

How might the Idea of Universal Basic Income be Relevant for India?

Surajit Deb

University of Delhi (Aryabhata College)

debsurajit@gmail.com

In recent times there has been a growing attention on the opinion of a universal basic income (UBI) in many countries that entitles unconditional cash payments to all individuals regardless of the differences in their economic or employment positions. The Economic Survey of India (2016-17) advocated the concept as an alternative to the various social welfare schemes meant to reduce poverty, and argue that the idea of UBI is appealing since it is based on the principles of universality, unconditionality and agency (GOI 2017). However, it also acknowledges that there could be a challenge in the respect of fiscal manageability, because the existing anti-poverty and social welfare programmes have already become fiscally burdensome. India today has various schemes and subsidies targeted at the poor, viz., Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA), the Public Distribution System (PDS), which provides subsidized food grain, along with the fertilizer and fuel subsidy schemes. The idea of UBI is being mooted in India on the ground that the government's spending on the social welfare schemes do not reach the targeted audience and therefore fail to uplift of the poor. It is therefore claimed that UBI will be a better welfare program for the poor with minimum leakages presently borne by the government. Thus the income transfer scheme is visualized as a means to phase out the employment guarantee programs or subsidies on food and other commodities.

It may be noted that the case for the UBI is presently mooted for India by quoting the Finland experiment aimed at improving the quality of life, where 2,000 unemployed people were given 560 euros every month for two years with no pre-conditions. However, Switzerland rejected the idea of a universal basic income in a referendum. India could face significant challenges in implementing UBI due to the differences in social and economic context. It may be remembered that the UBI proposal is being mooted in India at a time when social insurance programmes are largely missing for the majority of the poor population in the country, as indicated by the poor ranking in any well-being index. On the other hand, questions are being raised as to whether basic income scheme should be such that it can bring an end of the state's primary responsibility of providing universal education and healthcare. This paper thus intends to critically examine the issues to infer on whether UBI can be a viable option in India.

Methodology and Plan of Study:

Since our objective is to examine the rationale of UBI for India, this paper would progress in the following sequence. We first provide an account of the various social protection and welfare measures in India, by particularly focusing on the targeting aspects and fiscal implications (Section 2). The experiences of UBI implementation have to be adequately examined to evaluate its relevance in poor and developing countries such as India. Thus, the experiences of UBI implementation from other countries could be examined in Section 3. Finally, we take up the topic on the relevance of UBI at the present time for the country in Section 4. The final section would summarize and conclude.

Policy Implications:

The UBI proposal is based on the two fundamental premises of benefits transfer, viz., cash transfer is superior to transfer in-kind, and universality in provision is better than the targeted provision. However, at the present day, many democratic governments prefer to carry out welfare schemes through benefits in kind, rather than through cash. Thus, the standard economic argument in favor of the cash transfers may not apply in the Indian context and there may be strong reasons to prefer in-kind transfers. A recent study by analyzing the scenarios of converting all existing cash and tax benefits into an UBI, has commented that UBI could actually increase poverty in most of the high-income countries (OECD, 2017). UBI in India is considered an alternative to overcome the failures of the current system, since it provides cheaper means of transferring money to the poor. But it does not consider whether it should discourage the beneficiary from actively participating in the labor market. The analyses of this study bear the potentials to provide insights on this crucial topic.