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The Big Picture - Universal Basic Income

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Sikkim's ruling Sikkim Democratic Front (SDF) has decided to include Universal Basic Income (UBI) in its manifesto for the upcoming assembly and Lok Sabha elections. The state has already begun the process of introducing the unconditional direct cash transfer scheme and is planning to implement the same by 2022. It could become the first state in India to implement UBI.

Evolution of UBI

- Earlier, it was believed that a **state knows its person better** and thus various programs were devised accordingly. These programs generally were marked by the number of inefficiencies and leakages. Many-a-times, there used to be a situation that the thing person wanted, was not available to him.

- **Trickle Down Theory**, the theory states that if the economy grows very fast, the poor people will automatically benefit and they will also be able to take help from the market. The market will also be helpful to them. That has not happened because the market is not always fair.

What is UBI?

- A concept which makes everybody living in a nation or part of it (if meant geographically), entitled to a certain amount of income, transferred to that person irrespective of his/her employment and social status.
- It is a periodic amount given to a person in his/her individual capacity.
- It is given to a person to makes his ends meet, not for any luxurious life.
- It has a right to choice i.e. a person receiving an amount can decide, 'on what, s/he wants to spend that amount?' i.e. whether on health, food etc.

UBI in India and Other Countries

Pilot Project of Madhya Pradesh: In Madhya Pradesh, in particular, geographic belt, a project was taken up by SEWA: Women Association in Gujarat and UNICEF from June 2011 to November 2012. The scheme involved payment of Rs. 300 for adults and Rs. 150 for children each month. India got a mixed result from the project.

Canada has a scheme called 'Mincome' and **Namibia** has a scheme called 'Basic Income Grant' based on UBI. The schemes are successful.

Problems with UBI

- **Not a smart idea:** In a country like India, where a lot of people are Below Poverty Line and are not able to get basic services, it would be a hard choice for the government to provide cash to the needy people instead of targeting the particular problem of the needy people. E.g. If a woman has an iodine deficiency, you would give her iodine salt or basic support income?
- **Feasibility:** How Indian Government will finance the UBI is another issue. The Economic Survey 2017 talked of scrapping 940 schemes and using the saved money (4.95% of GDP) for UBI. It will amount to Rs. 23 per person per day, which is lower than the benefits provided by different schemes.
- **Politically Difficult:** In future, it is possible that political parties will fight on the amount of UBI and the one promising highest amount would win as people would compare the different political parties on the basis of it. Also, once cash transfers get started, what about the other problems of the country like poor health access, education etc. Even, Finance Minister Arun Jaitley has said about UBI, that scheme as proposed in the Economic Survey will not be politically feasible in today's India.
- **Effect on Productivity:** It may happen that once people start receiving the basic

income, they may not feel the need of getting employed. This can affect the country's economy badly.

Way Forward

- With a basic level of education and skill, **if people are able to look after themselves better than the state and the market**, then this idea can be tried in a limited way, provided the state has all the resource, to be able to disburse and target to the needed people.
- **Sikkim's Analysis:** In the last two years, the Sikkim Government assured, by local arrangements, that one able-bodied person per family would get a job and then they came to a conclusion that there are people who still need support. Such people will also be there in other states also. Basic income support to such people is one solution.
- **Something Similar to UBI:** On the one hand, we can have a program like NREGA that India has and on the other, we can provide basic support income to people who otherwise can't be employed with access to other schemes. Better idea for marginal farmers and agricultural laborers rather than waiving loan. With the help of scheme like Aadhar and DBT in India, implementation will be easy.
- **Schemes linked to efficiency and productivity is the need of the hour. MUDRA and START-UP Schemes are the example.**
- Rather than testing UBI in a small Indian state like Sikkim, it should be tested in most backward areas of a country.
- **Basic Income Earth Network of Academicians around the World has analyzed the results of similar schemes in different countries.** Before taking any decision, the government should go through their analysis.