

UNIVERSAL BASIC INCOME IN INDIAN CONTEXT

Anjali Yadav

VPO- Kosli (Rewari)

Abstract: The idea of Universal Basic Income, an unconditional cash payment to everyone has been gaining a lot of attention recently. It is seen as an alternative to various other subsidy schemes prevailing. UBI is being considered as a potential solution to the many socio-economic challenges confronted by the world today. With this research paper an attempt has been made to find out the need for universal basic income and what are the challenges being faced in implementing Universal Basic Income.

Objective of the study

1. To discuss the UBI in context of India.
2. To discuss the challenges in implementing UBI (Universal Basic Income).

Universal Basic Income

A Universal Basic Income is typically a form of social security in which all citizens of a country receive a regular, liveable and unconditional sum of money from the government. Payments does not require the recipient to work or look for work, and is independent of any other income. The purpose of the UBI is to prevent or reduce poverty and increase equality among citizens.

Universal Basic Income is seen by many as an alternative to the existing system of subsidies, which is often associated with systematic inefficiencies. Although the basic idea of UBI is not new in India it has attracted attention in the past as well. A large proportion of population in India still lives below the poverty line and a number of government programmes providing subsidiary are ruined by inefficiencies. Due to the inefficiencies the poor people who actually need support are left out. Therefore UBI is the need of hour.

The idea of unconditional basic income was first presented in 19th century. From 2005-2010 onwards basic income is the hot topic in many countries. Several countries tried experiment with basic income. In 2016 in Switzerland, basic income was rejected by 73% of voters in a national referendum.

The Economic Survey 2016-17 has advocated the concept of Universal Basic Income (UBI) as an alternative to the various social welfare schemes in an effort to reduce poverty in India. The Survey says the UBI, based on the principles of universality, un-conditionality and agency, is a conceptually appealing idea but with a number of implementation challenges lying ahead especially the risk that it would become an add-on to, rather than a replacement of, current anti-poverty and social programmes, would make it fiscally unaffordable.

Universal Basic Income in Indian Context: -

We are living in a time when our wealth inequality is mounting. The NSS household survey data suggests that the standard Gini coefficient measure of asset inequality rose from 0.66 in 1991-92 to 0.75 in 2011-12. According to the WIR report, the top 0.01% of the earners numbered at about 78,000 people with an average income of about Rs 5.5 crores. At a 30% tax rate, they should have paid a tax of about Rs 1.56 crore each and the same should have been utilized for the development of the nation and poverty elimination through various schemes. Unfortunately, India with 17.5% of total world's population, had 20.6% share of world's poorest in 2011. The Rangarajan Committee said in 2014 that the population below the poverty line

in 2009-2010 was 454 million (38.2% of the population) and that in 2011-2012 was 363 million (29.5% of the population). This clearly indicates something is wrong in the existing poverty alleviation programs.

The Bucket is leaking, the Subsidies the funds of NAREGA and other schemes won't reach fully to the people in need, the only hope is Aadhar enabled payment system, which has ways to catch the misinformation given while registering for the claim of subsidies. But on the ground we are yet to see its miracle.

Providing 454 million people a basic income is putting hole in the pocket, The most recent estimates (made at the National Institute of Public Finance and Policy) suggest that (central & state) subsidies that mainly go to better-off people is about 4 % of GDP. In addition, the central budget alone shows 'revenues foregone' (primarily tax concessions to companies) coming to about 6% of GDP. Even if half of these revenues foregone are made available for this purpose, added to the non-merit subsidies, it comes to 7% of GDP potentially available for UBI, which is a substantial sum, and when divided equally among the 454 million people everyone tends to get Rs 60 per day and Rs 20 per day if given universally to all rich and poor without discrimination, this amount sure will not make them self-reliant but atleast will aid all people living in India to arrange for bread. But why we want a basic income scheme even for the rich?

We are often confused why do one want to pay this money even to the rich? Yes, primarily because UBI should be part of a basic right of every citizen to minimum economic security. Practically, it is not possible to transparently implement threshold to exclude the rich. The history of India is, unfortunately, riddled with controversy and corruption. To the extent UBI is funded by taxes and withheld current subsidies to the rich, the money otherwise is already going to the rich. Also, part of UBI to the rich will return to the government in the form of taxes. The question now is from where does this money will come from?

India's tax to GDP is lower than its developing counterparts like China and Brazil because people choose to evade taxes here, We have zero taxation of agricultural income, long-term capital gains in equity markets, and of wealth and inheritance One way is to increase the tax collection by increasing the rate so that the funds required for UBI can be attained. This appears easier said than done. Increase in Taxes is double edge sword which will force corporate houses to migrate to less-tax country and will impact the economy very badly.

Moreover, with time, the Increase in GDP and general decrease in number of people in Below poverty line the time is not very far when UBI can be a reality. However, there are other challenges inherited within the scheme and needs light to be thrown.

Challenges in implementation of UBI:

UBI is one of the example of guarantee income model, which involves varying need based model designed to ensure that all citizens have enough to live on. In UBI identical periodic payments are made to all individuals and the tax system ensures that funds are returned to the system from those with higher incomes.

Linking the proposed Universal Basic Income (UBI) with the thoughts and principles of Mahatma Gandhi, the chief economic advisor to the Government of India, Arvind Subramanian said many challenges needed to be resolved before the UBI scheme becomes a reality. Some of the challenges are discussed below:

1. Distortion in the labour market:

- a. A permanent and guaranteed income without any work is likely to affect labour mobility and participation that would likely to increase wages as witnessed after the implementation of MGNREGA (Mahatma Gandhi National Rural Employment Act).

- b. Earned income motivates people to work, to be successful, to cooperate with colleagues, and to gain skills. However, “if we pay people unconditionally, to do nothing, they will do nothing” and this leads to less effective economy in terms of higher inflation and lower growth.
2. **Lack of fiscal capacity:**India does not have the fiscal capacity to implement UBI(Universal Basic Income).For example, the Economic Survey calculations showed that a 75% universality rate with an annual Universal Basic Income of Rs7, 620 per year at 2016-17 prices will cost about 5% of the GDP and current subsidies account for only 4%.It will be politically difficult to roll back existing subsidies to provide fiscal room for UBI.
3. **Political complications:**In order to increase their chances of winning in elections every political party will try to bring back the subsidies by reducing the amount of universal basic income or they will try to increase the amount of UBI to improve their chances in election which will have fiscal implications.
4. **Increase demand for financial services:**According to World Bank, in India, there are only 20 ATMs for every one lakh adult population. Nearly one-third of the Indian adults remain unbanked. With such a state of financial service infrastructure, it would be difficult for the people to access their benefits.

Conclusion:

Despite making remarkable progress in reducing poverty, nearly 20% of the population lives below poverty line. One of the major criticism of poverty is significant leakage. UBI is seen as a more efficient alternative.

Though UBI has many advantages but it also has some challenges also. A transparent and safe financial architecture that is accessible to all is important for the success of the UBI. In other words success of UBI depends on success of efficient mode of delivery of services. If properly implemented it could be cheaper in the long run, considering the effects of poverty, and that, furthermore, it would promote creativity and entrepreneurship among those freed from the struggle to survive.

The Economic Survey very well stated that the UBI is a powerful idea whose time even if not ripe for implementation, is ripe for serious discussion.

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