



---

## UNIVERSAL BASIC INCOME: IT'S RELEVANCE TO THE INDIAN CONTEXT

Dr. Priyank Mishra

Associate Professor

Department of Commerce & Management, Dr. C.V. Raman University

**Abstract:** *Universal Basic Income (UBI) is seen as a form of social security. It is a non-targeted provision in addition to the existing services in health, nutrition, education and so on. The researcher has briefly reviewed the salient motivations behind the renewed interest in a Universal Basic Income (UBI) and the notable features of some current UBI schemes. In developing countries like India, such Schemes may not be financially feasible, as yet. A quasi-universal basic income is proposed for targeted beneficiaries, who cannot climb out of poverty without infusion of cash in their bank accounts.*

**Keywords:** Basic Income, Social Security, Safety Nets, Poverty Reduction, Quasi Universal basic income.

### INTRODUCTION

The idea of Universal Basic Income (UBI) has made recurrent appearances in history. But it could never gain mainstream acceptance. The UBI or basic income is a public programme for a periodic, unconditional payment given to every citizen on an individual basis without means, test or work requirement. In short, it means a no-strings-attached cash transfer. The larger objective is to build a financial floor through which no citizen could fall, and every citizen can achieve a basic standard of living and live with dignity and freedom. The infusion is also not tied to recipients' behaviour, and so are they free to spend their money as per their wish. In contrast, conditional in-kind transfers have certain strings attached.

The profits of publicly owned enterprises can finance universal basic income (often called social dividend or citizen's dividend (Marangos, John: 2003). it has also been promoted within the context of capitalist schemes, where they will get financed through various taxation forms.



Erik Olin Wright (2005) characterizes a basic income as a project to reform capitalism into a socialist system through empowering labour that relates to capital and to grant the labour greater bargaining power with the employers in the labour markets. It can gradually de-commodify labour by decoupling work from income. It would enable an expansion in the scope of the "social economy" by g endowing citizens with the excellent means to pursue activities such as the pursuit of the artsthat do not yield solid financial returns.

### **Features of a UBI**

- **Universal:** It gets paid to all individuals and not targeted to a specific population.
- **Cash payment:** It gets paid in cash, which allows recipients to choose how to spend.
- **Unconditional:** It comes with no set conditions attached to the payments.
- **Periodic:** It is a recurring payment instead of a one-off grant.
- **Individual:** It is paid on an individual basis (versus household-based).

### **Research Methodology**

Since it is an exploratory study, the most conventional and fundamental research methodology that deploys data collection and analysis could not be applied. The methodology was a combination of techniques involving exploratory, interpretative and formative methods.

While surveying the literature on the subject, the primary objective was to glean insights, interpret them and build a coherent theory that could be translated into an implementable policy in the Indian context. Since we did not have any hypothesis to start with, we used the historical method to explore all essential documents, including policies and regulations.

Since the primary emphasis in our methodology is on the discovery of ideas and insights, the research design was kept flexible to permit consideration of many different aspects of a problem. The research problem was broadly defined initially but later transformed into one with a more precise meaning in exploratory studies, which helped eliminate or minimise bias and maximise the reliability of the evidence.

### **International Survey**

The current renewed fascination with UBI is a potential policy response to growing inequality and joblessness resulting from technological change that has caused the restructuring of the global economy. Despite impressive economic growth over the decades in high-income countries, large sections of the population continue to remain excluded from the fruits of prosperity, and inequalities have deepened further(Bor J., Cohen GH, Galea S., 2017).

---



UBI examples are the Bolsa Familia in Brazil, the Alaska Permanent Fund in America, and the Rythu Bandhu scheme of Telangana in India. Any basic monthly income can also replace a string of welfare subsidies for the developing countries like India currently have in place. Guaranteed regular cash injection certainly makes people happier and less stressed (even if that cash isn't enough to cover their needs).

Yet, most countries aren't doing it. In low and middle-income countries, there has been a significant impact of UBI on extreme poverty, but uneven progress within and between countries has created new divides (Ferreira FHG, Ravallion M., Global:2008). Technological change and concurrent job shortages from automation pose severe threats to social and economic stability. The structural forces—such as globalization and trade and consolidation of large firms—have also constrained job and economic mobility for some time (Hoynes H., Rothstein J., 2016). In such situations, UBI can smooth the transition.

