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NYAY'S GONE WILD, CAN SINK NATION SHIP, RICH WILL ESCAPE, POOR WILL DROWN

The Emergence of NYAY and its Political Journey

- **NYAY's Introduction:** The Nyuntam Aay Yojana (NYAY) was proposed by the Congress party in its 2019 Lok Sabha election manifesto, with a promise to provide ₹72,000 annually to the poorest 20% of families in India. This ambitious cash transfer initiative aimed at addressing poverty and promoting welfare.
- **Political Adoption:** Despite Congress's electoral defeat in 2019, the concept of unconditional cash transfers to women gained traction across India's political spectrum. Within five years, 15 states, governed by eight different political parties, adopted variations of NYAY, benefiting around 100 million women. This widespread adoption signifies a significant shift in India's welfare model from theoretical concepts to practical, political action.

Benefits of Cash Transfers: Empowerment and Economic Boost

- **Women's Empowerment:** Proponents of cash transfer schemes argue that these programs empower women, particularly in underdeveloped areas, by providing financial independence. This autonomy can lead to improved decision-making within households and better socio-economic outcomes.
- **Economic Impact:** Economists believe cash transfers can stimulate consumption demand and spur economic growth, benefiting the wider economy. Additionally, these programs are often praised for their simplicity and efficiency, promoting individual freedom in financial decision-making.
- **Limited Evidence of Impact:** Despite the theoretical benefits, there is limited empirical evidence to assess the real-world effectiveness of cash transfers in empowering women or advancing social development. The true impact on women's long-term empowerment and the broader socio-economic fabric remains uncertain.

Electoral Dynamics: A Non-Magic Bullet

- **Electoral Impact:** Although cash transfers have become a popular political tool, they have not proven to be a decisive factor in elections. For example, in the 2019 elections, Congress emphasized NYAY as a central campaign promise but did not garner sufficient voter support.
- **State Election Results:** Studies from state elections, such as those in Maharashtra, reveal no significant difference in voting behavior between beneficiaries and non-beneficiaries of cash



transfer schemes. This suggests that while NYAY has gained political momentum, it does not guarantee electoral success.

- **Financial and Political Costs of NYAY-Type Programs Substantial Financial Burdens:** The wide implementation of NYAY-like schemes across states has placed a significant financial strain on state budgets. Collectively, states spend nearly \$25 billion annually on cash transfers to women, which constitutes around 10% of their total revenue. This expenditure contributes to rising fiscal deficits and an increased debt burden for state governments.
- **Negative Economic Impact:** The financial strain associated with these schemes often leads to inflationary pressures and higher borrowing costs, which adversely affect the very beneficiaries the programs aim to support—often eroding the positive economic impacts on the poorest sections of society.
- **Political Risks:** Politically, the focus on financial aid may reduce governance to mere appeasement, sidelining the need for comprehensive policymaking that addresses long-term socio-economic challenges. This could undermine the democratic process, with policies driven more by short-term political considerations than by the need for holistic development.

Balancing Immediate Costs with Long-Term Benefits

- **Short-Term Costs vs. Long-Term Gains:** While NYAY-type programs hold significant promise in terms of social development and women's empowerment, their immediate financial costs outweigh these potential long-term benefits.
- **Fiscal Planning:** The heavy financial burden on state budgets necessitates a careful and calibrated approach to scaling up these programs. Expanding such schemes too quickly without adequate fiscal planning could jeopardize the economic stability of states and harm the very people these schemes are meant to uplift.
- **Sustainability of Funding:** Policymakers must ensure that cash transfer programs are financially sustainable in the long term, avoiding hasty expansions that may lead to economic instability and unsustainable debt levels.

Risks of a Competitive “NYAY Race”

- **Politicians Competing for Larger Cash Transfers:** A troubling trend has emerged where political parties compete to promise larger cash transfers in an effort to gain electoral advantage. This “my NYAY is larger than yours” approach risks pushing state governments into deeper financial distress.
- **Exacerbating Inequality:** Without proper fiscal discipline, this competitive race could exacerbate economic inequality. The wealthier sections of society may remain unaffected by these schemes during economic crises, while the poorest groups may become more vulnerable, widening the gap between the rich and the poor.



Conclusion: A Call for Prudent Implementation

- **Transformative Potential:** The NYAY model holds transformative potential to uplift millions of women, contributing to social and economic empowerment in the long run.
- **Need for Gradual Implementation:** However, its implementation must be gradual, with careful consideration of financial sustainability. Policymakers should prioritize responsible scaling, rigorous impact evaluations, and ensure that the program does not evolve into an unsustainable financial burden.
- **Avoiding Short-Term Political Gains:** While NYAY-type schemes cannot be abandoned, they must not be allowed to turn into short-term political tools at the expense of India's long-term economic stability. A balanced approach will be essential to achieve both immediate and long-lasting positive impacts for women and society as a whole.

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