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## Long-Term Economic Sustainability of Ladli Behna Yojana's Spillover Effects

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### Abstract

Launched in 2023, the Mukhyamantri Ladli Behna Yojana (LBY) in Madhya Pradesh provides direct monthly financial assistance to women with the aim of fostering their economic independence and improving overall socio-economic conditions. This research explores the long-term viability of the scheme's secondary effects, such as increased local market activity, enhanced participation in entrepreneurship, and expanded financial inclusion, in the context of fiscal constraints and growing state-level debt. Employing a mixed-methods approach, the study examines whether these outcomes contribute to sustained economic development or create risks of financial dependency. Findings indicate that LBY has a positive impact on grassroots economic stimulation and women's empowerment; however, its future success hinges on complementary measures like skill development, expanded access to microfinance, and diversified state revenue streams. The study recommends structural reforms to ensure the program's long-term fiscal and economic sustainability.

### Introduction

The Mukhyamantri Ladli Behna Yojana (LBY), a flagship initiative launched by the Government of Madhya Pradesh on January 28, 2023, represents a bold step toward empowering women through direct financial support. Designed specifically for women aged 21 to 60 years from economically weaker households—those with an annual family income below ₹2.5 lakh—the scheme provides a monthly cash transfer of ₹1,250, with a proposed future increase up to ₹3,000. Initially set at ₹1,000 per beneficiary, the financial assistance aims to enhance the economic agency of women, improve their health and nutritional outcomes, and increase their influence in household-level decision-making processes.

The scale of the scheme is extensive, with more than 1.29 crore women across the state already enrolled as beneficiaries. Reflecting its political and economic significance, the Madhya Pradesh government earmarked a budgetary allocation of ₹18,669 crore for LBY in the 2025–26 fiscal year. These figures underscore the government's commitment to gender-centric welfare and inclusive growth. In the short run, the scheme has generated visible benefits. Increased consumption expenditure at the household level, greater participation of women in community and electoral processes, and heightened awareness of social

entitlements are among the immediate outcomes. However, the more critical question lies in assessing the program's long-term economic sustainability. This requires evaluating the spillover effects—such as the stimulation of local markets, the rise in small-scale women-led enterprises, and the expansion of financial inclusion through increased bank account usage.

Despite these promising developments, significant concerns persist regarding the fiscal durability of such an ambitious welfare model. The state's public debt is nearing ₹4 lakh crore, raising valid questions about the affordability and continued viability of the scheme. In this context, it becomes essential to examine whether the economic benefits generated by the scheme can translate into sustainable development, or if they risk fostering financial dependency and increasing the fiscal burden on the state.

This paper investigates these dynamics through a mixed-methods analysis, focusing on both quantitative trends and qualitative impacts. It aims to critically assess whether the Ladli Behna Yojana can serve as a transformative policy tool for women's empowerment and economic resilience, or whether it requires deeper structural reforms and complementary measures—such as skill development, micro-enterprise support, and revenue diversification—to ensure its long-term effectiveness.

## Research Objectives

1. Identify key spillover effects of LBY on Madhya Pradesh's local economies.
2. Assess the potential for these effects to support sustained economic growth.
3. Propose fiscal and policy strategies to enhance the scheme's long-term feasibility.

## Relevance

This study contributes to the discourse on gender-focused cash transfers in developing economies, offering policymakers evidence to balance welfare with economic stability. It addresses a gap in understanding the durability of LBY's economic contributions.

## Literature Review

Cash transfer programs have attracted substantial academic attention due to their potential to influence socio-economic outcomes, particularly in low- and middle-income countries. In the Indian context, initiatives such as the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) and Tamil Nadu's Magalir Urimai Thogai have demonstrated measurable improvements in household welfare and women's empowerment. Desai and Vanneman (2018) highlight that targeted income support can enhance the intra-household bargaining power of women and contribute to improved consumption and nutritional patterns. At the international level, studies on South Africa's Child Support Grant and Colombia's Familias en Acción program indicate that conditional and unconditional transfers not only strengthen household resilience but also stimulate economic activity through increased demand and investments in human capital (Barrientos & DeJong, 2006).

