

# Universal Basic Income: An Analysis of It's Suitability for India

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## ABSTRACT

Universal Basic Income (UBI) is an emerging trend in the world scenario. Few countries like Cyprus, France, United States, Brazil, Finland, Canada etc. carried out experiment on Basic Minimum Income or Guaranteed Minimum Income under different schemes. It can play an important role in socio-economic situation of a country.

With the growth of economy, the gap between rich and poor has also widened. The need for Universal Basic Income arises as there are a large number of countries in the world that face the problems of poverty and inequality. The criticality of this problem is more acute in some countries while in some others, it is less.

This paper first explains the meaning of concept and requirement of Universal Basic Income. It then tries to understand the suitability of this concept in Indian context. The disadvantages of UBI have also been brought to light.

**KEY WORDS:** *Universal Basic Income, India, Poverty, Census, Government*

## OBJECTIVES:

- To understand the concept of Universal Basic Income
- To identify its suitability for India
- To look at its negative aspects

## METHODOLOGY

The information and data has been collected only from secondary sources. The data has been used to draw the conclusions.

## INTRODUCTION

According to BIEN, A **basic income** is a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement.

That is, basic income has the following **five characteristics**:

1. **Periodic:** it is paid at regular intervals (for example every month), not as a one-off grant.
2. **Cash payment:** it is paid in an appropriate medium of exchange, allowing those who receive it to decide what they spend it on. It is not, therefore, paid either in kind (such as food or services) or in vouchers dedicated to a specific use.
3. **Individual:** it is paid on an individual basis—and not, for instance, to households.
4. **Universal:** it is paid to all, without means test.
5. **Unconditional:** it is paid without a requirement to work or to demonstrate willingness-to-work.

## REVIEW OF LITERATURE

Universal basic income is a new concept which is still in its evolving phase. Only a few countries have considered its applicability and suitability according to their socio- economic structure.

According to Banerjee, Niehaus and Suri (2019), we are in the early days of basic income research in developing countries. This research can draw many lessons from past. For example, it will be useful to estimate the impact on the people who are currently not getting benefits under any targeted schemes in order to understand how impacts vary. But a broader lesson from these pilots is that the UBI debate is not simply a debate about whether small, regular, transfers are an effective way to achieve some policy objective. It is as much a debate about what kind of society people want (and will vote for) as about how to get there.

According to Dr. Luke Martinelli (2017), In recent years, universal basic income (UBI) has moved from the fringes of academic debate to being mooted in mainstream forums as a serious policy proposal. His report takes an objective look at the core issues relating to UBI's desirability, surveys the existing theoretical and empirical literature on UBI's likely effects; assesses its feasibility as a realistic proposal in the UK; and considers various options regarding policy design and implementation strategies.

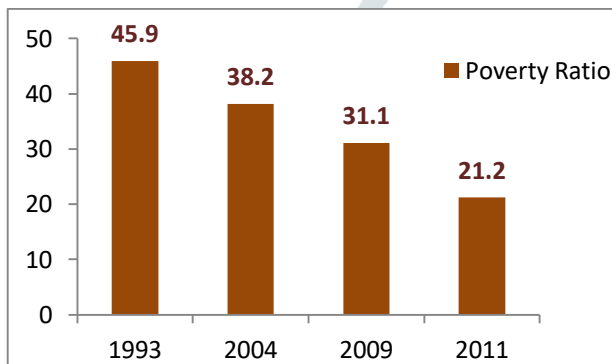
### NEED FOR BASIC INCOME

- Growing automation and thus leading to unemployment
- Poverty
- Regional differences within the countries
- Differences in education levels of people

### SUITABILITY FOR INDIA

- I. According to World Bank estimates, one out of every five Indians is poor. Poverty rate is 25% in rural areas, 14% in urban areas of the country. The poverty ratio has declined over the years (Table 1, Figure1) but still a lot needs to be done in this regard.

