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EDITORIAL ANALYSIS

When the Auditor Reads the Welfare Bill: CAG, Ladki Bahin and the Freebie Question

THE HINDU

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THE LIFT LINE

A cash transfer that wins an election and an audit that questions how it was paid for are not opposites. They are two halves of the same democracy, and the **Comptroller and Auditor General (CAG)** report on Maharashtra's **Majhi Ladki Bahin Yojana** forces us to hold both in view at once.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

The CAG's findings on the Ladki Bahin scheme sit precisely where **polity** meets **public finance**. The scheme promises a fixed monthly transfer to eligible women, and the audit alleges excess expenditure beyond sanctioned limits, irregular **reappropriation** of funds across budget heads, and the exclusion of genuine beneficiaries because of rigid **e-KYC** requirements. Each of these is a textbook accountability question, and each maps directly onto a General Studies syllabus theme you are expected to argue, not merely recite.

GS Paper 2: the role of constitutional bodies in enforcing accountability, and the governance design of welfare delivery. **GS Paper 3:** state finances, fiscal discipline and the freebies-versus-welfare debate. For **Prelims**, hold the specifics: the CAG is a constitutional authority under **Article 148**, appointed by the President; its audit reports on a state are submitted to the Governor and tabled in the state legislature under **Article 151**; **reappropriation** shifts sanctioned funds between heads while **supplementary grants** seek fresh money under **Article 205**; expenditure splits into **revenue** (recurring, like salaries and transfers) and **capital** (asset-creating); **Direct Benefit Transfer (DBT)** relies on Aadhaar-linked **e-KYC**; and the **Supreme Court in S. Subramaniam Balaji vs Government of Tamil Nadu (2013)** declined to term poll promises corrupt practices while flagging their strain on the exchequer. For **Mains**, the demand is judgment: can a cash transfer be both electorally rational and fiscally responsible, and what institutional guardrails make that possible?

BACKGROUND AND CONTEXT

Maharashtra launched the **Majhi Ladki Bahin Yojana** in 2024 as a monthly income-support transfer to women in low-income households, a model borrowed from earlier state schemes in Madhya Pradesh and elsewhere. Such schemes have proliferated because they are simple to communicate, quick to disburse through DBT, and visibly pro-women. They also carry large recurring outlays that fall entirely on the **revenue** side of the budget, meaning they must be met year after year without creating any productive asset.

The CAG's audit does not attack the idea of supporting women. It scrutinises the **process**: whether money was spent within legislative sanction, whether transfers between budget heads followed rules, and whether the targeting machinery included the deserving and excluded the ineligible. That distinction, between the goal and the governance, is the entire editorial.

THE CORE ARGUMENT / ISSUE

Reappropriation and the limits of executive discretion

The heart of the audit concern is that funds were allegedly moved and spent beyond what the legislature sanctioned. The Constitution vests the power of the purse in the legislature; the executive may reappropriate within limits, but large or irregular shifts hollow out that control. When a politically urgent scheme outgrows its budget line mid-year, the temptation is to absorb the gap through reappropriation rather than return to the House for a supplementary grant. The CAG's role is to catch exactly this drift.

Exclusion by design: the e-KYC paradox

The second concern is human. Rigid **e-KYC** and Aadhaar-seeding requirements, meant to stop leakage, also filter out genuine beneficiaries whose records do not match, whose bank accounts are dormant, or who lack digital access. Anti-corruption architecture built for **exclusion of the ineligible** ends up producing **exclusion of the eligible**. This is the classic tension in welfare targeting.

Two kinds of error

CONCEPT	WHAT IT MEANS	LADKI BAHIN CONTEXT
Inclusion error	Ineligible person receives the benefit	Weak verification lets non-poor claim transfers
Exclusion error	Eligible person is denied the benefit	Rigid e-KYC drops genuine women
Revenue expenditure	Recurring, non-asset spending	Monthly cash transfer, paid every year
Reappropriation	Shift of sanctioned funds across heads	Flagged as irregular by the CAG
Supplementary grant (Art. 205)	Fresh legislative sanction mid-year	The rules-based alternative to over-spending

The design dilemma is that tightening one error usually loosens the other; only better data and grievance redressal shrink both together.

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Resist the binary of freebie-bashing versus welfare-cheerleading. Use a three-lens frame. First, the **fiscal lens**: is the outlay sustainable within the state's **Fiscal Responsibility and Budget Management (FRBM)** limits, and does it crowd out **capital** spending on roads, schools and health? Second, the **accountability lens**: was the money spent with legislative sanction and audit trail, which is what the CAG actually measures? Third, the **welfare-outcome lens**: does the transfer measurably improve women's autonomy and consumption, the only justification that survives scrutiny? A scheme can pass one lens and fail another; the mature verdict names which.

THE DIAGRAM IN WORDS

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Sanctioned budget -> mid-year cost overrun -> irregular reappropriation instead of supplementary grant -> CAG audit flag -> parallel e-KYC filter -> exclusion of genuine women -> twin failure of fiscal control and delivery
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WAY FORWARD

1. **Legislate before you spend.** Route cost overruns through **supplementary grants under Article 205**, not quiet reappropriation, so the House retains real control of the purse.

2. **Fix targeting, not just gatekeeping.** Pair e-KYC with an **assisted-verification and grievance-redressal** layer so genuine beneficiaries are recovered rather than dropped, shrinking exclusion error without inflating inclusion error.

3. **Anchor to a fiscal rule.** Cap recurring transfer schemes as a disclosed share of revenue receipts within the state **FRBM** framework, and publish an annual sustainability statement.
4. **Distinguish welfare from vote-buying transparently.** Adopt the spirit of the **Supreme Court's Subramaniam Balaji** observations by publishing cost, coverage and outcome data, letting citizens judge value rather than only generosity.

PYQ LINKAGE AND PRACTICE

This theme connects to UPSC Mains questions on the CAG's role in ensuring accountability (GS2) and on the debate over subsidies, direct benefit transfers and fiscal sustainability (GS3). The 2018 question on how far the CAG can comment on policy implementation and the recurring prelims focus on Articles 148 to 151 both feed directly here.

Practice question: "Cash transfer schemes are politically rational and fiscally hazardous in equal measure." In light of recent CAG findings on state welfare programmes, examine the institutional safeguards that can reconcile welfare ambition with fiscal discipline. (250 words, 15 marks)

Sources: The Hindu editorial on CAG and state welfare audits (https://www.thehindu.com/opinion/editorial/), PRS Legislative Research on state finances (https://prsindia.org/), Comptroller and Auditor General of India (https://cag.gov.in/)

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