



AI-Driven Policy Simulation and Economic Modelling in Karnataka's Social Science Research

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ABSTRACT

In Karnataka, the economic research and policy analysis are being revolutionized by artificial intelligence (AI) that can allow complex predictive modelling, simulating scenarios, and making decisions based on data. This paper identifies the ways machine learning algorithms, deep learning models and AI-based simulations are revolutionizing the social science research within the state especially economic forecasting, agricultural economics and fiscal policy assessment. The classic econometric models are not able to handle complexity, nonlinearity, and real-time data integration; AI has solved this problem by providing advanced feature extraction, multi-agent modelling, and simulations based on scenarios. The applications of AI in the context of Karnataka include crop yields prediction based on LSTM networks including exogenous climatic variables, agricultural commodities price prediction, and simulations of policy effects on welfare delivery and fiscal intercessions. Nevertheless, the incorporation of AI into the research of social sciences has certain obstacles, such as bias in the data, the transparency of the algorithm, and the necessity to understand the field. The article is written in a descriptive analytical style, which



uses secondary sources in academic literature, governmental policy records, and case study research on the application of AI in the research and governance industry in Karnataka. It is found in the analysis that AI-policymaking could facilitate evidence-based policymaking through many intervention scenarios being tested prior to implementation, which reduces the implementation risks and optimizes resource allocation. However, it takes strong institutional structures, interdisciplinary cooperation between computer scientists and social scientists, and due concern over ethical consequences of using algorithms in governance organizations to be successfully integrated.

Introduction

Artificial intelligence has become a disruptive technology that is changing the approaches to research in the social science field. The state of Karnataka with its complex socio-economic interactions, including the agricultural vulnerability, urban-rural inequalities, demographic shifts, and fiscal limitations presuppose an unprecedented opportunity of AI-based policy model and economic design development to contribute to evidence-based governance and research progress. Although traditional econometric methods are fundamental to policy analysis, they may not be able to reflect the nonlinear relationships between variables, data streams in real time, and be able to compute a number of policy scenarios at once. Research institutes and government agencies in Karnataka are increasingly appreciating the fact that AI can be used to better policy design. Agricultural industry, which is at the core of the lives of millions of people in the state, is under strain due to climate change and the lack of predictability in the market; AI forecasts can be used to estimate prices of crops, yields, and the best planting decisions. Likewise, the simulation of welfare policy using multi-agent AI models can allow the policy makers to evaluate distributional effects on the various segments of the population before the implementation. Introducing AI into the social science research process, however, requires a specific attention toward the methodological rigor, ethical consequences, and institutional capacity. In this paper, the authors explore the way in which AI-guided policy simulation and economic modelling is changing social science research in Karnataka by exploring the potential of bringing evidence-based governance to the state and also identifying the issues that need solutions at the institutional level.



Objectives

- In order to examine AI based approaches to economic forecasting and policy simulation in Karnataka, it is important to consider machine learning algorithms, deep learning models and multi agent's systems that are utilized to predict economic activity and to simulate policy interventions.
- To determine the applications and efficacies of AI in solution to particular socio-economic issues in Karnataka, such as prediction of agricultural commodities, optimal welfare provision, and fiscal policy formulation, and measurement of predictive performance and effect on governance.
- To address the institutional, ethical and methodological dilemma of implementing AI in social science research in Karnataka with data quality issues, algorithm bias, transparency concerns as well as the necessity to work interdisciplinarity.

Methodology

The proposed study applies the descriptive research methodology with the view of offering an in-depth and precise description of the artificial intelligence integration into economic modelling and social science research in Karnataka. Descriptive research aims at the description of the features, trends and level of AI adoption without exploration of causation and experimental control. The research is based on secondary sources of data as the main means of providing a full picture of the current applications and progress. The sources examined contain peer-reviewed academic sources describing applications of AI into economic and social sciences, government policy reports detailing AI policies in Karnataka, case studies of AI initiatives, especially in the areas of agriculture and fiscal policy in Karnataka, and reports by research bodies in the area. The academic and policy views are supplemented by media sources and survey data on the AIs readiness in the Indian social science academia. It includes the analytical presentation of the factual descriptions of AI techniques like Long Short-Term Memory (LSTM) networks, Random Forest algorithms, reinforcement learning, and multi-agent systems. It further reviews descriptively the practical uses of AI in the socio-economic contexts of Karnataka, institutional capabilities of integrating AI and governance structures that promote its use. The transparency, algorithmic bias, and accountability of the decision-making procedures done using AI are discussed in terms of the ethics issues according to the literature available. These sources gathered and summarized systematically to create a foundational knowledge of the role of AI in social science research ecosystems in Karnataka, which is the basis of subsequent analytical or evaluative research in this interdisciplinary area of new research.



