



Universal Basic Income

This editorial is based on [“Making out a case for the other UBI in India”](#) which was published in The Hindu on 25/08/2022. It talks about scope of Universal Basic Income(UBI) in India and its alternatives.

For Prelims: Universal Basic Income, Economic Survey, Corruption, Purchasing power, Inflation, Financial Inclusion, JAM (Jan Dhan, Aadhar and Mobile),

For Mains: Arguments in Favour and Against UBI in India, Future of UBI Across the Globe Globalisation

Today, disruptive technologies like [Artificial Intelligence](#) are ushering in productivity gains that we have never seen before. They are also steadily **reducing human capital requirements**, making **jobs a premium**.

[Universal basic income \(UBI\)](#) is considered a **solution to the looming crisis of decreasing job opportunities** and an effective tool for [eradicating poverty](#). The idea of UBI has gained popularity, especially **in light of the [Covid-19 pandemic](#)**.

India's rapid expansion of **direct cash transfers** linked to the **national biometric database and small experiments with basic income** have sparked the debate about **universal basic income (UBI)**.

The supporters believe that **no-strings-attached payments** can help India's **underperforming antipoverty programs** and **distorted subsidies**, but critics fear that they will undermine an already fragile **social security system**, cause workers to leave the workforce, and encourage **wasteful spending**.

What is Universal Basic Income?

- **Universal basic income (UBI)** is a **socio-political financial transfer policy proposal** in which all citizens of a given country receive a **legally stipulated and equally set financial grant** paid by the government.
 - A basic income can be implemented **nationally, regionally, or locally**.
- A Universal Basic Income is **unconditional**. It requires that every person should have a right to a **basic income to cover their needs, just by virtue of being citizens**.
- In **2016**, the idea of a Universal Basic Income in India made huge news by taking up over 40 pages in the **2016-2017 [Economic Survey of India](#)** as a serious and feasible solution to India's poverty and a hope for the healthy economy as a whole.
 - **Economic Survey of India 2016-17** highlighted that **“UBI liberates citizens from paternalistic and clientelist relationships with the state”**
- **UBI has mainly 4 components:**
 - **Universality:** It is universal in nature.
 - **Periodic:** Payments at regular intervals (not one-off grants)

- **Individuality:** Payments to individuals
- **Unconditionality:** No preconditions attached with the cash transfer

Why is There a Growing Debate Over UBI in India?

- India has **depended on [subsidies](#) and transfer payments to help those at the bottom of society.**
 - Various programmes sponsored by the **Central government** account for a large chunk of budgetary allocation.
- A large number of these programmes are fragmented and **plagued by administrative leakages**. Taxpayers' money often ends up lining the pockets of middlemen.
- Additionally, subsidising essential consumer goods, including food and fuel, compels the poor to consume those goods, regardless of quality or costs.
 - **Corruption** and Waste in India's **Public Distribution System** is endemic.
- Replacing these **subsidies with cash transfers would ensure, at the very least, that the recipients are getting the intended monetary benefit** as well as freedom of choice.

What are the Arguments in Favour of UBI in India?

- **Social Justice: No society can be just or stable if it does not give all members of the society a stake.** A Universal Basic Income promotes many of the basic values of a society which respects all individuals as free and equal.
 - UBI is a radical and compelling paradigm shift in **thinking about both [social justice](#) and a productive economy.**
- **Administrative Efficiency:** A UBI will **reduce the burden of financing a plethora of separate government schemes** and administrative burden of implementation.
 - The UBI, by design, should effectively tackle issues related to **misallocation and leakage** because transfers are directed straight to the beneficiaries' bank accounts.
 - Finally, given the fewer avenues for leakages, **monitoring a UBI would be easier than many other schemes.**
- **Employment:** UBI is an acknowledgement of the **government's duty to guarantee a minimum living standard** ([Article 43 of Indian Constitution](#)) is even more urgent in an era of uncertain employment generation.
 - Moreover, UBI could also **open up new possibilities for [labour market](#).**
 - They allow for more **[non-exploitative bargaining](#)** since individuals will no longer be forced to accept any working conditions, just so that they can subsist.
- **Insurance Against Shocks:** Poor households often face multiple shocks such as **bad health, job loss** or aggregate shocks such as **[crop loss](#), [water borne diseases](#), [loss of property](#) and [natural disasters](#).**
 - The UBI **income floor** will provide a safety net against health, income and other shocks.
- **Freedom of Choice: A UBI treats beneficiaries as agents** and entrusts citizens with the responsibility of using welfare spending as they see best, this may not be the case with in-kind transfers.
- **Improvement in Financial Inclusion:** Payment transfers will encourage **greater usage of bank accounts**, leading to higher profits for banking correspondents (BC) and an endogenous improvement in **[financial inclusion](#).**
 - Credit increased income will release the constraints on access to credit for those with low income levels.
- **Women Empowerment:** In 2011, a pilot study of Universal Basic Income was conducted in 8 villages of Madhya Pradesh for 18 months.
 - **Reviewing the UBI trial in India (2013-2014), SEWA Bharat and [UNICEF](#) concluded that "women's empowerment was one of the more important outcomes of this experiment,"**
 - Women receiving UBI participated more in household decision making, and benefited from **improved access to food, healthcare, and education.**

