Counting the Cost of Cash Transfers: Why a 'Social DPR' Before a Scheme?

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News context: A recent media analysis has suggested that large social schemes such as state cash transfers should get a written ex-ante evaluation (a 'Social DPR') before they start. This is a suggested idea, not a law or a mandatory government announcement. Meanwhile, state spending on subsidies and cash transfers has risen sharply.[1][2]

Exam context: State finances, the direction of subsidies and the evaluation of welfare schemes are a regular area of UPSC/State PCS Mains questions on governance and the economy.

General Studies (GS-II): Government policies and interventions; implementation, gaps and evaluation of welfare schemes; accountability in governance
General Studies (GS-III): Fiscal policy, subsidies, state finances, inclusive growth
Prelims: Revenue deficit, fiscal deficit, FRBM, Direct Benefit Transfer (DBT), opportunity cost, targeting error



Original illustration: pcsmantra.com

Why in the News

State governments now send money straight to the accounts of large numbers of families, especially women. In RBI data, the combined subsidies of all States and Union Territories were Rs 1,87,432.8 crore in 2018-19 and are Rs 4,26,115.1 crore in the 2025-26 budget estimates.[1] Alongside this, a suggestion has come that every large scheme should have a 'Social DPR' before it is announced: a written frame for cost, beneficiaries and outcome checks, prepared in advance.

Introduction

A cash transfer means the government sends money directly to a beneficiary's bank account, usually through Direct Benefit Transfer (DBT). The question is not whether such help is right or wrong. The real question is whether, before launch, it is clear who will get the money, what it will cost, what will be given up in return, and how results will be judged in the coming years. The 'Social DPR' idea tries to fill that gap.

Basics: four terms that keep coming up

Term	Simple meaning	Why it matters here
Ex-ante evaluation	Checking a scheme's cost, benefit, risks and alternatives before it starts	A faulty design can be caught before it affects millions of families and the budget
Targeting error	A needy person left out (exclusion error) or a person who is not needy getting the benefit (inclusion error)	If the income limit, age and other criteria are wrong, money reaches the wrong hands or the wrong place
Opportunity cost	The value of the next best use of the money that is given up when it is spent on one thing	The same rupee could also have gone to roads, schools or hospitals
Fiscal sustainability	A level of spending and borrowing a government can keep up for a long time without being crushed by debt	Recurring promises have to be kept even when revenue slows

Main Body

What the data show

Statement 36 (Subsidies) of the RBI study 'State Finances: A Study of Budgets of 2025-26' records the total subsidies of all States and Union Territories as follows:[1]

Year	All States and UTs (Rs crore)
2018-19	1,87,432.8
2021-22	3,11,348.8
2022-23	3,53,225.2

2025-26 (budget estimate)	4,26,115.1

The total recorded in the table rose roughly 2.3 times from 2018-19 to the 2025-26 budget estimate; state coverage is not the same in every year (for example, Maharashtra's 2025-26 figure is not available), so this is not a fully comparable increase. Two cautions apply. First, the table shows no data for some states in some years, so year-to-year comparison needs care. Second, it is the total of all kinds of subsidies, not only cash transfers.[1]

Women's cash transfers: the PRS estimate

According to the 'State of State Finances' report (October 2025) by the research body PRS Legislative Research, the number of states with largely unconditional cash transfer schemes (with some criteria such as an income limit and age) rose from two in 2022-23 to 12 in 2025-26. These 12 states together budgeted Rs 1,68,040 crore in 2025-26, which PRS puts at 0.5 per cent of GDP. Six of the 12 had an estimated revenue deficit that year. A deficit has other causes too, so it cannot be read as the result of cash schemes alone.[2]

According to PRS, because of spending on these schemes, all else equal, Karnataka's revenue balance moves from a surplus of 0.3 per cent of Gross State Domestic Product (GSDP) to a deficit of 0.6 per cent, and Madhya Pradesh's surplus falls from 1.1 per cent to a marginal 0.4 per cent.[2]

Note: The RBI total of all subsidies and the PRS figure of Rs 1,68,040 crore have different coverage. The first counts every kind of subsidy for all States and UTs; the second counts only cash schemes for women in 12 states. Adding them or treating them as the same coverage would be wrong.

Why the burden matters: revenue deficit and borrowing

A revenue deficit arises when a state's revenue expenditure exceeds its revenue receipts, so even routine spending needs borrowing. According to PRS, states' revenue deficit was 0.4 per cent of GSDP in 2023-24, and their outstanding debt stood at 27.5 per cent of GDP in March 2025, against the 20 per cent level suggested by the FRBM Review Committee.[2] PRS also notes that RBI (2024) had flagged that the sharp rise in spending on subsidies and cash transfers can stress state finances, and that it had recommended rationalising such spending to leave room for productive expenditure.[2]

Scheme design keeps changing

PRS records that in April 2025 Maharashtra cut the monthly benefit under the Chief Minister Majhi Ladki Bahin Yojana from Rs 1,500 to Rs 500 for women already receiving Rs 1,000 a month under another state scheme. In October 2024 Jharkhand raised the monthly payout under the Mukhyamantri Maiyan Samman Yojana from Rs 1,000 to Rs 2,500. So benefit amounts and eligibility were changed even after schemes began.[2] The case for ex-ante evaluation is that eligibility, amount and cost risks are written down at the time of announcement.

