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## UNIVERSAL BASIC INCOME: AN EFFECTIVE ECONOMIC STRATEGY FOR DEVELOPING INDIA

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### **ABSTRACT**

*I*t is observed in varied studies that in order to improve the living conditions of human beings, sufficient amount of money should be paid which is required for subsistence. This amount is treated by the beneficiaries as a part of income. This concept of paying such amount is not a new one but as old as 150 years. This amount paid to everyone is commonly termed as Universal Basic Income (UBI). This payment is essential to control, to a great extent, the extreme poverty which proves to be fatal and requires some urgent measures. Keeping in view an immense need to study, analyze and suggest measures for fruitful and effective distribution of sufficient amount to everyone, this conceptual paper is prepared to through some light on the subject-UNIVERSAL BASIC INCOME. The objectives of this



*paper are:*

- To understand the concept of Universal Basic Income.
- To study the present scenario and historical background of Universal Basic Income.
- To describe the procedure, merits and demerits of Universal Basic Income.
- To suggest measures for effective implementation of this scheme.

**KEY WORDS:** Basic Income, UBI, Universal grant, Citizen's wages, Citizen's income.

### **1. INTRODUCTION:**

The studies conducted regarding the social security of people and nutritional condition of children shows that in India a child under five,

dies of malnutrition every 6 seconds. On the basis of study it is inferred as, 30% of the population lives in the state of extreme poverty which is normally proves to be fatal. Therefore, there is an immense need that this situation has to be arrested by some effective measures.

In this regard the idea of implementing Universal Basic Income (UBI) arises which is basically a standard minimum cash subsidy to all citizens. Though this idea is not a very new one and is as old as 150 years. Its two known oldest formulation were initiated by Charles Fourier, the French Utopian socialist. In the year 1848 the great

thinker Karl Marx who was working on the communist manifesto around the corner, the Brussels based Fourierist author Joseph Charlier published solution of the social problem, in which he advocated for a 'territorial dividend' given to each citizen by virtue of equal ownership of the nation territory. In the following year, John Stuart Mill wrote a new edition of his book in the name of 'principles of practical economy' which encompasses an elaborate and sympathetic explanation of Fourierism – the most skillfully combined and with the greatest foresight of objections, of all the forms of socialism, which was rephrased so as to yield unambiguous UBI proposal: 'in the distribution the certain minimum is first assigned for the subsistence of every member of the community, whether

Capable or not of working. The remainder of the produce is to be shared in certain proportions, to be determined beforehand among the three essential elements – ‘Labor, Capital and Talent’.

In fact the concept of Universal Basic Income had been perpetually taken up in the economic circles throughout the last century i.e. the 21st century. Though the concept of UBI was earnestly discussed during the world wars but since late 1970s this idea gained an impetus in European countries, such as Netherlands and Denmark. Presently most of the political parties have added UBI in their official program and their agenda.

**HOW UBI IS DEFINED** – Universal Basic Income, in modern connotation, is a Grant/ Income paid by Government at a uniform level and at regular and periodical intervals. To each member of the society without considering the financial background of the person, whether rich or poor, member of family or living alone, working or not working, is willing to work or not.

The “BASIC” term is used in UBI due to the reason that it is something on which a person can safely count, of material foundation on which person’s life can firmly depend or rest upon. However, any other income –whether in cash or in kind, from labor or savings, from the market or the government –can legally be added to it therefore, Universal Basic Income is directly associated and connected with the notion of ‘Basic Needs’.

Under a different nomenclature such as ‘social dividend’, ‘national dividend’, ‘government bonus’, ‘government grants’, ‘citizen’s grants’, citizen’s wage’, ‘citizen income’, etc, the idea of this is appreciated and significantly being considered to be adopted for improving the living conditions and for providing social security measures of people of any country. In the Indian scenario UBI is being considered for replacing welfare programs which are more than one thousand. This UBI concept will replace subsidized food, fertilizers, petroleum products and many more. Mr. Arvind Subramanian, the Chief Economic advisor of Government of India has outlined UBI scheme. According to him the amount transferred would be around Rs. 600 -700 per month. The total amount or the total cost of this payment would be to the tune of 6%-7% of gross domestic product. While more than one thousand schemes and social security provisions cost more than 8% of GDP.

The pilot survey conducted in the state of Madhya Pradesh has given very positive results and given a conclusion that extending cash benefit to the people is easier and much better than existing system of extending welfare and social security in kind. It has also been observed that plethora of various welfare and social security schemes such as subsidized food, fuel, gas, electricity, fertilizers etc. are very meager, insufficient and may cause corruption. The beneficiaries of such schemes have to depend upon and rest on the mercy of government officers, bureaucrats, etc. who have been pressurizing them to accept less than what they are entitled for. This concept of payment in kind is on the basis of assumption that poor Indians do not have proper capability to make proper use of money at their disposals. But the trial run of UBI in Madhya Pradesh has given excellent results and disproved the notion that the money given in the form of UBI is misused in boozing, gambling and other irresponsible activities.

#### **Salient features of UBI – In real sense UBI has five salient features:**

1. Periodicity – The payment under UBI is paid periodically at regular intervals and not as one time grant.
2. Payment purely in cash – The payment under the scheme UBI uses the suitable medium of exchange and the beneficiaries are permitted or free to use the amount the way they want. Therefore the payment is not made in the form of kind such as food, fuel, other services or any form of voucher which can be used for any specific purposes.
3. Individuals – The UBI scheme intends to pay the amount to an individual and not to household for families.
4. Unconditional – No conditions are applicable. It is paid without any condition -to work or demonstrate willingness to work or not.
5. Universal – According to these characteristics UBI is paid to all without any prejudice or means of test.

#### **Merits of UBI**

- 1.This UBI provides social justice.
- 2.It provides liberty to the beneficiary to use the money the way they want.
- 3.It will solve the problem of poverty to some extent.

- 4.Unemployment will also be reduced.
- 5.Unemployment issues can be tackled.
- 6.Human replacing technology is creating joblessness in the society which can be handled properly by UBI.

#### **Demerits of UBI**

- 1.Affordability of the Government.
- 2.Insufficiency of the amount for the person living below poverty line.
- 3.It may create tendency among the peoples not to work, which may reduce the productivity of the nation.
- 4.The distribution system of UBI is presently inadequate in Indian circumstances.
- 5.Improper and ineffective information technology especially in remote areas.
- 6.Lack of banking network in remote and rural areas, will also be a hurdle or may create a problem.

#### **SUGGESTIVE MEASURES FOR IMPROVEMENT**

1. Strengthen the banking network especially in rural areas -As the banking network in rural areas is very poor the government should take necessary action in strengthen the banking network in the remote areas.
2. Linking of Aadhar Card (UID) – The necessary action will have to be taken to provide UID to each and every individual so as to link UID with bank account of everybody and to get utmost benefit of UBI.
3. Effective measures to be taken-Necessary steps should be taken to make UBI a fruitful tool to benefit the society as a whole and should not become or supplement social security and welfare programs.

In nut shell it can be concluded that the Universal Basic Income (UBI) will prove to be a strong helping hand to India's poorest people.

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