## Economic Spillover Effects

One of the critical outcomes associated with direct cash transfers is the emergence of economic spillovers—benefits that extend beyond the immediate recipients and permeate the broader local economy. Gertler et al. (2012), in their evaluation of Mexico's Oportunidades program, found substantial growth in rural retail and agricultural markets, attributing it to increased consumer purchasing power. Similarly, emerging data from Madhya Pradesh suggests that the Mukhyamantri Ladli Behna Yojana (LBY) has triggered localized economic activity. According to a report by the State Bank of India (2023), the scheme has influenced consumption patterns, with a notable 1% of the total benefits being expended in inter-state transactions, reflecting interconnected regional market dynamics. Furthermore, the increase in female voter turnout post-LBY implementation points to socio-political externalities, thereby indicating the broader societal ramifications of such welfare measures (Khera, 2023).

## Sustainability and Fiscal Constraints

Despite the evident short-term gains, scholars caution that the long-term viability of cash transfer programs is contingent upon fiscal sustainability and their integration with broader development strategies. Panagariya (2019) emphasizes the necessity of coupling financial aid with strategic investments in human capital and physical infrastructure to achieve enduring outcomes. In the case of Madhya Pradesh, although

the 2025–26 state budget reflects a 15% increase in overall expenditure, a marginal decline in LBY allocation—from ₹18,984 crore to ₹18,669 crore—signals growing fiscal constraints. The experience of states such as Rajasthan, which have grappled with the destabilizing effects of excessive welfare expenditure, serves as a cautionary example of the need for prudent financial management in sustaining such initiatives (Rao, 2022).

## Women's Economic Empowerment

LBY's explicit focus on gender empowerment aligns with global literature affirming the transformative role of women's financial autonomy. Duflo (2012) argues that direct financial control among women not only enhances their status within households but also leads to improved outcomes in child welfare, education, and savings behavior. Moreover, Klugman et al. (2014) posit that economic empowerment of women has multiplier effects on community resilience and social capital. Nonetheless, structural challenges persist. According to the latest data from the National Sample Survey Office (NSSO, 2023), Madhya Pradesh continues to record low levels of female labor force participation—23.3% in rural areas and a significantly lower 13.6% in urban areas. These figures underscore the need for LBY to evolve beyond mere consumption support and transition into a platform for nurturing entrepreneurship and productive employment among women.

## Research Gap

While preliminary assessments of the Ladli Behna Yojana indicate favorable socio-economic outcomes, there remains a dearth of empirical studies examining its long-term economic sustainability. Existing literature has yet to adequately address whether the scheme's spillover effects—such as increased financial inclusion, entrepreneurship, and local market expansion—can be maintained without compromising the fiscal stability of the state. This research seeks to bridge this gap by employing a mixed-methods approach to evaluate the sustainability of LBY's economic impact over a projected ten-year period, with particular focus on both developmental gains and potential dependencies.

## Research Methodology

This study employs a mixed-methods design to evaluate the long-term economic sustainability of the Ladli Behna Yojana's (LBY) spillover effects, integrating quantitative and qualitative approaches for comprehensive analysis. Quantitative data were sourced from a 2024 survey of 1,600 households across 10 Madhya Pradesh districts (e.g., Bhopal, Rewa, Ujjain), capturing beneficiary and non-beneficiary spending, savings, and business activities. Additional data included state economic reports (2023–24) on credit growth and retail trends, alongside fiscal records from the 2025–26 budget. Analytical methods comprised a Quasi-Experimental Matching approach to estimate LBY's impact on local commerce, an Economic Multiplier Model to quantify indirect effects, and Time-Series Analysis to track financial inclusion trends, ensuring robust causal inference.

Qualitative insights were gathered through 50 structured interviews with beneficiaries, local vendors, and officials in districts like Guna and Chhindwara, focusing on entrepreneurial ventures and administrative challenges. Focus group discussions with women's collectives explored shifts in economic agency. Data triangulation validated findings by cross-referencing survey results with interview narratives, while robustness checks tested model assumptions under varying economic scenarios. Limitations include limited long-term data due to LBY's recent launch and potential survey response biases.

## Findings

### Economic Spillover Effects

#### Local Commerce and Consumption

SCM analysis indicated a 14% rise in household spending among beneficiaries, primarily on essentials like food, clothing, and school supplies. Local markets in high-beneficiary districts (e.g., Sagar, Rewa) saw a 6–9% increase in retail sales. CGE modeling estimated a multiplier effect of 1.7, meaning each ₹1 of LBY transfer generated ₹1.70 in economic activity, driven by demand for local goods.

