

## Indian Economy And Universal Basic Income

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### **Abstract**

*Universal basic income is the minimum pay ensured by the state on an individual reason for its residents with no work prerequisite and regardless of their status of business or profit. A state may change certain parameters for the qualification of U.B.I. Impression of its plausibility are heterogeneous crosswise over nations, reflecting general contrasts in, among others, work markets, work structure and morals, interest in broad daylight benefits and related financial administration limit. A significant analysis about execution of U.B.I. in India that we are only obtaining the possibility of U.B.I. from the west and don't really require it given the conditions of our economy. An inadequately actualized Universal basic income would bring about champs and washouts in differed portions of society. Actualizing UBI can help accomplish this target by furnishing everybody with enough purchasing limit so they can live with dignity and can approach their fundamental needs.*

**Key words:** *Gross domestic product, Indian economy, Sustainable Development Goals, Universal basic income.*

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## **Introduction**

A Universal Basic Income (U.B.I.) is a customary fixed money move instalment gave by the administration or another organization in the open circle to each resident or occupant, paying little heed to whether the person is rich or poor as well as wishing to be occupied with paid business.<sup>1</sup> The thought of a U.B.I. an unrestricted money instalment paid to everybody has been increasing a great deal of consideration as of late. The intrigue can be halfway connected to significant social-financial patterns being seen over the world, including remaining degrees of neediness and developing disparity. The interest is additionally established in the apparent dangers of occupation misfortunes because of mechanical headway. In either case, U.B.I. is being considered as a potential answer for the numerous financial difficulties went up against by the present reality.

U.B.I. is the base pay ensured by the state on an individual reason for its residents with no work necessity and regardless of their status of business or income. A state may change certain parameters for the qualification of UBI. For instance, a state may permit the fundamental least assurance for just poor people and underestimated areas of the general public or just for senior residents or for poor ladies or some other parameter relying upon what the state tries to accomplish.

The possibility of an essential salary is established on the three following characteristics:

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- (i) **Universality:** a fundamental salary ought to be available to all populace (be that as it may, some essential pay defenders encourage to begin in a particular space and afterward “universalise” slowly after some time).
- (ii) **Individuality:** an essential salary ought to be intended to take into account people, not family units, since it is viewed as a really singular right.
- (iii) **Un-contingency:** an essential salary ought to be unrestricted (or it should utilize conditions that don’t disregard comprehensiveness).<sup>2,3</sup>

The possibility of a UBI has seen a “renaissance” in recent years.<sup>4</sup> The discourse is incompletely activated by digitalisation, which combined with shifts in demography; globalization and work association is changing the nature and structure of work. Digitalisation is, therefore, regarded as one of the key influences on future work. There is hopefulness, given that generally, technological changes have achieved noteworthy in general gains for populaces, as showed in the immediate formation of progressively profitable and remunerating occupations in the long haul. Therefore, inferable from its capability to address the difficulties expedited by a future described by expanded joblessness and imbalance, the UBI is back at the focal point of strategy discusses. This is basic in the post 2015 period, where all United Nation Member States have joined to the Sustainable Development Goals (SDGs) and focused on

their execution by 2030. The objectives plan to coordinate arrangement making in a manner that adds to giving a good life to all through acknowledging maintainability in the social, financial and ecological circles. Annihilating extraordinary destitution is as yet the top need, however the activity plan expands further, accentuating the advancement of comprehensive development and formation of conventional occupations. Impression of UBI's plausibility are heterogeneous crosswise over nations, reflecting general contrasts in, among others, work markets, work structure and morals, interest out in the open administrations and related financial administration limit.

### **U.B.I. in the Indian Context**

India is set to utilise UBI as a potential tool to fight poverty. The rationale is twofold. First, UBI could spare the government the messy task of identifying the 'right' people for qualification under a welfare programme. Second, UBI could replace some of the existing welfare schemes, especially those that offer in-kind benefits such as subsidies on food, water and fertilizer. This would obviate the bulky administrative work needed to supply the poor with these provisions.

The idea to experiment with UBI also originated from the positive outcomes exhibited by previous pilots – two in MadhyaPradesh and a smaller one in West Delhi. Powerful results have been displayed in non-monetary terms including better nutrition among children, healthcare, sanitation and school attendance/performance. More importantly, yet unexpectedly, prominent social and psychological effects were observed. For instance, people, particularly women, were found to take more initiative in decision making, while others drew on UBI to better balance finance and escape high debt levels.<sup>15</sup>

