



## Universal Basic Income in India: Boon or Bane for Economic Development

Seedari Ujwala Rani<sup>1\*</sup> and Lochela Prabhu Kiran<sup>2</sup>

<sup>1</sup>Assistant Professor, Department of Agricultural Economics, ANGRAU

<sup>2</sup>Research Scholar, Department of Mechanical Engineering, S.V. University, Tirupati

\*Corresponding author. E-mail: [ujwala.aeco@gmail.com](mailto:ujwala.aeco@gmail.com)

It was recorded that, 80 percent of India's workforce are engaged in informal sector coupled with unemployment rate of 8 percent. Due to Covid -19 regular lock downs, the severity of poverty has been increased in which the daily labours are suffering to earn their minimum daily wages and Income. In this situation, the discussion emerged about pros and cons of implementation of Universal Basic Income (UBI) for a developing country like India. UBI is a model for providing a sum of money to all citizens of a country or other geographic area with a given sum of money, regardless of their income, employment status. The main idea of UBI is to reduce income inequality and reduce poverty. It was first proposed by Thomas Spence in 18th century and later spoken by Joseph Charlier in 19<sup>th</sup> at national level. It was the subject of short-lived national debates in England around 1920 and in the United States around 1970 and slowly gained worldwide popularity from 2016 onwards.

There are several welfare scheme existed in country like MGNREGS, PM Kisan and National social assistances Programmes on which government spends nearly nine lakh crore every year. Many rural people engaged in these programmes for their livelihood with daily wage of Rs. 205 to 450. Despite of many welfare schemes and micro financed institutions, the continues existence of poverty and inequality is giving a picture of low standard of living of poor people in India. So as a poverty eradicator, the concept of UBI is thoughtful idea giving by Government and discussion are proceeded on it. As per economic survey 2016-17, the fiscal cost of a UBI pegged at ₹7,620, at 75% universality, was 4.9% of the GDP which could lead to targeted household incomes increasing by almost ₹40,000 per annum and will cut poverty from 22% to 0.45% and increase health, education status of weaker sections. It will increase the purchasing power of every poor so aggregate demand in the economy will get a boost But, there are still lots of uncertainty by taking a step forward to implement in India.

### How Universal Basic Income model differ from Other welfare schemes?

- a) **Universal Scheme:** All citizens of the country will receive the payment of cash without any discrimination.
- b) **Periodic:** Money will be distributed to the beneficiaries at a fixed interval i.e. monthly/yearly.
- c) **Cash Payment:** The beneficiaries will get the cash directly into their account.
- d) **Unconditional Scheme:** It means one need not prove his or her unemployment status or socio-economic identity to be eligible for UBI.
- e) **Individual Beneficiary:** Every citizen is considered as the beneficiary rather than each household.

### Short term implementations of UBI and outcomes in other countries

**1. Finland:** It was the first country in the world to implement nationwide basic income experiment which is of two years from 2017-2018. It is reported that, the basic income recipients were more satisfied with their lives and experienced less mental strain than the control group. They also had a more positive perception of their economic welfare.



**2. Africa:** From January 2008 to December 2009, a pilot project with basic income grant was implemented in the [Namibian](#) villages of Otjievero and [Omitara](#). The project found that , pilot project have significantly reduced child malnutrition and increased school attendance. It was also found to have increased the community's income significantly above the actual amount from the grants as it allowed citizens to partake in more productive economic activities Another finding of the project was that after the introduction of the pilot, overall crime rates fell by 42%, specifically stock theft, which fell by 43% and other theft by nearly 20%. These conclusions are derived from two empirical studies conducted by the Basic Income Grant Coalition.

### **Possible Advantages and Dis advantages on implementation of UBI**

#### **a) Advantages**

1. Citizens could have assured financial assistance from government
2. It may reduce poverty gap and income inequality conditions in the society
- 3 The payment s could stabilize the economy during recession periods
4. Workers could afford to wait for a better job or better wages

#### **b) Dis advantages**

1. Free cash to the poor can make them lazy or it may reduce the incentive for work and also may increase the inflation in the country
2. Cash may be diverted on spending towards tobacco, alcohol, drugs instead on productive activities like health & education.
3. Workers may lose incentive to work which adversely affecting the economy and leading to a labour and skills shortage.
4. Smaller Payments won't make a real difference to poverty stricken families and high income earners spend much less for every tax dollar saved, and economic growth is largely unaffected by how much the rich pay in taxes

### **Is India needs UBI ?- Boon or Bane for Economic Development**

Unemployment and poverty has been increased during Covid -19 pandemic. Due to social distancing and unpredictability in lock downs, weaker sections of society are suffering with hunger and unable to meet their daily needs. In this situation of Pandemic, for some extent ,the introduction of UBI in pilot period of short term of at least one year may reduce the poverty trap of people . It may promote efficiency by reducing waste in government transfers. And it could, under some circumstances, even promote greater productivity. But arguments are also arising against despite its benefits. Giving a sum of Rs.7,620 per person/year will not change much as we have seen this in the MGNREGA schemes which gives Rs. 10,000 per year to the people. It was argued that , Welfare schemes can be continued for several years to provide an additional safety net, despite its well known defects. This would provide extra support for people whose incomes are less than the average income of the population below the poverty line

Above all, the UBI model will be benefited, if it is targeted only BPL instead of consider every citizen in country. It will become bane for country, if its benefits are diverted to financially capable people and may not fulfill the purpose of reducing poverty, instead it creates inflation. It will be boon, if it implemented during disasters, Pandemic only for short duration . UBI may become bane for country if it continuous for long run which makes people demotivates towards work life.

### **Conclusion**

The history has proven that freebies never changed the economic conditions of the people .The UBI model may not suitable for developing countries where there is high illiteracy and dominates with unskilled labour. The unconditional cash transfers wont drive motive towards education and secondary healthcare of households. Thus, UBI would not be a magic solution to all problems. It will



put purchasing power in the hands of people, it cannot guarantee that supplies will be forthcoming. It will be fair if government focus on up gradation of skills and efficiency of labours by providing training and necessary precautionary during pandemic. Existing welfare schemes with increased wages can be a better solution to remove inequality instead of unconditional cash transfer to every citizen.

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