What is the 'Social DPR' idea?

Before an infrastructure project such as a bridge or road starts, a Detailed Project Report (DPR) is prepared, listing cost, technology, alternatives and expected benefits. The 'Social DPR' idea is that large social schemes and cash transfers should have a similar document. Such a document would normally cover the points below. This is a

simple explanation in this article, not part of any official format:

- **Clear objective:** Which problem does the scheme solve: nutrition, income security or women's participation?
- **Beneficiaries and targeting:** Who gets it, how is eligibility decided, and how will wrong inclusion and exclusion be checked?
- **Full cost:** The first-year and later-year cost, compared with the state's revenue, and the opportunity cost.
- **Alternatives:** Would the same money do better on services such as schools, health or nutrition?
- **Evaluation plan:** Which indicators will judge results, and what is the review or sunset date?

This is a suggested idea, not a mandatory arrangement.

Arguments for the suggestion

First, the announcement and the budget impact are seen together. Second, targeting mistakes can be caught early. Third, a 'review date' stops a scheme from running forever without a check. Fourth, citizens and the legislature get a clear document, which improves accountability.

Concerns and limits

First, a compulsory ex-ante evaluation can cause delay. Second, estimates can turn out wrong, so the report should allow revision and not become a rigid rule. Third, some benefits are hard to measure, such as women's decision-making power or dignity. Fourth, if the evaluating body is not independent, the report can become a formality. There is also a case for cash itself: it lets beneficiaries spend according to their own needs. So the debate is less 'cash versus services' than 'without checks versus with checks'.

Way Forward

As suggestions: a first step could be a short public ex-ante note with every large new scheme, giving a multi-year cost estimate and the effect on the revenue deficit. Second, a time-bound independent evaluation and a review date. Third, beneficiary and payment data, with privacy protected, should be open to audit. Fourth, states should share experience so that one state's mistake is not repeated by another.

Conclusion

Cash transfers are a valid tool of social security, but rising spending also raises the question of state finances' sustainability and the room left for other essential spending. The core message of the 'Social DPR' is simple: count the cost before giving, and check the results after. That can make welfare and fiscal discipline complements, not rivals.

Mains Practice Question

Question 1. Examine the fiscal challenges arising from the growing use of cash transfer schemes by states. Discuss the rationale and limitations of an ex-ante evaluation mechanism such as a 'Social DPR' for large social schemes. (15 marks, 250 words)

Outline of the answer:

In the introduction:
State the meaning and growing role of cash transfers. Per RBI, subsidies of all States rose from Rs 1,87,432.8 crore in 2018-19 to Rs 4,26,115.1 crore in 2025-26 (budget estimate); per PRS, women's cash transfers in 12 states are estimated at Rs 1,68,040 crore (0.5% of GDP). Note that the two have different coverage.

In the main body:
Fiscal challenges: states with a revenue deficit (6 of 12), shrinking room for other development spending (opportunity cost), debt level and sustainability, targeting errors, repeated changes in amount and eligibility. Rationale for a Social DPR: objective, beneficiaries, full cost, alternatives and evaluation plan fixed in advance; accountability and a review date. Limits: delay, wrong estimates, hard-to-measure benefits, need for an independent body, and that it is a suggested idea, not a mandatory arrangement.

In the conclusion:
Give a balanced conclusion: welfare and fiscal sustainability both matter; the answer lies not in a 'cash or services' debate but in a checked, transparent and reviewable scheme design.

References:
[1] Reserve Bank of India, "State Finances: A Study of Budgets of 2025-26", Statement 36: Subsidies, https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/36_ST230120262E61B283CDE24F4786F619C5301E81C5.PDF
[2] PRS Legislative Research, "State of State Finances 2025-26" (October 2025), https://prsindia.org/files/budget/budget_state_finance_report/2025/SOSF_2025.pdf

Frequently Asked Questions (FAQ)

What is a Social DPR?

A Social DPR is not a law, government order or official policy; it is a suggested idea. The idea is that before a large social scheme or cash transfer starts, a written report like the Detailed Project Report (DPR) used for infrastructure should record its objective, beneficiaries, cost, alternatives and evaluation plan.

Are the RBI subsidy figures and the women's cash transfer figures the same thing?

No. RBI Statement 36 gives the total of all subsidies of all States and Union Territories, which covers all kinds of subsidies. The PRS estimate of Rs 1,68,040 crore covers only largely unconditional cash transfer schemes for women in 12 states. The coverage is different, so the two cannot be added or compared as identical. Source

Why does the revenue deficit matter?

A revenue deficit arises when a state's revenue expenditure exceeds its revenue receipts, so even routine spending is financed by borrowing. PRS estimated a revenue deficit in 6 of the 12 states with such cash transfers in the 2025-26 budget estimates. Source

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