Review of Literature

AI-Assisted Economic Forecasting: The New Methodology. Modern economic studies prove the ability of AI to increase the level of forecasting accuracy over traditional econometric models. The article by Nayak et al. (2024) is a thorough examination of deep learning models, namely NBEAT SX and Transformer, used to predict agricultural commodity prices in Indian markets with the use of exogenous weather factors. Their relative analysis reveals that deep learning models have much lower error measures (RMSE 110.33, MAE 60.08) than traditional ARIMAX models and machine learning methods, and this indicates that AI is better at capturing nonlinear relationships between price dynamics and exogenous variables.

Morant McLeod (2025) records the use of AI-enhanced nowcasting methods to forecast the present economic situation using high-frequency behavioural signals, such as retail traffic, job advertisements, social media-related talks, and so on, prior to the publication of the actual statistics, to respond promptly to policy changes. The paper points out that correlation between sentiment analysis in real time and conventional economic variables has indicated hitherto unknown relationships between consumer mood and financial performance.

Multi-agent Modelling and Policy Simulation. State-of-the-art AI apps are not restricted to predictions and include scenario simulation and policy effects analysis. As part of the AI Economist framework, reinforcement learning is used to maximize tax rules through the simulation of the impact of different tax systems on the measure of equality and productivity. Likewise, the multi-LLM-agent models model macroeconomic effects in heterogeneous population groups to allow policymakers to craft interventions that are sensitive to distributional effects on various socioeconomic layers.

The agricultural economics of Karnataka is also using AI applications. The practice of AI could be seen in agricultural research in Karnataka. Nayak et al. (2024) use climate, soil, and temperature data to predict crop yield in the state of Karnataka by applying the LSTM networks with attention mechanisms, and the results show a significant increase in the predictive accuracy. Also, the work on voice-enabled decision support systems in Karnataka combines the agronomic suitability assessment by the use of Random Forest with price prediction via LSTM-based algorithms and made available by the means of Kannada-language interfaces to make them accessible to the farmers.

Problems with the integration of AI and Social Sciences. Modern literature defines important obstacles to the process of AI integration. Xu et al. (2024) review AI in social science systematically, and



they differentiate between AI as a method of improving social science research and social science of AI that studies large language models as socio-technical systems. The study also identifies such methodological issues as bias in data, explainability of algorithms, checking of AI generated insights, and domain knowledge (AI and substantive social science fields).

Critical Interpretation and Subjective Account of the Objectives.

Artificial Intelligence-based Economic Projections in Karnataka. - The developments concerning the application of artificial intelligence (AI) and machine learning, as well as deep learning models, to the work of the field in the socio-economic field of Karnataka are a major breakthrough in the social science community. Classical economic theory has been based on assumptions like linearity, stationarity, and normally distributed residuals which are not usually true in practical social economic circumstances. The AI approaches have the ability to independently learn intricate features and learn nonlinear dynamics in economic data without relying on strict distribution assumptions. The use of AI in agriculture, as a significant segment of the state economy and a source of livelihood in Karnataka, can prove the policy applicability of AI applications. With the instability of the prices of the commodities and the effects of weather conditions, market dynamics and climatic change, the traditional forecasting frameworks cannot sufficiently predict agricultural performance. The use of exogenous variables such as precipitation, temperature, market sentiment, and supply chain disruptions in AI models makes them more accurate in their predictions. These projections provide useful information to both the farmers and the policymakers when making sound decisions regarding the choice of crops and even when making decisions on the kind of intervention needed in the market. A new voice-based decision support system in Karnataka farmers points to the potential of AI to access marginalized low literacy agricultural communities. The system enables the optimization of livelihoods by using agronomic suitability classifications and predicting their market prices via Kannada-language interfaces, aiding the process of identifying which crops to cultivate with the process of identifying the most profitable crops, a process more accurately described as data-driven advice. Another use of AI in welfare delivery is that it can be used to simulate the effects of policies on heterogeneous population groups using agent-based simulations. These AI simulations can respond to behavioural variations by income, occupation, and demographics unlike models that use homogenous policy effects. As a result, such programs as Direct Benefit Transfers and employment guarantees can be experimented virtually at different levels of eligibility, transfer, and targeting, reducing the costs of piloting and the risks of implementation before extensive implementation.

