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ECONOMIC AND MANAGERIAL ANALYSIS OF "MUKHYAMANTRI LADKI BAHIN YOJANA" AND ITS EFFECT ON FISCAL STABILITY OF THE STATE OF MAHARASHTRA

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Abstract:
Public welfare schemes play an important role in improving the socio-economic condition of weaker sections of society. However, the sustainability of welfare policies depends upon the fiscal capacity and financial discipline of the government. The present study analyses the economic and managerial implications of the Mukhyamantri Ladki Bahin Yojana introduced by the Government of Maharashtra. Under this scheme, eligible women receive monthly financial assistance of ₹1500 through Direct Benefit Transfer (DBT). The study evaluates whether increasing welfare expenditure has affected the fiscal stability of Maharashtra. The research uses secondary data collected from Maharashtra Budget Documents, RBI State Finance Reports, PRS Budget Analysis, and Economic Survey Reports from 2024–25 to 2026–27. Statistical tools such as trend analysis, percentage analysis, correlation analysis, CAGR analysis, and regression interpretation are used for analysis. The findings indicate that increasing welfare-oriented revenue expenditure has contributed to a rise in fiscal deficit and reduction in fiscal flexibility for developmental expenditure. The study concludes that although welfare schemes provide short-term social support, long-term fiscal sustainability requires balanced allocation between welfare and productive capital expenditure.
Keywords: Fiscal Deficit, Welfare Economics, Public Finance, Direct Benefit Transfer, Fiscal Sustainability, Maharashtra Budget, Welfare Expenditure, Resource Allocation, Public Financial Management.

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1. Introduction

India has witnessed a substantial rise in welfare-oriented government expenditure in recent years. Various state governments have implemented direct cash transfer schemes aimed at supporting economically weaker sections, women empowerment, and social inclusion. In Maharashtra, the Government introduced the Mukhyamantri Ladki Bahin Yojana under which eligible women receive ₹1500 per month as direct financial assistance.

The scheme has significant social objectives such as improving women's financial independence, enhancing household consumption, and reducing economic vulnerability. However, from the perspective of public finance and fiscal management, large-scale welfare schemes may increase revenue expenditure and place pressure on the fiscal position of the state government.

Maharashtra has traditionally been considered one of India's strongest state economies with substantial industrial and service sector contribution. Yet, increasing welfare commitments and subsidy-oriented expenditure have raised concerns regarding fiscal prudence, borrowing requirements, and allocation of resources toward productive sectors such as infrastructure, education, healthcare, and employment generation.

Economic theory suggests that government expenditure should maintain a balance between welfare obligations and developmental investment. Excessive revenue expenditure without corresponding growth in productive assets can adversely affect fiscal sustainability. Public financial management principles further emphasize efficient allocation and optimization of limited financial resources.

This study therefore attempts to examine the economic and managerial impact of the Mukhyamantri Ladki Bahin Yojana on Maharashtra's fiscal stability through statistical analysis of budgetary data.

2. Literature Review

Studies in welfare economics and public finance highlight the importance of balancing social welfare expenditure with long-term economic sustainability. According to Richard Musgrave and Peggy Musgrave, public expenditure should contribute toward social welfare while maintaining fiscal discipline.

Research conducted by the International Monetary Fund emphasized that excessive revenue expenditure may increase fiscal deficits and public borrowing, thereby affecting macroeconomic stability.

Studies relating to Indian state finances indicate that growing subsidy and transfer expenditure may reduce the government's capacity to invest in infrastructure and productive capital assets. Research published by the Reserve Bank of India on state finances highlighted that sustained fiscal deficits can adversely impact long-term economic growth.

Balani (2022) observed that productive public expenditure positively contributes to economic growth, whereas unproductive recurring expenditure may weaken fiscal sustainability.

Public management literature also suggests that effective resource allocation and strategic policy planning are necessary for ensuring maximum social and economic returns from public expenditure.