The amount proposed for UBI is now anchored at 7,620 rupees (US\$113) per person per year. It falls below the minimum wage monthly payment in a city, yet is presumed to bring extreme poverty down from 22% to less than 0.5% (The Economist, 2017a). The proposal seems simple, but is not without its challenges. First, there are doubts as to whether such a scheme could be adequately financed. Calculations have been done, and their results suggest that the money would largely come from funds freed up from approximately 950 existing welfare schemes. This includes ending in-kind benefits for the poor, as mentioned above, that equate to about 2% of GDP. Cutting additional subsidies to the middle class (e.g. on transport, cooking gas, loans) would save another 1% of GDP. However, adding up the two would not be enough, as 4.9% of GDP would be needed to cover a UBI that serves 75% of the population.<sup>16</sup>

Second, India's socio-economic conditions, particularly under-developed financial infrastructure, create a significant impediment to UBI implementation. Accessing personal entitlements through bank transfers is a daunting task in India,

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where one-third of Indians still do not have a bank account. According to the WB (World Bank), there are only around 20 ATMs for every 100,000 adults in India, compared to 70 in South Africa and 114 in Brazil.<sup>16</sup> On the other hand, the pursuit of digital payments for UBI may well stimulate investment in financial infrastructure. Therefore, UBI is considered by some as no more than a fancy concept<sup>17</sup>, and one that India is not yet ready to put into practice. The time is ripe for further deliberation on how to turn the idea into a feasible project.

There is a major criticism about implementation of UBI in India that we are merely borrowing the idea of UBI from the west and do not actually need it given the circumstances of our economy. The reason cited for this criticism is that India hasn't reached the levels of automation that the west has and the unemployment in India is a result of inefficiencies in the economy, lack of skill among people and lack of investment in employment generating ventures and projects.

Now there are many responses (both qualitative and quantitative included) to this criticism but for now we will consider only one of them (the quantitative one) and unpack the remaining stuff in the very next section. It is definitely true that India is not as advanced technologically as the west. For example in India agriculture still employs a lot of people (50% of the population) and is not assisted by technology as much as the agricultural practices in USA (west), where a farmer can cultivate hundreds of hectares of land with very few people because of help from technological capital such as drones (this is not exactly automation but tech assistance which results in increased productivity with few people employed). On the other hand in India a family of farmers can cultivate only two or three hectares of land. Also various other industries are not automated on full scale unlike the west.

“India has not been impacted by the process of automation and is not vulnerable to future risk of high unemployment rates because of automation advances” is an epitome of what we call an understatement. This claim is backed by data as shown below. For almost a 9% increase in the contribution of service sector (largest sector in terms of production) there is only 1.5% increase in the employment which shows that economic growth is not creating enough jobs in the biggest sector of Indian economy and this is due to increased use of technological capital instead of use of man power. This is evident from the data in the tables<sup>18,19</sup> and graphs at the end of the text.

### **UBI: The Need of India**

We need to critically examine the need of any state sponsored scheme to understand why exactly do we need or don't need the implementation of universal basic income. So any state sponsored scheme is always aimed at welfare of people directly or indirectly. If we see any state pursuing economic growth or rather being obsessed with economic growth, it is because those who run the state i.e. the

governments (which in a democratic country like India represent the voice of people) believe strongly that economic prosperity or economic growth will bring welfare to its people and that more the material wealth the more satisfaction most of the people will get if not all. The point of contention is not about the correctness or aptness of the view that state (rather government) holds but that the end of whatever means it chooses to employ is the welfare of people. So now we know that states act in ways that bring welfare to its people.

Now coming back to the previous argument that “India does not need UBI because it lacks the level of advancements in automation that the west has reached and hence technological progress is not compromising employment in India”. First of all this is not true. Second of all even if it were true, it does not become a criticism of UBI implementation in India. Why? Because employment in itself is not the end goal of UBI but welfare is. Imagine a society where some people work and some don’t but everyone has plenty of material wealth and everyone can afford all the necessities not just for survival but also for a satisfactory living (obviously it’s a utopia but this example is important to understand our case). In such a society people (working or unemployed both) wouldn’t even think of employment because it is not necessary for welfare (at least the kind of welfare we seek to achieve in our society). Now imagine a society where everyone works but no one can afford anything (slums). Is this employment of any use? In the end employment is a means to disposable income which can help people buy their basic needs. In a country like India where most of the population is working in the informal sector, there is huge insecurity of income for example most farmers are completely dependent on monsoons and have huge income insecurity (it is an irony how our farmers can’t guarantee their own food and also scholars sometimes tend to forget that agrarian distress is the distress of half of our country). Also the quality of employment in India is such that it does not guarantee enough disposable income. In such a scenario arguing that India does not need UBI because there aren’t employment and automation issues is doing gross injustice to the very basis of UBI implementation. We need UBI for different issues as compared to the western countries. Be it the west or east, the bottom line is: Does everyone have enough – that’s what it boils down to in the end and that’s what employment is for.

