

India's Case for Universal Basic Income (UBI)

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Universal Basic Income (UBI)¹ is becoming a real and tangible policy consideration in India. Although UBI was recognized by Thomas Paine way back in the 18th century, it has gained traction after appearing in the Economic Survey of 2017 and several cases of UBI have been put forward by senior economists in India. For instance, [Pranab Bardhan](#) argues that basic income is more desirable in a poor country like India, due to the “lower poverty threshold” and poor implementation of existing welfare schemes. [Debraj Ray](#), like many others, agrees with him and argues that each recipient should receive a fixed share of GDP.

Despite all the optimism surrounding UBI, there is uncertainty about the broader societal effects it might produce. There are different visions of its costs and how it might be financed, especially if it were to be universalised. *Keeping in mind the fiscal costs, I firmly believe it is almost impossible to “universalize” such a scheme in India. An ideal UBI would be one which excludes the “obvious rich”, so that only people below a certain level of income (those who truly need it) get the cash.*

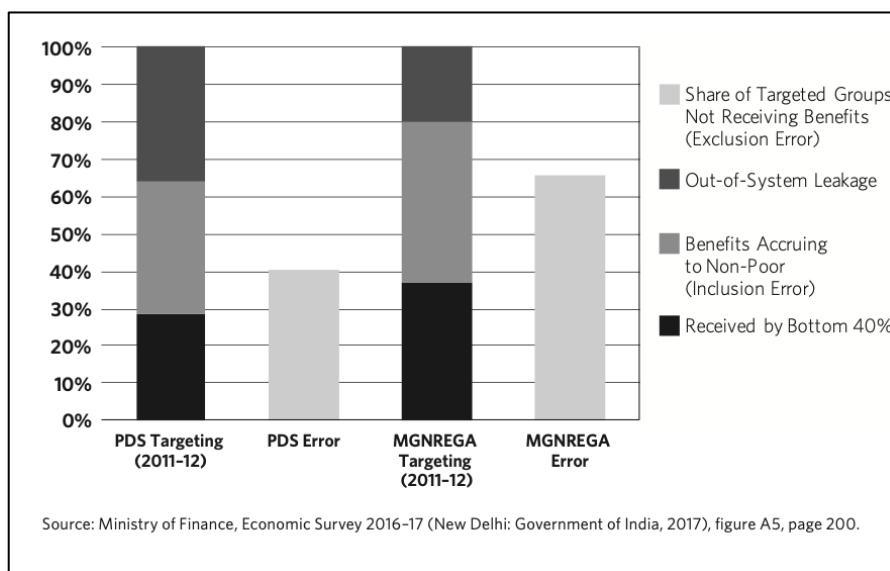
A Quasi UBI or a quasi-basic income scheme that leave out the well-off top quartile (top 25%) of the population can be an effective proposal to alleviate poverty. As was once suggested in the [2016-17 Economic Survey](#), the fiscal cost of such a UBI pegged at ₹7,620, at 75% universality, was approximately 4.9% of the GDP. **The main motivation behind targeting is simple: to most efficiently concentrate scarce public resources so that poorer groups receive a high share of social assistance.**

This approach of excluding the “demonstrably well-off” has also been quantified in [an article](#) by Josh Felman and Dr. Arvind Subramanian, in which they argue for a UBI of Rs. 18,000 per year to rural households to alleviate agrarian distress. Such a targeted transfer,

¹ UBI is a social policy that involves giving people unconditional cash payments, without being required to do any work for it. The objective is to build a financial floor and cement a decent standard of living for the poor.

they believe, would encompass 75% of the rural population at a fiscal cost of 1.3% of the GDP, or Rs. 2.64 lakh crore. Here, targeting is much easier as one doesn't need to identify the beneficiaries (75% of population), but identify the excluded 25%.

Broadly speaking, unconditional cash transfers are considered one of the fairest, most cost-effective, and most impactful ways to alleviate poverty as they give people agency, reduce cognitive burden, increase inclusion and administrative efficiency by eliminating bureaucratic hurdles. Another direct motivation is that the current social programs like MGNREGA, PDS, Jan Dhan etc. leave a lot of scope for improvement. A [survey conducted by Dalberg](#) in April 2020, covering Below Poverty Line (BPL) families across 10 states revealed that the coverage of these programs is not universal and delivery of benefits is low on account of eligibility challenges, lack of awareness and onerous administrative procedures.



The biggest handicap with respect to the UBI, especially in emerging countries, is that of reaching the intended beneficiaries directly due to limitations in the distribution capabilities, lack of internet penetration, corruption etc. Moreover, critics worry that it will encourage wasteful spending and create a disincentive to work. There are other

administrative costs also which consist of the outlays on gathering, analysing, and verifying detailed demographic and income data over time.

An effective way forward could be that such social transfers carefully select and monitor recipients, and ensure they are well-informed about objectives and the outcomes be tracked. ***The Jandhan-Aadhar-Mobile (JAM) infrastructure could be put to use for UBI.*** The idea of UBI is far from perfect but we must acknowledge that it depends on each country's ability to implement it and UBI needs to only be used as a lifeboat to transition to meaningful work, and should not become a guarantee for a lifetime of dependence. UBI is not a cure to end inequality but an important tool that works best as a complement to broader poverty eradication programmes.

References

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