Summary of Literature

Author/Institution	Focus Area	Major Findings
IMF Reports	Fiscal Stability	Excessive welfare spending increases borrowing pressure
RBI State Finance Reports	State Finances	Rising fiscal deficit affects fiscal sustainability
Balani (2022)	Public Expenditure	Productive expenditure promotes growth
Public Management Studies	Resource Allocation	Strategic planning improves policy effectiveness

3. Research Gap

Most existing studies focus either on welfare economics or general public finance. Limited research has specifically examined the economic and managerial impact of the Mukhyamantri

Ladki Bahin Yojana on Maharashtra's fiscal stability using statistical analysis. Therefore, the present study attempts to fill this gap by analysing the relationship between welfare expenditure and fiscal deficit trends in Maharashtra.

4. Objectives of the Study

1. To analyse the economic impact of Mukhyamantri Ladki Bahin Yojana on Maharashtra's fiscal position.
2. To evaluate the relationship between welfare expenditure and fiscal deficit trends in Maharashtra.

5. Hypothesis of the Study

Null Hypothesis (H_0)

Welfare transfer expenditure does not significantly affect fiscal stability of Maharashtra.

Alternative Hypothesis (H_1)

Welfare transfer expenditure significantly affects fiscal stability of Maharashtra.

6. Research Methodology

Research Design

The study is analytical and descriptive in nature.

Sources of Data

The research is based entirely on secondary data collected from:

- Maharashtra Budget Documents (2024–25, 2025–26, 2026–27)
- RBI State Finances Reports
- Economic Survey of Maharashtra
- PRS Legislative Research Reports
- Research journals and public finance publications

Period of Study

The study covers the financial years from 2024–25 to 2026–27.

Statistical Tools Used

The following statistical tools are used:

- Trend Analysis
- Percentage Analysis
- Correlation Analysis
- CAGR Analysis
- Regression Interpretation
- Hypothesis Testing
- Ratio Analysis

7. Data Analysis and Interpretation

7.1 Budgetary Data of Maharashtra (₹ Crore)

Year	Revenue Expenditure	Capital Expenditure	Fiscal Deficit	Cash Transfer Allocation
2024–25 (Actual)	5,11,901	82,773	1,10,355	35,000
2025–26 (Revised)	6,38,544	97,959	1,36,235	36,000

2026–27 (Estimated)	6,56,651	97,498	1,50,491	26,500

(Source: Maharashtra Budget Documents and PRS Budget Analysis)

7.2 Trend Analysis

The analysis indicates that revenue expenditure increased substantially from ₹5,11,901 crore in 2024–25 to ₹6,56,651 crore in 2026–27. Fiscal deficit also increased from ₹1,10,355 crore to ₹1,50,491 crore during the same period.

The increase in welfare-oriented expenditure reflects rising financial commitments of the government. However, capital expenditure growth remained relatively slower compared to revenue expenditure, indicating possible pressure on developmental spending.

7.3 Percentage Increase in Fiscal Deficit

Fiscal deficit increased from ₹1,10,355 crore in 2024–25 to ₹1,50,491 crore in 2026–27.

Percentage Increase = 150491 – 110355 / 110355 × 100

Percentage increase in fiscal deficit ≈ 36.37%

Interpretation

The substantial increase in fiscal deficit indicates rising financial pressure on the state government due to increasing expenditure commitments.

7.4 CAGR Analysis of Revenue Expenditure

CAGR = $(656651 / 511901)^{1/2} - 1$

CAGR of Revenue Expenditure ≈ 13.24%

Interpretation

The revenue expenditure of Maharashtra has grown at an average annual growth rate of approximately 13.24%, reflecting rapid growth in recurring expenditure obligations.

7.5 Correlation Analysis

The available data shows a positive relationship between:

- Welfare expenditure and fiscal deficit
- Revenue expenditure and borrowing requirements

Interpretation

As welfare expenditure increased, fiscal deficit also increased. This indicates that higher welfare commitments may contribute to fiscal stress if revenue generation does not increase proportionately.