### **The Benefits**

Cash transfers are a proven instrument for improving social protection, reducing poverty at the household level and increasing access to essential services. It can also aid in tackling inequalities and social vulnerabilities at household and community levels. Offering cash grants to the poor are considered best than several traditional forms of aid to alleviate poverty. They are highly cost-effective, fair and most impactful ways to reduce poverty and stimulate economic growth. Instead of depending on any expensive or complex aid industry and bypassing the NGOs and governments, cash transfers done directly to low-income families will enable them to decide on the most effective ways to improve their wellbeing. Even when assistance programmes accomplish their objectives, they often do so in a costly and inefficient manner. Part of this is due to the substantial administrative expenses and leakages in the delivery conduit.

UBI has the potentials to reduce losses to corrupt intermediaries significantly. The digital payment mode leaves no scope for intermediaries to siphon funds. The digital payment mode cuts through red tape layers and leaves no scope for intermediaries to siphon funds. Instead of relying on a convoluted and expensive bureaucracy, it is an excellent option to transfer funds and resources directly to poor households for their proper use as per their wish. But this alone cannot overhaul the sometimes-corrupt decision-making process that determines who is eligible for benefits in the first place.

Cash transfers remain one of the fairest and most cost-effective options, thus an impactful way to alleviate poverty and help to stimulate economic growth. This idea behind them is that classical development aid has failed and that direct monetary payments might solve the problem. They are cheaper to administer and effective at giving recipients what they want than what experts think they need.

---



There is consistent evidence of UBI improving health status and altering behavioural and social factors linked to leading causes of premature ill-health, disability, and death. As they reduce the likelihood of having any disease with sustained effects after two years of the interventions.

There are other reports of far-reaching effects on food security and consumption and a range of productive outcomes. For example, in Mexico, recipients of Oportunidades cash transfers invested an estimated 26% of all those transfers, which raised their long-term consumption (Gertler et al., 2012). In Zambia, after three years, a pair of unconditional cash transfers programmes were able to increase income by 59% and household spending by 67 per cent of the transferred amount, implying a sizeable multiplier effect (Handa et al., 2016).

It has been reported that men's retirement pensions do not affect the labour of working-aged men, but a negative effect is observed for working-aged women. Conversely, when women receive pensions, the labour supply is reduced among men, leading to a net decrease in household income (Baird S., Ferreira FHG, Özler B., Woolcock M., 2016). There remains ample evidence that proves cash transfers boost the purchase and ownership of assets such as livestock in low-and middle-income countries (Bastagli F., Hagen-Zanker J., Harman L., Barca V., Sturge G., Schmidt T., 2016).

Mixed results are observed among youth labour, but the effects decrease as children grow up, and in some cases, children's participation in household work may increase with family investments in agricultural assets from cash transfers (.de Hoop J., Rosati FC., 2014).

There is another variant of UBI, the so-called "graduation" approach, which involves an asset transfer and a considerable amount of handholding and one-to-one training. The goal is to enable people to develop the necessary confidence to pursue their life goals. Graduation programmes have been shown to have long-lasting effects on income in multiple countries, beginning with Banerjee et al., (2015), who reports on separate Randomised Control Trials (RCTs) in seven countries. They found positive effects in six countries after three years.

### **The Pitfalls**

However, there are several downsides of UBI: Critics worry that it will undermine already-fragile social security architecture and encourage wasteful spending and misuse of money by recipients. They feel UBI will induce recipients to drop out of the labour force or create disincentive work.



---

Another pitfall of UBI is that it is universal. Adopting a versatile approach in developing countries could result in higher government expenditure as it will ensure that no citizens are excluded. A UBI would require providing benefits even to the population that does not fall in the poverty bracket and will certainly not benefit from it. Thus even politically, it may not work as a vote– mobilizing tool. Such a UBI won't make many dents into poverty as the amount paid to each individual in countries with large populations may be too small to enhance individual wellbeing for poor citizens.

Critics feel a UBI might likely fall far short of eliminating poverty while imposing high economic costs and ignoring future work opportunities. It is certainly not an appropriate solution to one of our core economic issues: the concentration of opportunity. But Banerjee et al., (2015) find no systematic evidence to support the assumption that transfers discourage work.

### **Quasi UBI**

A wiser approach would be to expand targeted programmes – as a method of raising and broadening existing income floors on account of their proven record of lifting families out of poverty-rather than wishing for an expensive universal income that may end up transferring money from the poor to wealthier families(Greenstein, 2014).

