Business Standard

# Cash-transfer promises rise, but can states afford the welfare bill?

*As cash-transfer politics becomes embedded in elections, the bigger challenge for states may lie not in announcing welfare promises, but in sustaining them fiscally*

Akshita Singh | New Delhi

Representative image from Pexels.

Cash-transfer promises have moved from the margins of Indian election manifestos to the centre of political competition, with part payments. National parties such as the BJP and the Congress, along with regional forces such as the Dravida Munnetra Kazhagam (D increasingly relied on direct cash-transfer promises in recent state elections and state budget announcements.

The latest entrant in the list is actor Vijay's Tamilaga Vettri Kazhagam (TVK), which formed the government in Tamil Nadu last wee promised ₹2,500 monthly assistance for women heads of households, 200 units of free electricity, six free LPG cylinders a year, you MSP for paddy and sugarcane, and marriage/newborn support. An analysis by The Indian Express estimated the full-year bill at abo crossing ₹45 billion.

This brings a familiar fiscal question back into focus: can states keep expanding cash-transfer promises without squeezing public sp

**The growing fiscal bill**

According to PRS Legislative Research estimates, 12 states are expected to spend nearly ₹1.68 trillion on unconditional cash-transfe just two states running such programmes in 2022-23. The estimated outgo is roughly equivalent to 0.5 per cent of India's GDP, com

The Reserve Bank of India's State Finances: A Study of Budgets has repeatedly flagged rising subsidy burdens and revenue expenditu need to sustain capital expenditure and fiscal consolidation.

Economists say recurring welfare commitments differ from one-time relief measures because they create long-term expenditure ol once beneficiaries are established.

"Recurring cash-transfer schemes in Indian states are largely unsustainable without reforms, as they consume 0.2–1.2 per cent of ( salaries, pensions, interest, and subsidies," said Nilanjan Banik, professor of economics and finance at Mahindra University. "This infrastructure, health, and education, stifling long-term growth."

Recent PRS State of State Finances data showed that states spent 53 per cent of their revenue receipts on salaries, pensions and inter accounted for another 9 per cent.

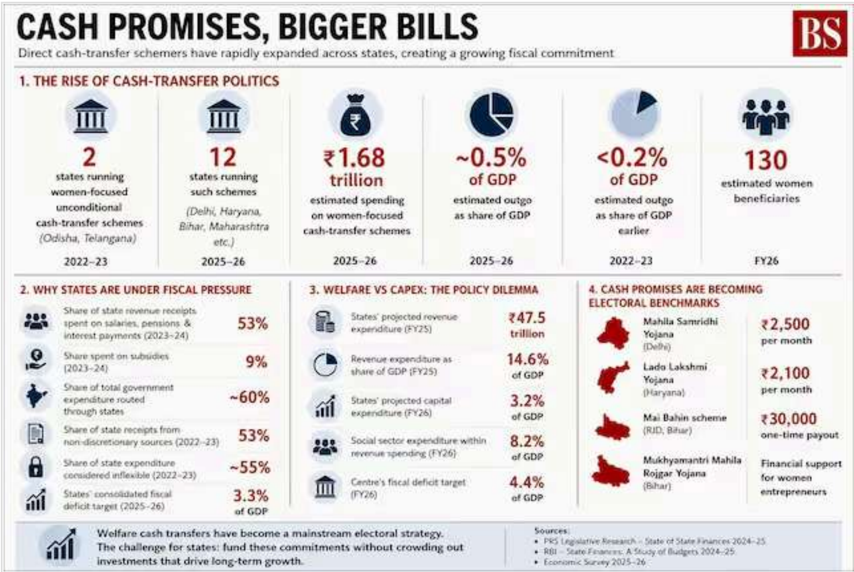
As cash-transfer schemes spread across states, monthly transfers once limited to ₹1,000–₹1,500 have increasingly moved towards scheme-linked financial assistance.

According to Banik, this shows a competitive bidding cycle driven by rival parties matching or exceeding offers to capture key voters

**Women voters at the centre**

According to Election Commission data, women voter turnout has steadily risen over the past decade, with several states recording participation in recent Assembly elections.

Delhi allocated ₹5,100 crore for the Mahila Samridhi Yojana in Budget 2025, promising ₹2,500 per month to eligible women. Haryan ₹5,000 crore allocation and monthly assistance of ₹2,100. Ahead of the Bihar elections, the RJD promised a one-time ₹30,000 payou Bihar's Mukhyamantri Mahila Rojgar Yojana aims to provide financial assistance to one woman from each family for entrepreneurs




*Caption: Data compiled and visualised by Akshita Singh*

Banik said women voters now constitute a decisive electoral group, making such schemes politically valuable. "Direct transfers, oft women economically by enhancing bargaining power, reducing marital conflict, and funding essentials like education and groceries

**Economic stress drives cash-transfer politics**

Dr Jyotsna Rosario, assistant professor of economics at Vidyashilp University, who specialises in developmental economics and pub politics showcased growing frustration among voters over unemployment, income inequality, household stress and gender-based "Cash transfer promises function similar to targeted marketing campaigns that are designed to effectively attract large and politica Rosario said.

Rosario added that welfare politics had also become easier to communicate than broader policy outcomes. "Cash transfers are popu fungible, easy to communicate, and easy for voters to understand," she said.

"The nature of these promises has changed from slogans to distribution of food grain to distribution of various goods and services, added.

**The fiscal prudence dilemma**

The Union government has spent the post-pandemic years emphasising fiscal consolidation and capex-led growth, while projectin economy. The Centre has budgeted for a fiscal deficit target of 4.4 per cent of GDP in 2025-26 and continued to prioritise infrastruct But economists say the rapid rise in state-level welfare commitments is creating tension within that framework.

Banik said states already face structural fiscal limitations because they raise a smaller share of revenues but shoulder a larger welfa but spend 60 per cent on welfare, relying heavily on tax devolution and transfers from the Centre," he said.

According to analyses of state Budgets, states' own tax revenue-to-GSDP ratio is expected to rise from 6.57 per cent in 2023-24 to the largest contributor to own tax revenues. Experts say fiscally stronger states with higher revenue buoyancy are better placed to a states already operating under deficit pressures.

The debate, experts say, is no longer about whether governments should provide cash support, but whether such schemes are trans sustainable over the long term.

First Published: May 13 2026 | 1:06 PM IST

Page URL :https://www.business-standard.com/economy/news/cash-transfer-promises-rise-can-states-afford-welfare-bill-12605130