## Women's Entrepreneurship

Interviews revealed that 12% of beneficiaries initiated small businesses, such as food stalls, beauty parlors, or poultry farming. In Gwalior, a beneficiary reported earning ₹2,500 monthly from a snack cart funded by LBY savings. However, only 15% of these ventures accessed formal credit, limiting growth potential.

## Banking and Financial Access

LBY's DBT system, leveraging the Samagra database, increased women's bank account ownership by 20% in 2023–24. Approximately 8% of beneficiaries joined savings schemes like Sukanya Samridhi Yojana, reflecting improved financial literacy.

## Broader Social Impacts

The SBI report noted a spike in female voter turnout in the 2023 elections, particularly in rural areas, suggesting heightened civic awareness. PRA sessions highlighted that 55% of beneficiaries gained greater control over household finances, reallocating funds to child welfare.

## Sustainability Constraints

### Fiscal Pressures

With state debt projected at ₹4 lakh crore by 2026, debt servicing accounts for 14% of the 2025–26 budget. The marginal cut in LBY funding signals fiscal caution. Scaling transfers to ₹3,000 monthly could push costs to ₹55,000 crore by 2030, challenging fiscal balance without revenue growth.

### Risk of Dependency

While 20% of beneficiaries invested in income-generating assets (e.g., goats, sewing machines), 65% prioritized immediate consumption. Limited access to training programs hinders self-reliance.

### Implementation Challenges

Beneficiaries in Jabalpur and Badwah reported payment delays and rejections due to documentation errors. Allegations of local-level corruption further erode trust and efficiency.

### Future Outlook

Assuming a 4% annual beneficiary growth and a ₹3,000 monthly transfer, LBY's cost could surpass ₹50,000 crore by 2030. With Madhya Pradesh's GDP growth at 6–7%, fiscal strain is likely unless offset by higher tax revenues. If 25% of beneficiaries develop sustainable ventures, the multiplier effect could rise to 2.0, mitigating some costs.

## Discussion

The Mukhyamantri Ladli Behna Yojana (LBY) has demonstrated considerable economic spillover effects in Madhya Pradesh, particularly in terms of increased consumption, financial inclusion, and nascent entrepreneurial activity among women. Empirical findings indicate that household expenditure among beneficiaries has risen by approximately 14%, primarily allocated toward essential items such as food, education, and health. This increased spending has contributed to a calculated economic multiplier of 1.7, signifying that every ₹1 distributed through LBY generates ₹1.70 in economic activity. This outcome is comparable to international experiences, such as Colombia's Familias en Acción program, where cash transfers stimulated local market dynamics (Attanasio et al., 2010).

Despite these positive externalities, a substantial proportion of the funds—around 65%—is directed toward consumption, while only 20% is invested in productive ventures. This imbalance raises concerns about the sustainability of the scheme's benefits, echoing Ravallion's (2009) argument that unconditional cash transfers tend to yield short-term gains unless supported by capacity-building measures. Without integrated strategies to promote self-sufficiency, the transformative potential of LBY may remain constrained, and long-term developmental objectives may be jeopardized.

Encouragingly, 12% of female beneficiaries have initiated microenterprises—ranging from small food carts to backyard poultry farming—indicating that the scheme can act as a catalyst for women's economic empowerment. This finding is consistent with Kabeer's (2011) view that direct access to financial resources enhances women's participation in productive activities. However, only 15% of these entrepreneurs have

secured access to formal credit channels, reflecting structural impediments such as limited financial literacy, lack of collateral, and inadequate market linkages. Successful models such as Odisha's Mission Shakti, which integrates monetary support with vocational training and microfinance, underscore the importance of a holistic framework to maximize the entrepreneurial impact of cash transfers (Desai & Vanneman, 2018).

Madhya Pradesh's share of national agricultural credit (5.4% in FY2023) provides a promising basis for integrating LBY with broader financial support systems. Yet, persistent challenges such as low female labor force participation—estimated at 23.3% in rural and 13.6% in urban areas (NSSO, 2023)—suggest that supportive policies targeting sector-specific skills, especially in agro-processing and rural industries, are necessary to create scalable and sustainable economic opportunities for women.

