently be revised. Therefore, future versions of the analysis should use the latest revised GSDP series.

Sixth, the five programmes have different objectives and transmission mechanisms. Aggregating them into one variable can conceal important differences between cash transfers, food subsidies, electricity subsidies and transport subsidies.

20. CONCLUSION

Karnataka's five guarantee schemes represent one of the largest state-level welfare interventions in contemporary India. The programmes have generated substantial fiscal expenditure while simultaneously transferring purchasing power and reducing the cost of essential household services.

The evidence presented in this study shows that guarantee expenditure increased sharply from approximately ₹36,498 crore in 2023–24 to ₹52,526 crore in 2024–25. Over the same period, Karnataka's GSDP increased substantially and real GSDP growth accelerated. Guarantee expenditure reached approximately 1.82 per cent of GSDP in 2024–25. CComptroller and Auditor General of India+2 These observations are consistent with the hypothesis that the schemes have supported aggregate demand. In particular, cash transfers may have generated additional consumption among households with high marginal propensities to consume. The schemes may also generate longer-term effects through women's mobility, household welfare and human capital.

However, the evidence does **not** support the stronger claim that the guarantee schemes were responsible for a specific percentage of Karnataka's GSDP growth. The state's strong services sector, investment, exports, agricultural conditions and national economic developments also contributed to the observed growth.

The principal economic issue is therefore not whether welfare expenditure is “good” or “bad” for GSDP. Rather, the relevant question is whether the **marginal GSDP and welfare gains generated by the schemes exceed their fiscal opportunity costs**.

A sustainable policy framework would seek to preserve the programmes' positive effects on vulnerable households while protecting productive public investment and maintaining fiscal sustainability. The most appropriate next step for academic research is a state-panel difference-in-differences or synthetic-control analysis using annual data for Karnataka and comparable Indian states.

Thus, the preliminary conclusion is:
Karnataka's guarantee schemes are economically capable of increasing short-run aggregate demand and may have contributed positively to GSDP growth, but their causal contribution cannot be isolated from aggregate GSDP data alone. Their long-term growth impact depends critically on the size of the consumption multiplier, human-capital effects, financing costs and the extent to which welfare expenditure crowds out productive public investment.

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