What are the Arguments Against UBI in India?

- **Higher Government Expenditure:** If UBI is universal, which means **all citizens, regardless of their financial capacity, are by default beneficiaries** will widen the existing rich-poor gap in India.
 - Adopting a universal approach in India would result in **higher government expenditure** as it will have to ensure that no citizens are excluded.
 - Once introduced, it may become difficult for the government to wind up a UBI in case of failure.
- **Conspicuous Spending:** UBI is not tied to the recipients' behaviour, and they are free to spend the money as they wish. **Households with lack of awareness about fiscal management may spend on wasteful activities.**
 - There is no guarantee that the given cash will be spent on productive activities, [health & education](#), etc. It may be spent on tobacco, alcohol, drugs, and other luxury goods etc.
- **Reduction in Labour Force:** A minimum guaranteed income might make people **lazy** and opt out of the labour market.
 - In the absence of any reciprocal exchange, **UBI in India may easily turn into a scheme that renders the working age adults as supplicants** and without any real purpose or direction in their lives.
- **Increase the Rate of Inflation:** Replacing things like food programmes with UBI might expose the population to more market risks and [inflation](#).
 - **Price fluctuation will affect the purchasing power of the consumers.**
- **Lack of Connectivity Channel Between Government and Beneficiary:** In India, the poorest live in mostly remote areas and lack recourse to banking and often mobile phones is a major concern.
 - **Not all habitations have been covered by the banks** and a lot of time and energy is spent in accessing banking services physically.
 - **Economic survey** also points to [JAM \(Jan Dhan, Aadhar and Mobile\)](#) system as a prerequisite for a successful UBI implementation.
- **Federal Challenge:** [Centre-State negotiations](#) on cost sharing for the programme could delay its implementation.
 - Since **Indian states are at different levels of development**, maintaining a uniform financial transfer will be challenging.

What should be the Way Forward?

- **Food for Thought:** UBI is a powerful idea whose time, even if not ripe for implementation, is ripe for serious discussion.
 - Many pilot projects on UBI across the world including the one in **Madhya Pradesh** have shown positive results and highlighted the benefits of direct income transfer in improving the welfare of poor people.
 - This can be a **matter of scrutiny before reaching any conclusion.**
- **Quasi-Universal Basic Income:** It would be more **prudent to take a middle road.** The **government should retain existing in-kind programs that deliver necessities** and enhance one's quality of life, such as food security, healthcare, sanitation, and education.
 - Once it demonstrates, over time, that **it has built a stable system for income transfers, it could revisit the policies towards UBI.**
- **Future of UBI Across the Globe:** UBI envisages an **uncompromised social safety net** that seeks to assure a dignified life for everyone, a concept that is **expected to gain traction in a global economy** buffeted by [globalisation](#), [technological change](#), and [automation](#).
- **Universal Basic Infrastructure/Insurance:** Rather than jumping to UBI, focus should be on improving **basic infrastructure and accessibility to insurance.**
 - **"If you give a man a fish, you feed him for a day. If you teach a man to fish, you feed him for a lifetime".** [Effective education system](#) will produce skilled youth and eliminate the need for UBI.

Drishti Mains Question

Can Universal basic income (UBI) be an effective tool for eradicating poverty from India? Critically analyse.

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