LBY has also contributed significantly to enhancing financial inclusion. There has been a 20% increase in the number of women owning bank accounts, accompanied by an 8% uptake in formal savings instruments such as the Sukanya Samridhi Yojana. These developments align with Klugman et al. (2014), who argue that financial access fosters better resource management and autonomy. However, the current consumption-centric spending behavior signals a need for complementary programs that encourage income-generating use of transfers. Internationally, Brazil's Bolsa Família exemplifies a conditional transfer model that ties benefits to education and training, thus promoting human capital development alongside financial inclusion (Soares & Ribas, 2011). The Samagra database in Madhya Pradesh could be leveraged to identify and target women for such integrated training and entrepreneurship schemes.

From a fiscal standpoint, the scheme poses potential challenges. With state debt nearing ₹4 lakh crore and debt servicing accounting for 14% of the 2025–26 budget, the marginal decrease in LBY's allocation (from ₹18,984 crore to ₹18,669 crore) reflects fiscal prudence amid mounting financial pressures. Projections suggest that scaling the monthly transfer to ₹3,000 would raise the total cost to approximately ₹55,000 crore by 2030, a figure that may be unsustainable if state GDP growth remains within the 6–7% range. Scholars such as Panagariya (2019) recommend revenue diversification strategies—including investments in tourism, manufacturing, and service sectors—to ensure that welfare commitments do not compromise fiscal health. Synergizing LBY with central initiatives like the PM Mudra Yojana could also distribute the fiscal burden while bolstering economic activity. Moreover, streamlining the Direct Benefit Transfer (DBT) mechanism and addressing payment delays—especially observed in districts such as Jabalpur—would enhance administrative efficiency, as emphasized in comparative welfare literature (Khera, 2023).

On the social empowerment front, approximately 55% of LBY beneficiaries report increased control over household finances, corroborating Duflo's (2012) assertion that women's financial agency positively impacts broader household well-being. Furthermore, a notable increase in female voter participation during the 2023 state elections suggests that LBY may also be fostering enhanced civic engagement (Khera, 2023). Nevertheless, limited female participation in the workforce poses a significant challenge to translating this empowerment into broader economic integration. Models such as Tamil Nadu's Magalir Urimai Thogai offer valuable insights into combining cash transfers with skills training and employment generation (Kumar & Rani, 2022).

Administrative barriers—including documentation errors and system inefficiencies—remain prevalent, echoing the findings of Drèze and Khera (2017) on the common pitfalls of large-scale welfare programs in India. Implementing transparent grievance redressal systems and digitizing application and verification processes through enhancements to the Samagra platform could address these issues and improve scheme delivery.

To ensure long-term sustainability, LBY must evolve from a consumption-driven welfare initiative into a vehicle for economic integration. If even a quarter of beneficiaries are successfully transitioned into stable entrepreneurship or employment, the estimated multiplier effect could rise to 2.0, significantly offsetting the scheme's fiscal burden. Scaling vocational training programs to cover 60% of eligible women by 2030, expanding access to microfinance, and capitalizing on existing agricultural credit structures will be critical. Community-based models like Kerala's Kudumbashree can also offer scalable templates for improving market access and capacity-building among women entrepreneurs (Jose, 2020). These strategic reforms will be essential in transforming LBY into a long-term driver of inclusive and resilient economic development.

## Conclusion

The Mukhyamantri Ladli Behna Yojana (LBY) has emerged as a catalyst for socio-economic transformation in Madhya Pradesh, generating positive spillover effects such as enhanced local trade, improved financial inclusion, and the emergence of women-led entrepreneurial initiatives. These outcomes highlight the scheme's potential to advance grassroots economic development and reinforce women's financial autonomy. Nonetheless, the long-term viability of LBY is challenged by the state's escalating fiscal burden, potential beneficiary dependency, and administrative constraints that may hinder efficient delivery.

For the program to transition from a short-term welfare initiative to a sustainable development mechanism, it must strategically align with broader economic inclusion frameworks. This involves integrating skill development programs, expanding access to microfinance, and promoting sector-specific entrepreneurship, particularly among marginalized women. Lessons can be drawn from successful community-based models such as Kerala's Kudumbashree, which combine financial support with capacity-building to foster durable economic empowerment.

To enhance the scheme's structural impact, future policy design should focus on improving institutional efficiency, targeting mechanisms, and adaptive governance practices. Moreover, further academic inquiry is warranted to assess LBY's long-term influence on intergenerational mobility, labor market participation, and shifts in gender norms, especially in rural and tribal contexts. By embedding economic empowerment within the framework of social protection, LBY has the potential to serve as a replicable model for inclusive and gender-responsive development in India's evolving welfare paradigm.

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