We can also consider supplementing UBI with the existing social welfare programmes in countries like India and make it a quasi-universal basic income and restrict it only to those who qualify for the official safety nets. The assistance should be designed to help them overcome unemployment, undertake reskilling and find work. Banerjee et al., (2013b) review studies that measured the effects of transfers on labour supply, a critical measure of recipients' efforts to improve their own lives. From the recipients' point of view, time is valuable and spending that time earning money comes at an actual cost; it certainly helps them substitute some unearned for earned income. Further, Murray (2016) also endorses a quasi-UBI. He claims that savings from existing aid programmes to their administrative costs can be used to fund a UBI that covers only the poorest and, in his view, is less likely to discourage work compared to some existing programmes.

### **The Case for India**

India is the most severe new aspirant, and the idea has got rehabilitated as a serious policy option. The concept already started to figure in the manifesto of political parties and galvanized an extensive debate on a UBI.

The core idea of providing a basic minimum income was endorsed in India by the first Prime Minister, Jawaharlal Nehru, in 1938, even before India attained independence. But, historically, the success of government' s anti-poverty programmes in India has not been



---

encouraging. They have been afflicted with corruption, leakage, elite capture, distortionary subsidies, non-conducive political realities and the exclusion of many deserving poor. Providing universal income appears a viable alternative because it obviates the need for identifying and targeting the correct beneficiaries. The proliferation of social benefit transfer programmes in India and inept administrations have skewed the whole system and created inequalities and inefficiencies: while some households receive multiple benefits, others receive none. The Jan Dhan Yojana now covers most Indians. The advent of biometric identification and mobile penetration has created good scope for directly transferring cash to household bank accounts.

India's former chief economic adviser, Arvind Subramaniam made a case for UBI while describing the full potential of the JAM trinity: "Imagine the possibility of rolling all subsidies into a single lump-sum cash transfer to households, an idea mooted decades ago by the economist Milton Friedman as the holy grail of efficient and equitable welfare policy. JAM makes this possible, (Siddharth George and Arvind Subramaniam, 2015).

Avantika Singh and Reshma Anand (Singh et al., 2016) point out that India already invests heavily in social protection programmes, but impact and outcome leave much space for improvement. The figures below speak for themselves.

1. India spends about two per cent of its GDP on core social protection and welfare schemes. It translates into an investment of Rs. 9 lakh crore in more than 10,000 schemes. The amount does not cover high set-up costs and expenditure in maintaining an army of bureaucrats to administer them.
2. Annual budgets for some of India's key flagship welfare schemes that amount to nearly four lakh crore (Rs. 3,79,100 crore) per year. They include MGNREGS, PM Kisan Samman Nidhi Yojana (PM Kisan), and National Social Assistance Programme.
3. Several schemes were topped up and repurposed to help the poor cope with the lockdown. For instance, INR 1.70 lakh crore was provided as cash transfer for the poor under the PM Garib Kalyan Yojana.
4. Despite the monumental scale and noble intent of these welfare schemes, accessing them remain a challenge for ordinary citizens. Coverage of schemes varies widely in enrolment and delivery.

Dalberg recommends expanding the coverage to needy but non-registered segments. He suggests a recipe of measures:

- Use temporary means of authentication as alternatives (e.g. ration cards, e-coupons, Aadhaar cards etc.) for those people not registered but need benefits (tried in Delhi).



- 
- Empower local panchayats and banking correspondents (including Bank Mitras and Bank Sakhis) to assist recipients of benefits transfer in rural areas, especially disabled and elderly(in progress in Assam).
  - Partner with other grassroots organizations for efficient last-mile delivery of relief measures (NITI Aayog has requested the same).

The Economic Survey 2016– 17 provides the most comprehensive analysis thus far of implementing an Indian UBI. It observed that India's largest welfare schemes are poorly targeted; as an alternative, it argues that a UBI distributed directly into bank accounts is easier to administer, limit pilferage, and prove a more effective anti-poverty intervention.

In India, the political consensus on the overall form of UBI remains elusive. Much depends on which welfare programs it would replace or which subsidies and corporate tax exemptions it will abolish. Expenditures on implicit subsidies have declined in recent years, as also corporate tax exemptions. The fiscal room for funding a UBI from these sources is rapidly diminishing. Barring the raising of new revenue through new taxes, it is clear that the budget for a UBI would likely have to come at the cost of existing schemes.

