Universal Basic Income (UBI) in India

1) Introduction
- Universal Basic Income (UBI) which is an unconditional and uniform cash transfer from the government to every adult, rich or poor

2) Need for UBI
- 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 report on poverty estimates submitted by the Rangarajan committee in 2014.
- 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.
- Public service delivery has not only failed to deliver the intended benefits but has also led to an increase in corruption and leakage.
- The idea is already gaining currency in the developed world, as fears of automation and consequent job losses have spurred thinkers in the West to devise ways wherein all individuals would be guaranteed some income.
- If the trend of robot automation keeps up, millions of humans could lose their jobs by the middle of this century.

3) Characteristics of UBI
- Three distinguishing characteristics
  a) It is universal and not targeted at the poor alone.
  b) It is a cash transfer so that there is no need to provide in-kind transfers (for example food stamps) or subsidies for certain goods and services.
  c) It is unconditional so that it is not contingent on the recipients conforming to stipulated norms of behaviour.

4) Positive aspects of UBI in India
- In the Indian context, this makes sense because of the less-than-satisfactory experience with targeting welfare services.
- People fall into poverty due to illness, drought, declining opportunities in agriculture, and urban blight.
- Thus, a “universal” programme would not only be more appropriate, it will also reduce the burden of the bureaucracy in so far as it is engaged in identifying the deserving beneficiaries of any targeted programme.
- There are standard arguments in favour of cash transfers over in-kind transfers as they are supposed to be much less market-distorting than in-kind transfers.
the universal basic income seeks to provide unconditional cash to every individual, or household, and the individuals would be free to use the cash as per their discretion and spend according to their own preferences

it is regarded as a simple and potentially comprehensive antidote to poverty

Minimum income security would enable individuals to plan their lives better and undertake more meaningful activities rather than be trapped in distress-driven activities in search of subsistence.

the poor are often overworked in back-breaking, oppressive work, and it will be better if they, particularly women, can work a little less

It can also be a great relief for the stark livelihood uncertainties faced daily by the vast numbers of the self-employed and the marginalized casual and migrant workers and will help them in seeking better jobs.

For women, it can boost their autonomy within the household, and for the self-employed poor like small producers and vendors, it can relieve a part of their credit constraint.

For the socially stigmatized workers in India, like scavengers and waste-carriers, UBI can provide an escape ladder, and induce society to mechanize, as much as possible, such unwanted, filthy jobs.

5) International examples

The Swiss voted on and rejected a proposal to guarantee every adult citizen and long-term resident 2,500 Swiss francs (around Rs1.7 lakh) per month

Finland is set to experiment with the idea on a pilot basis. It is likely that more countries will experiment with this idea in the coming years.

6) Negative aspects of UBI in India

it would reduce the motivation for work and might encourage people to live off assured cash transfers

it is simply unaffordable for the government

fear that it might induce poor Indians to work less and live off income transfers from the state

paying a basic income equivalent to the poverty line, to each and every adult in India, would entail a cost of 11% of GDP, which is way above the 4.2% of GDP that the government currently spends on explicit subsidies.

inflation, distance to market, distance to bank and hassles of collecting money

Given the huge deficits in availability of public education and health facilities, UBI can only increase the demand for these services without increasing the access to these services.

Common argument against UBI is that the poor (particularly the men in the household) will blow it up in alcohol and drugs and gambling.

7) Success of Cash transfer scheme
In 2011, two pilots were launched in Madhya Pradesh, funded by UNICEF and coordinated by the Self-Employed Women’s Association, to study the effectiveness of income grants.

The results show that people who received the unconditional cash transfers in the pilot did not use it to increase leisure and reduce work.

Grants led to more labour and work, with a shift from casual wage labour to more own-account (self-employed) farming and business activity. There was also a reduction in the migration caused by distress.

UNICEF report points out that the grants enabled small farmers “to spend more time and also invest on their own farms as opposed to working as wage labourers”.

Thus, it is possible that nationwide implementation of such assured cash transfers might reduce the availability of agricultural labourers willing to work in others’ farms, and this can push up agricultural wages.

The pilots showed that those who received grants undertook small-scale investments, such as for more and better seeds, equipment repairs, establishment of little shops, etc., which potentially raised long-run productivity.

experiments in different parts of the world on the use of unconditional cash grants, which show that most of the money is found to be spent on worthwhile goods and services.

8) Need of the Hour

challenges of implementing a basic income can be met with the better use of technology and an expansion in banking services.

The required budgetary resources could be raised by trimming the implicit and explicit subsidies to the rich.

by raising additional taxes by “improving property tax collections (currently extremely low)”

government should not resort to raising additional tax revenue through indirect taxes and cess thereon, which are regressive in nature and more distortionary than direct taxes.

The idea of UBI, however appealing, can only contribute to better social and human development outcomes if there is adequate provision of basic social services.

The challenge for the Indian government is to first improve the availability of public services with better access and delivery of these services to the citizens.

Try to deposit the UBI for the household in the adult woman’s bank account.

we should think in terms of mobilizing public opinion and activate social movements regarding a measure like UBI.