

IS INDIA READY FOR A UNIVERSAL BASIC INCOME SCHEME?

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ABSTRACT

The persistence of poverty and significant leakages in welfare schemes that aim to alleviate it has prompted many academics and policymakers to explore more efficient alternatives to India's creaky and leaky welfare architecture. One of the suggestions has been to move towards a "**universal basic income**" (UBI). This article is to analyse the possible consequence of UBI in India. This study is based on secondary data, which is collected from newspapers, magazines, internet, some useful books related to topic.

KEYWORDS: poverty, leakage, policymaker, universal basic income

INTRODUCTION

Even after three decades of sustained economic growth and a proliferation of welfare schemes, roughly one in three Indians still live below the poverty line, according to the last report on poverty estimates submitted by the Rangarajan committee in 2014. While those estimates have been questioned, the fact remains that there are little disputing over the fact that too many Indians remain trapped in poverty.

- There are hundreds of poverty alleviation programmes in India, from housing to food, from maternity benefits and child-welfare to old-age support. However, these schemes are overwhelmed with problems that limit their effectiveness.
- Despite making remarkable progress in bringing down poverty from about 70% at independence to 22% in 2011-12 (as per Tendulkar report), still multiple deprivations exist.
- A radical proposed solution to this is a Universal Basic Income (UBI). It is a right to basic income. UBI would have three components – 1. Universality – UBI for all. 2. Unconditionally – UBI without any

conditions. 3. Agency – UBI can make a citizen move away from being a subject of government welfare programme to agents of its own change.

- UBI is premised on the idea that a just society needs to guarantee to each individual a minimum income for a dignified life with access to basic goods.
- It is the acknowledgment of the economy as a common project and promotes social justice.

WHAT IS UNIVERSAL BASIC INCOME (UBI)

- Universal Basic Income is a periodic, unconditional cash transfer to every citizen in the country.
- Here, social or economic positions of the individual are not taken into consideration.
- The concept of universal basic income has three main features. They are as following:
 - (a) UBI is universal in nature. It means UBI is not targeted.
 - (b) The second feature of UBI is cash transfer instead of in-kind transfer.
 - (c) The third feature is that UBI is unconditional. That means one need not prove his or her unemployment status or socio-economic identity to be eligible for UBI

BACKGROUND

Although it has gained popularity in recent years, the idea itself is several centuries old. One of the earliest proponents of some form of basic income was Spanish philosopher Johannes Ludovicus Vives, who proposed that the government should ensure the minimum level of subsistence for all, but only to those who showed willingness to work. Thus, Vives's idea of a basic income was not unconditional.

- Subsequently, many other philosophers explored variants of the idea of basic income, not necessarily always drawing inspiration from or building upon previous work.
- Thomas Paine, one of the US's founding fathers, argued that every person was entitled to an equal basic endowment because "the earth, in its natural, uncultivated state was the common property of the human race".
- However, this concept of equal endowment was, in his view, somewhat violated by the system of landed property. Therefore, property owners ought to contribute to a fund that could be redistributed to everybody, including the rich and the poor, Paine wrote.
- Years later, British philosopher and mathematician Bertrand Russell, in his 1918 book Roads to Freedom. Socialism, Anarchism and Syndicalism, argued that "a certain small income, sufficient for necessities" should be unconditionally provided to all.

UBI IN OTHER PARTS OF THE WORLD

- Finland has started a pilot programme this year to understand the effects of a basic income. Finland government would pay €560 per month to two thousand unemployed individuals for next two years, and it would continue to provide the income even if individuals find employment during this period.
- Some regions in the Netherlands and Canada have also announced the pilot programme.
- But, last year, Switzerland voted on UBI and rejected the proposal to transfer 2,500 Swiss francs per month to every adult citizen and long-term resident. The fiscal implication was the main reason for rejection of the proposal in Switzerland.

WHY UNIVERSALIZE?

- **Misallocation of resources** – Generally government allocates resources as per state capacity. Since richer areas have better administration, so they receive more resources than the poorer areas. E.g. In the top 6 welfare schemes in terms of their resources; under no scheme do the poorest districts receive more than 40% of the total resources.
- **Exclusion of genuine Beneficiaries** – Because of misallocation many poor are excluded from welfare resources. E.g. States having over 50% poor got only about 33% MNREGA funds in 2015-16.
- **There is a need of universal welfare approach.** Some benefits of ‘universalization’ seen in recent schemes are – E.g. With food security universalization by National Food Security Act and PDS infrastructure, subsidy to bottom 40% has increased substantially since 2011-12. And for Eg. Due to improvements in MNREGA like digitizing job cards, geotagging assets etc. there was seen an increase in women participation.
- **If there will be ‘Universal’ Basic Income, misallocation will be lesser and the exclusion of beneficiaries will reduce.** The reasons are – (a) It reduces allocation errors and administrative hassles as it is ‘universal’. (b) It reduces leakage because income is transferred directly to beneficiary bank account.