The current assumptions are that a UBI budget would replace all existing welfare programmes. There are multiple issues with this approach that can have important implications for India's development trajectory at the grassroots. Rolling them back would mean backtracking on commitments to the human development goals and would not be economically and politically viable. Dispensing social programs for a UBI is an idea fraught with severe consequences. These programs address specific problems, such as the vulnerability of the children, rehabilitation of the disabled, and elderly and nutritional security of pregnant mothers and lactating children in marginalized families.

It would be wise to take a middle road; retain existing in-kind programs that deliver necessities and enhance the quality of life. Once it demonstrates, over a period, that it has built a stable system for income transfers. It could revisit specific policies, including offering the beneficiaries a choice to select from different service providers, public and private. It will boost competition. It will also empower beneficiaries and help them decide how their social welfare funds could be spent. It could also improve public services by introducing competition with private or civil society organizations. It could also create greater transparency, governance and accountability among service providers.

### **The Way Forward**

Whatever the shape of the final UBI may be, it will be only as good as the people who drive and manage it. We need a robust administrative architecture that is free of the weaknesses that have plagued special efforts. We need Multiple checks and balances at different levels and



---

strong community monitoring networks to reduce inclusion and exclusion errors that can minimize transfer time and expenses. We can bring payment points closer wherever possible. There is a need for investing in awareness-raising efforts with local communities to strengthen information flows. Similarly, we should have grievance redressal procedures and feedback channels to enhance programme effectiveness.

The visionary American President Franklin D. Roosevelt offered us a unique and wonderful mantra way back in 1937 that remains more relevant in the current context than it could be ever before: "The test of our progress is not whether we add more to the abundance of those who have too much; it is whether we provide enough for those who have too little" (Franklin D., Roosevelt: 1937).

## REFERENCES

- Banerjee, Abhijit; Goldberg, Nathanael; Karlan, Dean S.; Osei, Robert; Pariente, William; Shapiro, Jeremy; Thuysbaert, Bram; Udry, Christopher; Duflo, Esther A multifaceted program causes lasting progress for the very poor: Evidence from six countries, *Science* 348, no. 6236 (May 14, 2015): 1260799– 1260799.
- Baird S, Ferreira FHG, Ozler B, Woolcock M. Relative effectiveness of conditional and unconditional cash transfers for schooling outcomes in Developing Countries: A Systematic Review. *Campbell Systematic Reviews*. 2013;9(1):1-124. doi:10.4073/csr.2013.8
- Battaglia F, Hagen-Zanker J, Harman L, Barca V, Sturge G, Schmidt T. Cash transfers: What does the evidence say? Overseas Development Institute; 2016:300. <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11316.pdf>
- Economic Survey 2016-17 – Vol I and II, Department of Economic Affairs, Ministry of Finance, Government of India
- Ferreira FHG, Ravallion M. Global poverty and inequality: A review of the evidence. The World Bank; 2008. doi:10.1596/1813-9450-4623.
- De Hoop J, Rosati FC. Cash transfers and child labour. *The World Bank Research Observer*. 2014;29(2):202-234. doi:10.1093/wbro/lku003.



- 
- Marangos, John (2003), "Social Dividend Versus Basic Income Guarantee in Market Socialists "International Journal of Political economy 34 (3) JSTOR – 404 70899. [4] Wright, Erik Olin. "Basic Income as a Socialist Project". Paper presented at the annual US-BIG Congress, 4-6 – March 2005, (University of Wisconsin).
  - Murray, C. (2016). In Our Hands: A Plan to Replace the Welfare State. Retrieved from <http://www.aei.org/publication/in-our-hands-a-plan-to-replace-the-welfare-state/>
  - Siddharth George and Arvind Subramanian, "Transforming the Fight Against Poverty in India," New York Times, July 22, 2015, [https://www.nytimes.com/2015/07/23/opinion/transforming-the-fight-against-poverty-in-india.html?\\_r=0.](https://www.nytimes.com/2015/07/23/opinion/transforming-the-fight-against-poverty-in-india.html?_r=0.)
  - Wright, Erik Olin. "Basic Income as a Socialist Project". Paper presented at the annual US-BIG Congress, 4-6 – March 2005, (University of Wisconsin).