

# EDITORIAL

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## **Universal Basic Income in India: A Pathway to Inclusive Growth and Social Protection**

### **Introduction**

The **International Labour Organization (ILO)** has brought attention to the global issue of **jobless growth**, exacerbated by **automation** and **artificial intelligence (AI)**. These factors, along with rising **youth unemployment** and **inequality** in India, have reignited debates around **Universal Basic Income (UBI)** as a potential tool for providing a **social safety net**. India's **2016-17 Economic Survey** first proposed UBI as a solution to replace inefficient welfare schemes, further bolstered by the development of the **JAM (Jan-Dhan, Aadhaar, Mobile) infrastructure**, enhancing the feasibility of **Direct Benefit Transfers (DBTs)** for UBI.

### **UBI as a Safety Net Policy**

UBI should be viewed as a **social safety net policy**, rather than a direct solution for **employment growth** or **economic development**. It is intended to provide **income support** to individuals, helping them manage the **consequences of unemployment, poverty, and financial insecurity**. UBI's objective is to ensure a **basic income floor** rather than solving **structural economic** issues like job creation.

### **Key Benefits of Universal Basic Income (UBI)**

- Poverty Alleviation and Financial Security:** UBI provides **direct cash transfers** to all citizens, ensuring a **minimum income** that can **lift people out of poverty**, especially in high-poverty regions.
- Reduction in Administrative Costs:** **Universal transfers** mean fewer intermediaries, reducing **administrative costs** and minimizing **exclusion errors** compared to targeted schemes.
- Increased Consumption and Economic Growth:** UBI enhances **purchasing power** for lower-income groups, potentially boosting **aggregate demand**, especially during **economic downturns**.
- Support for Vulnerable Populations:** UBI can provide **financial security** for vulnerable groups like the **elderly, disabled, and unemployed**, who may not benefit from work-based welfare programs such as **MGNREGS**.

5. **Human Development Investment:** Families with **guaranteed income** are more likely to invest in **healthcare** and **education**, improving **human development indicators** over time.
6. **Mental Health and Social Stability:** By reducing **financial insecurity**, UBI could alleviate **mental stress** and even lower **crime rates**, as individuals with stable income are less likely to engage in criminal activities.
7. **Fiscal Efficiency:** By streamlining welfare programs, UBI could address the fragmented **social security framework** in India. The **National Food Security Act** currently covers **67% of the population**, but **90 million eligible people** are excluded from **legal entitlements**. UBI would reduce these errors, providing a more **efficient system**.
8. **Promoting Entrepreneurship and Innovation:** UBI can encourage **entrepreneurial risks** by providing a financial safety net. This would align with India's aspirations for a **USD 5 trillion economy**, especially as **gig economy workers** are projected to grow to **23.5 million by 2029-30**.
9. **Climate Resilience and Adaptive Capacity:** UBI could help build **climate resilience** by providing a financial buffer during **climate shocks** and facilitating adaptation strategies, aligning with global initiatives like **COP 28's just transition** framework.
10. **Soft Power and Global Leadership:** A successful UBI program could enhance India's **geopolitical influence** by positioning it as a leader in **social policy innovation** and contributing to global discussions on **inequality**.

### Challenges and Concerns Associated with UBI Implementation

1. **Fiscal Burden:** Large-scale UBI proposals range from **3.5% to 11% of GDP**, which presents a significant **financial burden** on the government. Even a modest UBI would require **substantial additional expenditure**.
2. **Impact on Existing Welfare Schemes:** Replacing current welfare schemes with UBI might risk eliminating **targeted programs** crucial for vulnerable populations, such as **PDS** or **MGNREGS**, which could worsen outcomes for certain groups.
3. **Inflationary Pressures:** Large-scale **cash transfers** could lead to **demand-pull inflation**, especially in **rural** and **underdeveloped areas**, where supply constraints are more pronounced.
4. **Work Disincentives:** Critics argue that UBI might create **disincentives to work**, particularly in sectors that rely on low-wage labor, which could exacerbate **labor shortages** in critical areas like **agriculture** and **construction**.
5. **Implementation Challenges:** **Biometric failures** and **network issues**, seen in schemes like **PM-KISAN**, raise concerns about the ability to **ensure universal access** and prevent **exclusion errors** in UBI distribution.

6. **Opportunity Cost:** Diverting resources to UBI could crowd out **investment in crucial sectors** like **healthcare** (currently at **2.1% of GDP**) and **education** (down to **2.9% of GDP**), impeding long-term development.

### State and Central Government Schemes Related to UBI

Several schemes at the state and central levels provide **unconditional cash transfers** that resemble UBI in spirit

- **Rythu Bandhu** (Telangana) and **KALIA** (Odisha) offer payments to farmers.
- **PM-KISAN** provides **₹6,000 annually** to farmers, covering nearly **10 crore households**.
- These schemes face **inclusion and exclusion errors** due to logistical challenges, including **Aadhaar verification** and **bank rejections**.

### Financial Feasibility of UBI in India

- Implementing a full-scale UBI would cost **3-4.9% of GDP**, which raises concerns about **fiscal sustainability**.
- A more **feasible approach** would be a limited UBI, pegged at **1% of GDP**, which would provide **₹144 per month per citizen** (or **₹500 per household**). This amount, although small, could be **gradually scaled up**, building on schemes like **PM-KISAN**.

### Feasibility vs. Desirability of UBI

- **Feasibility:** UBI may not be financially viable in its **full scale** due to India's **fiscal constraints**.
- **Desirability:** UBI is desirable as a **universal income support** system that can **reduce inequality** and ensure a **minimum consumption guarantee**.
- A **modified UBI** that is **less ambitious** but more financially feasible should be explored.

### The Way Forward

1. **Phased Implementation:** A **modified UBI** could start by targeting **vulnerable groups** (e.g., women, elderly, disabled, landless laborers) and be rolled out gradually across other sections.
2. **Leveraging JAM Infrastructure:** The **JAM trinity** (Jan-Dhan, Aadhaar, Mobile) should be used to facilitate UBI distribution. Improvements in **banking access**, **Aadhaar-based verification**, and **internet connectivity** are crucial for successful implementation.
3. **Integration with Existing Schemes:** UBI can be combined with schemes like **MGNREGS** and **PDS** for better coverage, avoiding the complete elimination of essential welfare programs.

4. **Support for Job Creation:** UBI should be paired with **job creation policies** that stimulate **economic growth** and **employment**, as UBI alone cannot address structural issues like **unemployment** or **skills gaps**.
5. **Robust Monitoring and Evaluation:** A **comprehensive monitoring** system using **big data analytics** and **AI** should track UBI's impact on **poverty**, **inequality**, and overall **economic indicators**. Regular **social audits** should ensure **transparency** and **accountability**.

### Conclusion

While UBI holds promise for addressing **poverty** and **inequality**, its **large-scale implementation** faces significant **budgetary challenges**. A **modified UBI**, rolled out in **phases** and integrated with existing welfare programs, could offer a more viable solution. By ensuring a balanced and **comprehensive social safety net**, UBI can contribute to India's vision of an **inclusive economy** while addressing the **concerns of financial feasibility** and **implementation challenges**.

## MAINS QUESTION

Critically analyze the role of Universal Basic Income (UBI) in addressing structural issues such as unemployment, poverty, and inequality in India. Can UBI be a sustainable alternative to existing welfare schemes like MGNREGS and Public Distribution System (PDS)?