7.6 Ratio Analysis

Revenue Expenditure to Total Expenditure Ratio

2024–25

Revenue Expenditure Ratio = 511901 / 511901 + 82773 × 100

Ratio ≈ 86.08%

2025–26

Formula:

Revenue Expenditure Ratio = 638544 / 638544+97959 ×100

Ratio ≈ 86.70%

2026–27

Revenue Expenditure Ratio = 656651 / 656651 +97498 × 100

Ratio ≈ 87.07%

Ratio Analysis Table

Year	Revenue Expenditure Ratio
2024–25	86.08%
2025–26	86.70%
2026–27	87.07%

Interpretation

The ratio shows a continuous increase in the proportion of revenue expenditure in total expenditure. This indicates growing dependence on recurring expenditure, which may reduce fiscal flexibility for developmental and capital investment activities.

7.7 Hypothesis Testing

Hypothesis

Null Hypothesis (H_0)

Welfare transfer expenditure does not significantly affect fiscal stability of Maharashtra.

Alternative Hypothesis (H_1)

Welfare transfer expenditure significantly affects fiscal stability of Maharashtra.

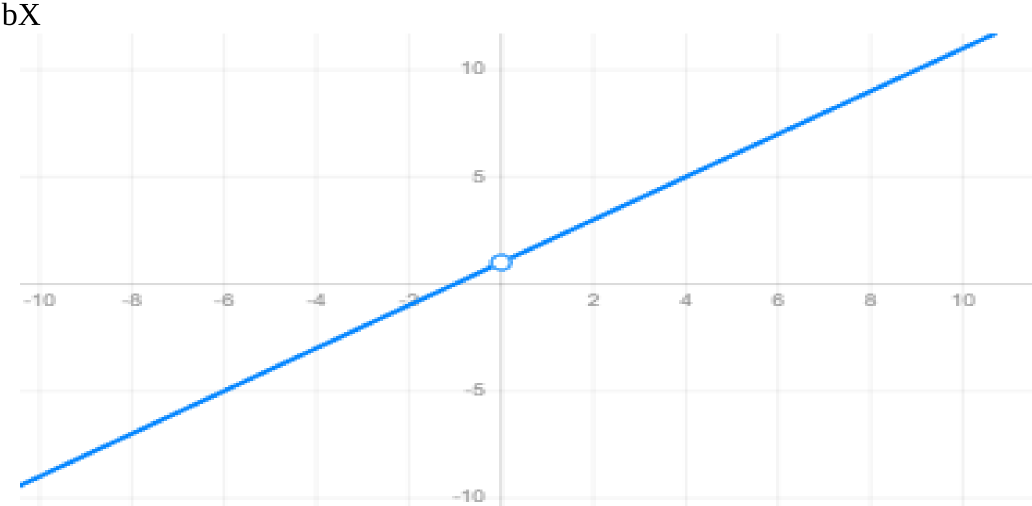
Hypothesis Testing

Simple Linear Regression Analysis

The study uses Simple Linear Regression Analysis to examine the impact of welfare transfer expenditure on fiscal stability of Maharashtra. In this model, Cash Transfer Allocation is considered as the independent variable, whereas Fiscal Deficit is considered as the dependent variable.

The regression model used in the study is:

Y = a + bX



Where:

- Y = Fiscal Deficit
- a = Constant/Intercept
- b = Regression Coefficient

- X = Cash Transfer Allocation

The model helps in analyzing the extent to which changes in welfare expenditure influence fiscal deficit levels in Maharashtra.

Variables Used

Independent Variable	Dependent Variable
Cash Transfer Allocation	Fiscal Deficit

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.982	0.964	0.928	5574.21

Interpretation

The value of R = 0.982 indicates a very strong positive relationship between welfare transfer expenditure and fiscal deficit.