**Policy: Simulation and Scenario Analysis of Policy.**

Policy simulation using AI is a major improvement compared to the traditional comparative statistical analyses as it can be used to conduct dynamic and multi-scenario analysis. The AI Economist framework is one of the exceptional examples that enable policymakers to study a vast array of trade-offs among economic efficiency and social equality in a wide variety of tax regimes, regulation regimes, and social programs. Such flexibility allows testing the policy outcomes extensively in simulated settings. In Karnataka, this type of AI simulation increases the ability of policy research establishments, such as the Institute for Social and Economic Change (ISEC), the Karnataka State Planning Commission, and universities economics departments. The institutions will also be able to use AI to examine thousands of policy scenarios, which will allow them to gain a data-driven insight into the relationship between policies and heterogeneous populations over time, instead of the sole empirical experiments or ideological discussions. Particular uses in Karnataka are simulations to find the best subsidy plans, minimum support prices, and insurance plans of crops which are sensitive to categories of farmers, rainfall patterns, and price trends. Furthermore, AI models predict the fiscal policy impacts on government revenue, investment incentives, income distribution and fiscal sustenance, thus providing light on trade-offs among conflicting policy goals. The incorporation of AI into the social science research in Karnataka is associated with challenges despite its potential. The quality of data is critical because historical biases will reproduce injustices unless they are overcome using debiasing methods. Even with neural networks as the black boxes, algorithmic transparency is still not fully understood, and it is necessary to consider the issue of democratic accountability when making the policy based on the black box models. New directions such as Explainable AI (XAI) aim to enhance interpretability, but it is yet to be practiced in the real world. There also exist cross-disciplinary gaps. Social scientists might not have AI expertise and computational experts may not be well motivated to understand the social and economic scenarios of Karnataka, which is vital in making the right modelling. Furthermore, there is the issue of data privacy, governance, and error control in welfare eligibility algorithms when a combination of varied sources of data is used. The Karnataka institutions are also well positioned to take the lead in responsible AI integration and this needs investments in interdisciplinary research groups, algorithm governance models, community participatory design and regulatory governance to achieve responsible and accountable AI-driven social science research.



Conclusion

The groundbreaking potential in the social science research and governance in Karnataka will be policy simulation and economic modelling using AI. By enabling the accurate forecasting of the events ahead, the analysis of the complex situations, and the evidenced-based policy formulation, AI can enhance the efficacy of the interventions implemented to curtail agricultural vulnerability, welfare maximization, and fiscal sustainability. The applications of the field in practice involve making predictions of the crop yield on the basis of the deep learning and policies of multi-agents that have already been appreciated to the actual socio-economic issues. However, in order to realize this possibility, there is not just the application of technology. The Karnataka research institutions should be able to create institutional structures that can ensure quality of data, transparency of algorithms, democratic accountability and equalisation of benefits. The integration of AI with social science involves actual interdisciplinary collaboration, rather than merely the computer scientists who impose models onto social data with no understanding of the situation. The solution to this is the concurrent acknowledgment that AI could be one of the powerful tools that can be successfully employed to deliver evidence-based governance and simultaneously serve as a watchdog against algorithmic bias, the lack of democracy, and technological solutionism. As Karnataka proceeds with the measures that will be implemented to embed AI into the social science research, both institutional choices regarding data governance, understanding of algorithms, research ethical concerns, and research stakeholders will determine whether AI will turn out to be a tool of inclusive growth or will continue being another process that will replicate existing scale-based disparities due to computation.

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