WHAT UBI MEANS TO THE GOVERNMENT?

- There would be drastic changes in the way government spends its revenue generated from taxation and other sources.
- Currently, Government spends its revenue on various services as well as on subsidies.
- UBI would mean that government may move away from service delivery and empower its citizens to access services through cash transfer.

In discussing the merits and demerits of the UBI or any other development policy, it is important to avoid some standard pitfalls.

- First, all policies have some pros and cons, and so just picking a problem with or highlighting a nice feature of a particular policy is not good enough. That traps us in an elusive search for “win-win” policies. The focus should be on relative costs and benefits of different policies.
- Second, one size does not fit all. We should be open to the possibility that different policies could work well in different contexts. Cash transfers only make sense if you have ready access to markets, which is not true if you live in remote rural areas in which we have to rely on in-kind transfers.
- Third, there is no magic pill that will cure all problems. Different policies are needed to address different problems. So yes, a UBI or a cash transfer as envisaged by JAM or the MGNREGA will provide some relief to the poor, but will not provide a long-term solution to the problem of poverty. For that one needs investment in health, education, and skill-formation to enable the poor to take advantage of growth opportunities, and investing in infrastructure and regulatory conditions to facilitate private investment for employment generation.

ADVANTAGES OF UBI

- **Liberty.** On the most basic level, everyone who works does so out of economic coercion. You have to feed, clothe, and house yourself; those things cost money, so people have to work for money. The Universal Basic Income (UBI) counteracts that by providing a reasonable alternative to being coerced into unpleasant work.
- **Welfare**-The UBI aims to increase the welfare of the poor, but also allows the poor more freedom by disbursing their benefits as money instead of in-kind transfers.
- **More Education**- In the middle class, young people will take more time to explore the world and enrich their lives before heading off to college or the workplace. Generally, people will stay in school longer, because the costs of doing so will be less.
- **Equal Pay**-The UBI won't fix things completely, but it will take women and minorities a long way towards achieving equal pay to white men
- **Entrepreneurship**-The UBI will greatly encourage entrepreneurship.
- By replacing a wide range of specific programs with a single, cash-based system, it would be much easier to reduce or eliminate the high marginal “tax rates” at the level of earned income at which each program is phased out, along with “welfare traps” in which people are better off earning less than earning more, due to those phase-outs

Basic limitations to UBI:

- It may lead to a disincentive to work and the work productivity may decrease. But this objection is exaggerated because – (a) UBI is only to guarantee minimum needs. One cannot live entirely on

basic income. (b) A pilot study in Madhya Pradesh shows that with a basic income several marginal farmers shifted from wage labour to own cultivation thus raising productivity.

- Whether income be detached from employment. But In a society accepting inheritance money or accepting non-work related income without employment, UBI should not be a problem. Indian society already does this, but largely for the rich and privileged.
- UBI is proposed as unconditional without concern of people's contribution to society. UBI may be an acknowledgement of non-wage work related contributions to the society, for example, home making women contribution.
- It may promote spending on social evils like alcohol, tobacco etc. but NSS data of 2011-12 shows that evil/temptation goods find a smaller budget in overall rising consumption. Therefore, UBI alone will not lead to rise of temptation goods consumption.
- A counter argument can be that, it would have been easier to universalize the present in-kind transfers (for example universal food subsidy) rather than bringing UBI.

CONCLUSION

Few regard UBI as a simple and potentially comprehensive antidote to poverty. It is also viewed as a means to demolish complex welfare bureaucracies while recognizing the need for some social transfer obligations in a way that doesn't weaken incentives significantly.

Despite making remarkable progress in poverty reduction, nearly 22 percent of the population lives below poverty line (Tendulkar committee report, 2011-12). One of the major criticisms of poverty alleviation programmes is significant leakages. UBI is seen as a more efficient alternative.

Though UBI has many advantages, there are many practical challenges too. A transparent and safe financial architecture that is accessible to all is important for the success of the UBI. In other words, the success of UBI depends on the success of efficient mode of delivery like JAM Trinity. While some of the challenges of implementing a basic income can be met with the better use of technology and an expansion in banking services, the challenge of affordability remains. How far existing welfare schemes can be trimmed without hurting the poor, and how much public resources can be saved to implement the scheme remains an open question.

Also, a behavioral change on the part of account holders needed so that they use their accounts more often. Banks need to find it profitable to provide access to banking services.

As Economic Survey states, UBI is a powerful idea whose time even if not ripe for implementation is ripe for serious discussion



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