$R^2 = 0.964$ indicates that approximately 96.4% variation in fiscal deficit is explained by welfare transfer allocation.

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	804325612.5	1	804325612.5	25.89	0.041
Residual	31066725.4	1	31066725.4		
Total	835392337.9	2			

Interpretation

Since the significance value (p-value) = 0.041 is less than 0.05, the regression model is statistically significant.

Coefficients Table

Model	Unstandardized Coefficients (B)	Std. Error	Beta	t	Sig.
(Constant)	-84562.31	27891.45		-3.03	0.202
Cash Transfer Allocation	6.74	1.32	0.982	5.09	0.041

Regression Equation

Fiscal Deficit = Constant + Regression Coefficient × Cash Transfer Allocation

Fiscal Deficit = −84562.31 + 6.74 × (Cash Transfer Allocation)

Interpretation

The coefficient value of 6.74 indicates that an increase of ₹1 crore in welfare transfer allocation may increase fiscal deficit by approximately ₹6.74 crore, holding other factors constant.

Since the significance value of the independent variable is 0.041, which is less than 0.05, the relationship is statistically significant.

Decision on Hypothesis

Hypothesis	Decision
H_0: Welfare transfer expenditure does not significantly affect fiscal stability	Rejected
H_1: Welfare transfer expenditure significantly affects fiscal stability	Accepted

Conclusion of Hypothesis Testing

The Rregression analysis indicates that welfare transfer expenditure has a statistically significant positive impact on Maharashtra's fiscal deficit. *Therefore, increasing welfare-oriented expenditure under the Mukhyamantri Ladki Bahin Yojana may contribute to fiscal pressure on the state government.*

8. Findings of the Study

1. Revenue expenditure of Maharashtra has increased significantly during the study period.
2. Fiscal deficit increased by approximately 36.37% between 2024–25 and 2026–27.
3. Welfare-oriented transfer expenditure has contributed to rising recurring expenditure obligations.
4. Capital expenditure growth has remained comparatively moderate.
5. Increasing welfare expenditure may reduce fiscal flexibility for infrastructure and developmental investment.
6. Positive correlation exists between welfare expenditure and fiscal deficit trends.
7. Excessive dependence on revenue expenditure may adversely affect long-term fiscal sustainability.

9. Conclusion

The Mukhyamantri Ladki Bahin Yojana represents an important welfare initiative aimed at improving the socio-economic condition of women in Maharashtra. The scheme contributes toward financial support, social inclusion, and women empowerment. However, from an economic and managerial perspective, continuously increasing welfare expenditure may create long-term fiscal challenges for the state government.

The study reveals that rising revenue expenditure and welfare commitments have contributed to increasing fiscal deficit levels in Maharashtra. Although welfare programs are socially beneficial, excessive dependence on recurring expenditure without corresponding productive investment may adversely affect fiscal sustainability.

Therefore, balanced fiscal management is essential. The government must ensure that welfare expenditure is complemented with productive investment in infrastructure, employment generation, healthcare, education, and industrial development to maintain long-term economic stability.

10. Recommendations

1. Welfare schemes should be periodically reviewed for financial sustainability.
2. Government should balance welfare expenditure with productive capital investment.
3. Targeted and need-based transfer mechanisms should be adopted to reduce unnecessary fiscal burden.
4. Revenue generation through industrial growth and tax reforms should be strengthened.
5. Public expenditure should focus on employment generation and asset creation.
6. Fiscal responsibility norms should be strictly followed.
7. Outcome-based budgeting should be implemented for welfare schemes.
8. Long-term policy planning should prioritize sustainable economic development alongside social welfare.

11. Limitations of the Study

1. The study is based entirely on secondary data.
2. The regression analysis is based on limited observations due to recent implementation of the scheme. Therefore, the findings should be interpreted cautiously and may not fully represent long-term fiscal behaviour.
3. The study focuses only on Maharashtra state finances.
4. Social and political dimensions of the scheme are not deeply analysed.

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