**Figure 1: Poverty ratio- Percentage of people living below poverty line in India**



**Table 1: Poverty ratio in India international for 1993,2004,2009,2011**

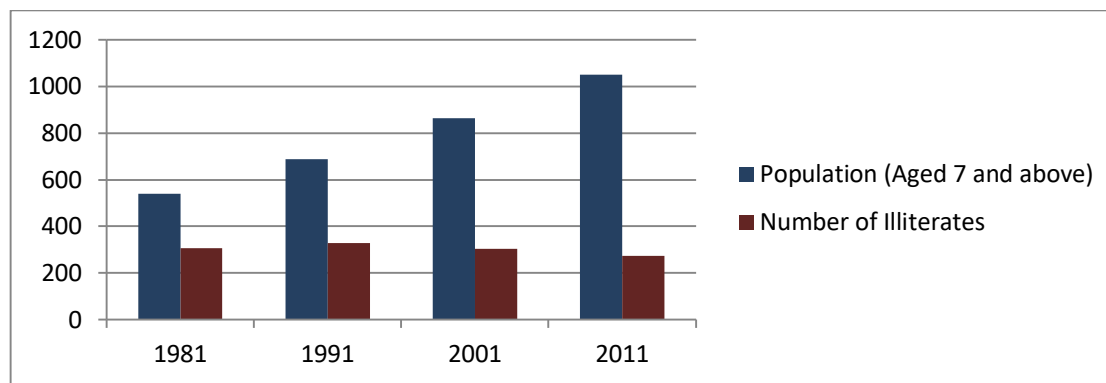
YEAR	POVERTY RATIO
1993	45.9
2004	38.2
2009	31.1
2011	21.2

#### Data Source: Poverty and Equity Databank, World Bank

- II. According to Oxfam India, The national average daily wage in 2011-12 was estimated at INR 247. But, daily wages was more than twice as high in urban areas (INR 384) compared to rural areas (INR 175). This shows the regional economic inequalities that exist in the country.
- III. As per the data published by the 2011 census, India had an illiteracy rate of 25.96 per cent in 2011. Even though the literacy rate has increased, the number of literates has not changes too much when compared to the increasing population. The population almost doubled between 1981 and 2011 whereas the number of illiterates declined by only 10% during the same time period. (Table 2, Figure2).

**Table 2: Population of India (Aged 7 and above) and number of literates**

YEAR	Population (7 years and above) ('000000)	% change in Population taking 1981 as base year	Number of illiterates	% change in illiterates taking 1981 as base year	Literacy rate
1981	541.04	-	305.31	-	43.57
1991	688.16	27.19	328.88	7.53	52.21
2001	864.79	59.84	304.14	(0.38)	64.83
2011	1051.40	94.33	272.95	10.6	74.04

**Figure 2: Population (Aged 7 and above and the number of illiterates)**

Data Source: Census 1981, 1991, 2001, 2011

IV. In a country where top 1% people own 73% of country's wealth (Oxfam), this concept might prove to be a success.

But like every coin has two faces, it has some disadvantages as well:

- People might not work even as much as they are working. India is a country where more than half i.e. 62.5% of population is in the age group 15-59. This is "economically active population." These are the people who can work for a living. If this population gets minimum income without working, they will lose the motivation to work. This will affect the overall growth and GDP of the country.
- The income from rich will be transferred to the poor, so even the rich might not be ready to work as hard
- The government will have to reduce some facilities for the public for compensating the payments
- The Government of India is already running schemes such as Pradhan Mantri Jan Dhan Yojana, Atal Pension Yojana etc. for weaker sections of population where financial benefits are directly transferred to them. Including the entire population of country under any such scheme is neither required nor beneficial.
- The Ministry of Labour and Employment had constituted a committee under the chairmanship of Anoop Satpathy, fellow of the VV Giri National Labour Institute, in January 2017 to review and recommend ways to calculate the national minimum wage. The committee submitted its report to the labour secretary. It proposed that the 'minimum wage should include reasonable expenditure on essential non-food items such as clothing, fuel and light, house rent, education, medical expenses, footwear and transport, which must be equal to the median class, and spending on other non-food items be equivalent to the sixth fractile (25-30%) of household expenditure distribution, as per the NSSO-CES 2011/12 data.' If the minimum income is decided and the people get employment, there will be no need of Universal Basic Income as everyone will be able to earn minimum wages and also contribute to the economy.

### LIMITATIONS OF THE STUDY

The official data is available only till 2011, the year when last census was conducted. However, the present conditions must have definitely changed, the trend remains the same.

### CONCLUSION

Universal Basic Income is a great concept for some countries. However, it might not be successful for a country like India where there are vast income and regional differences. If introduced, there will be an intense need to consider the purposes for which the income is being used. If the income is used for non-productive purposes, instead of being proved a boon, it might become a bane. But since UBI is "unconditional", this is against the whole concept.

On the other hand, it will increase burden on the government which will search for methods of transferring income from rich to the poor through its fiscal policies. The economic condition of some may improve but the overall social conditions will rather deteriorate.

Hence, if this concept is introduced, some things will need to be checked:

- The income reaches the actual beneficiaries
- The income decided suits the place of residence of person (urban/rural) due to vast regional differences
- The income is adjusted according to the price level changes
- It is within the scope of the government to pay such a huge amount to the working and the non working population.

However, measuring all of these things is not practically possible.

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