The national capital, home to a vast majority of central government employees, is headed for elections this November. And so are four other states, followed by the general elections sometime early next year. This, more than anything else, explains the central government's hurry to promise its employees higher wages.

The award of the seventh pay commission will be implemented from the beginning of 2016 and will benefit nearly 3 million pensioners. But since state governments generally match central wages, the actual beneficiary list stands at over 11 million employees and pensioners.

The fact that this award is one more in a long list of expenditure-heavy pre-election programmes, will mean several consequences for India's finances. Back of envelope calculations suggest that even if the increments in the 6th pay commission were to be matched, the centre's wage bill could rise by up to Rs 1 lakh crore in 2016.

But on the other hand, this payout will spark a surge in consumption starting that year. Why? The sixth pay commission award amounted to around 0.5 percent of GDP and a tidy sum was handed out as arrears in the start of 2008. That extra spending power meant that the ensuing slowdown was mitigated to some extent. This could play out again in 2016.

Meanwhile, CNBC TV18 learns that the proposal to extend the retirement age of central government employees by two years has received fresh impetus. A decision on this could be taken within a week or two, and would be the second major populist decision by the UPA to woo the urban middle class and the powerful government employee mass in Indian society.