Further if we go by the Keynesian view then the lack of demand will slow down economic growth. The people who have the major concentration of wealth – the capitalists – can’t create all the demand that an economy requires to sustain itself. Profits and savings (and in turn investments) depend on how much the common folk can buy. Hence UBI will provide people with disposable income which will help create demand of goods and services in the market and help sustain the economy

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Next, we consider the argument of equality. As we saw in the case of telecom operator above most of the benefits of economic growth accrue to the capitalist class just because the structure of our society is such that it favours the capital owning people. And the fruits of progress do not reach the marginalized and the poor. UBI can help redistribute wealth. By taxing capitalists heavily India can become socialist in the right spirit and the additional revenue generated spent as UBI for individuals will help deal with the problem of inequality that has accompanied growth. At last we consider fulfilment of Right to life for all Indian citizens as a state responsibility. This obligation forms the basis of the pressing need to implement UBI in India. This seems like more of a moral political argument than an economic one but then after all most aspects of our life including development are connected to politics in some way or another. Over the past 70 years after independence judiciary has expanded the scope of right to life which now also includes right to live with dignity and right to livelihood and right to shelter. Our constitution is sensitive to the basic needs of the people and government is duty bound to safeguard these sacred rights for all people of this country. Implementing UBI can help achieve this objective by providing everyone with enough buying capacity so that they can live (and not just survive) with dignity and can have access to their basic needs.

#### **Advantages of U.B.I.**

- (i) **Freedom and Justice:** One of the most widely recognized contentions for a fundamental pay, particularly from a preservationist libertarian point of view, alludes to the issue of freedom. As perhaps the most punctual supporter of UBI, 5 conjectured that an essential salary would incite a move from the brain science of shortage to the brain research of bounty that can improve social union as it produces activity, confidence throughout everyday life and solidarity. UBI can likewise give individuals a more noteworthy feeling of agency over their life through an assortment of components. To begin with, the assurance of a salary can propel individuals to settle on significant work decisions not driven basically by budgetary needs yet in addition by liking and interest. Second, it can improve individuals' prosperity by making them increasingly autonomous of coercive and reformatory policies that can contrarily influence their psychological prosperity.
- (ii) **Poverty Reduction:** Another fundamental argument in support of the universal basic income is that it could help to eradicate poverty, regardless of what the causes of poverty are. In fact, if the basic income were set above the poverty line, it should theoretically lead to the complete elimination of absolute poverty. As the money is provided universally as a "right of citizenship" rather than as a targeted benefit, the stigma and

shame typically attached to receiving benefits from the state should not be present <sup>6</sup>. Also, compared to targeted welfare policies, a basic income is said to be less intrusive and paternalistic, as it does not require the government to monitor people's behaviour <sup>7,8</sup> Finally, the transfer is expected to help strengthen social solidarity and cohesion which are particularly relevant in small and poor communities, and avoid alienation and distrust .<sup>9</sup>

- (iii) **An Economically Efficient Welfare Solution:**From an economic perspective, one of the main criticisms of UBI is that it may reduce people's incentives to work <sup>10</sup>, as it is expected to generate an income effect on the demand for leisure. This may induce people to work less and decrease their labour market participation, unless they derive personal utility from their work. <sup>9, 11</sup> The theoretical advantage of the UBI compared to the minimum wage model is that it should not affect the demand for labour and, as workers are not wholly dependent on their wages for survival, it may even help to ensure a greater degree of labour market <sup>11,12</sup>. Consequently, the UBI could help to re-engineer the welfare system and make it more efficient at the same time. It would reduce the complexities, bureaucracies and administrative costs of current welfare systems in developed countries <sup>8</sup>.
- (iv) **Promoting Gender Equality:** Women perform the majority of unpaid work, especially in the household; this would result in an improvement of women's bargaining position in the household and would promote a decrease in gender inequality <sup>13</sup>. Additionally, since UBI is granted to individuals and not households, a basic income could provide greater income security and autonomy for women. <sup>14</sup>
- (v) **Reducing Income Inequality:** A basic income is generally advocated to help reduce income inequality, as UBI proposals are typically financed through a progressive income tax or by cutting subsidies favouring the non poor.
- (vi) **Political Economy and Transparency:** Being universal, the UBI is expected to be less vulnerable to bureaucratic abuse and corruption compared to other welfare policies, where there are typically a host of interest groups that impact the allocation and implementation of benefits. <sup>9</sup>A basic income policy could make the public expenditure system more transparent and prevent problems of benefit fraud and non-reporting on income, which are typical disadvantages of means-tested benefit policies.<sup>7</sup>

**Disadvantages:**

- (i) Financial pressure associated with the U.B.I. : Providing an income transfer

to the entire population would result in very high expenditure.

