



## Mains Practice Question

**Q.** A Universal Basic Income in India could provide a foundation for social security while reducing the complexity of the welfare state. Critically Examine. **(250 words)**

30 Oct, 2024 GS Paper 3 Economy

### Approach

- Provide a brief introduction to Universal Basic Income(UBI)
- Discuss the benefits of UBI.
- Mention the challenges and criticisms of UBI in India.
- Conclude Suitably.

### Introduction

Universal Basic Income (UBI) is a social welfare proposal in which all the beneficiaries regularly receive a guaranteed income in the form of an unconditional transfer payment. The then Chief Economic Advisor described it as a "**conceptually appealing idea**" in the 2016-17 Economic Survey.

### Body

#### Potential Benefits of UBI :

- **Foundation for Social Security:** Reduces poverty and income inequality by providing a minimum income floor for everyone, especially the most vulnerable and marginalized groups.
- **Simplified Welfare System:** Can streamline the existing welfare system by replacing various targeted social assistance programs. This reduces administrative costs and eliminates the complexities associated with means-testing, eligibility requirements, and benefit cliffs
- **Structural Economic Transformation:** Implementing UBI could catalyze a structural transformation of India's economy by addressing the persistent issue of disguised unemployment in the agricultural sector.
- **Redefining Work and Productivity:** By providing basic economic security, it could value forms of work currently unrecognized, such as care work, community service, or artistic pursuits.
  - According to the **National Sample Survey**, women spend 299 minutes a day on unpaid domestic services for which men spend only 97 minutes.
- **Enhancing Individual Freedom:** UBI provides individuals with financial security and It can empower people to pursue entrepreneurship, take risks, and engage in creative or socially beneficial activities that may not be economically viable otherwise.

#### Challenges and Criticisms of UBI in India :

- **Cost and Fiscal Sustainability:** UBI is very expensive and would require higher taxes, spending cuts, or debt to finance it.
  - For instance, a UBI of just ₹1,000 per month for all adults would cost approximately 3-4.9% of GDP, based on current population estimates.
- **Opportunity Cost and Development Trade-offs:** Allocating a large portion of government

expenditure to UBI could crowd out investments in critical areas like healthcare, education, and infrastructure.

- **Creates Perverse Incentives:** Decreases motivation to work and reduces productivity and efficiency. It could also create a culture of dependency, entitlement, and laziness.
- **Targeting and Equity Concerns:** A universal program by definition would provide benefits to both poor and non-poor, raising questions of equity and efficient use of limited resources.
- **Global Economic Competitiveness:** Implementing UBI could potentially impact India's global economic competitiveness, particularly in labor-intensive industries.

## Conclusion

While UBI may not be a **silver bullet**, phased implementation through pilot programs and leveraging existing cash transfer schemes like PM-KISAN could offer a viable pathway toward a more inclusive and resilient economy. Careful consideration of trade-offs and a balanced approach is essential for its success.

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