- (ii) **Administrative challenges:** Imperfect information and limited administrative capabilities may therefore create similar challenges to those arising from the implementation of other welfare policies.
- (iii) As a 'negative incentive': UBI may be morally and socially corrosive, by challenging the centrality of paid work in people's lives, as it would generate undesirable effects such as discouraging work, increasing social alienation.
- (iv) UBI's 'leakage' to the non-poor: The universal nature of the initiative, however, entails that beneficiaries will include people who do not need this form of public help; a problem defined as the leakage of benefits to the non-poor.
- (v) **Impact on migration:** UBI could attract a considerable influx of migrants that could jeopardize the sustainability of the scheme.

### **Conclusion**

Global advances in digitalisation, coupled with shifts in demography, globalisation and work organisation, have altered the structure and nature of work. A new wave of technological change is opening grounds for the development of new labour markets, but has also resulted in increased concerns about future job losses. The question of how to maintain effective security for everyone is inextricably linked to these global trends, especially for those whose jobs would be most negatively impacted by advances in automation. The UBI stands out as a possible solution to this growing problem. It may be attractive as it strikes on support for key areas of personal development that could generate positive synergies, such as free choice, job flexibility and promotion of entrepreneurial spirit, and for providing an overall support framework for the basic rights that a citizen should be entitled to. However, the UBI is not without its problems, and many concerns are centred on potential negative incentives for work, its large financial requirements and distributive hurdles. Finally, the resulting income dynamics from a UBI can be complex, creating more complicated challenges that need to be overcome to achieve overall gains that ensure greater inclusivity. Indian constitution is sensitive to the basic needs of the people and government is duty bound to safeguard these sacred rights for all people of Indian country.

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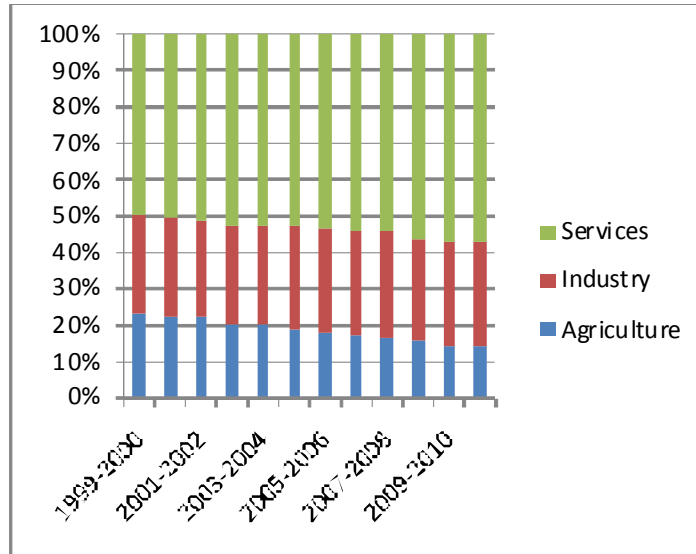
**Annexure:**

Year	Agriculture	Industry	services
1999-2000	23.27	49.85	26.88
2000-2001	22.31	50.37	27.32
2001-2002	22.42	51.02	26.56
2002-2003	20.13	52.48	27.39
2003-2004	20.32	52.48	27.2
2004-2005	19.03	53.05	27.92
2005-2006	18.27	53.74	27.99
2006-2007	17.37	53.98	28.65
2007-2008	16.81	54.45	28.74
2008-2009	15.77	56.11	28.12
2009-2010	14.64	57.09	28.27
2010-2011	14.45	57.32	28.23

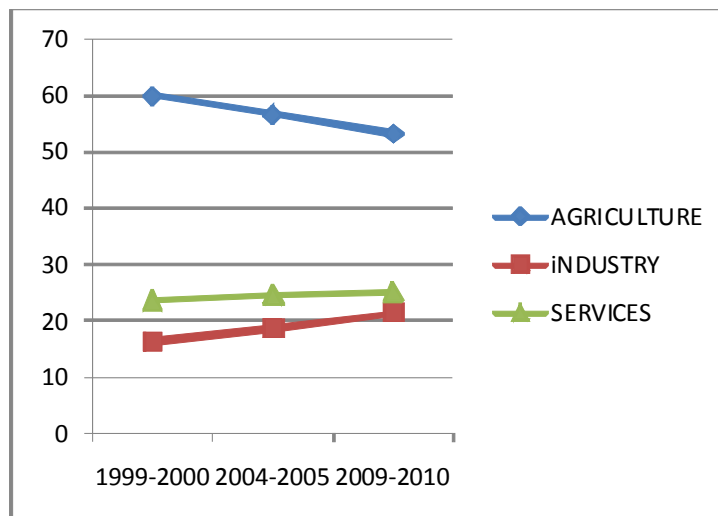
(Visualize.data.gov.in, 2019)

Year	Agriculture	Industry	Services
1999-2000	59.9	16.35	23.74
2004-2005	56.6	18.73	24.66
2009-2010	53.2	21.51	25.27

(data.gov.in, 2019)



Graph: 1.1



Graph: 1.2