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A STUDY ON UNIVERSAL BASIC INCOME (UBI): A SUSTAINABLE SCHEME FOR SOCIAL AND FINANCIAL INCLUSION FOR THE WELFARE OF THE SOCIETY

Dr. Mahesh K. M.¹ and Dr. Srinivas K. T.²

¹Principal , JGI,Sbmjain Evening College Vvpuram, Bangalore.

²Associate Professor & Chairman Department of Commerce , Davengere University, Davengere.

“Poverty is the worst form of violence”-Mahatma Gandhi

Dr Subramanian argues, “UBI is a powerful idea whose time even if not ripe for implementation is ripe for serious discussion.”

ABSTRACT

Sustainability is a multi-facet aspect and it can be achieving by both economic and non-economic factors. In this direction Universal Basic Income is an important sustainable scheme for society to reduce poverty and uncertainties caused by globalisation and technological changes. Universal Basic income through cash transfer helps the beneficiaries feel more secure and be able to purchase necessities for living. In 2017, the McKinsey Global institute ¹ estimated that up to 800 million workers globally could lose their jobs by 2030, as a result of robotic automation. The case studies of Canada, Auckland, California, Hawaii, Finland, Kenya, Taiwan, and Switzerland suggest that UBI will reduce hunger, malnutrition, illness, and increase school attendance. UBI is a sustainable scheme for the beneficiaries under Social and Financial inclusion for receiving and transferring the conditional cash transfer². India can follow the global experience of Brazil and Mexico UBI Scheme. In India some of the UBI schemes are Pradhanmantri Kisan Samman Nidhi Yojana (PM-KISAN) which promises 6,000 per annum to farmers who own less than 2 hectares of land, PM Kisan Scheme, MGWREGS, and PDS. Universal Basic Income reduces inequality in income and augments basic education, public healthcare and social protection in the changing nature of society. Economic Survey 2016-17 has considered the Universal Basic income for importing social income stats and Financial inclusion by transferring money to bank account for payment of medical bills, education and for procuring agricultural seeds and tools. The government had appointed a commission in the year 2005 & 2012 to estimate BPL household income. To measure sustainable development, NITI Aayog introduced SDG India Index, Human Development Index and Multi-Dimensional Poverty Index. The Socio-Economic and Caste Census (SECC) 2011 can be used to identify the beneficiary.



¹ The Hindu Business Line - May 11, 2019-Universal basic income, an ethical option.

² The Economic Times-11, April 2019-NYAY, Conditions Apply.

KEYWORDS: *Universal Basic Income (UIB), Sustainable Scheme, Automation, Artificial intelligence, SDG India Index, Multi-Dimensional Poverty index, SECC and Social and Financial Inclusion.*

INTRODUCTION

The Universal Basic Income can be defined³ as payment of fixed amount of money made by the Government for every citizen of her nation on a regular basis and without any conditions to poor, unemployed youth, to meet the health bills, for small and marginal farmers. Thus, it helps in Social and Financial inclusion through direct income transfers for two major class of groups namely landless labourers, agricultural workers and marginal farmers who suffer from multi-dimensional poverty. The situation in urban area is not different from rural area, where many contract workers in informal sector faces similar kind of problem due to rapid pace of automation of low-skill jobs and formalisation of the retail sector. Thus, supporting the rural agriculture mass and labourers in informal sector urban area needs some mechanism. In this direction, the Universal Basic income has major injecting attributes in the economy namely: 1. Income support scheme for farmers⁴ 2. A broader income support for all.

UBI Scheme in India:

The Universal Basic Income is a periodic, unconditional cash transfer to every citizen in the country, without consideration of social or economic positions of the individual. Thus, government considers society as a first priority for enhancing survival quality of people⁵.

UBI has three main features. They are as following -

1. UBI is universal in nature. It means UBI is not targeted.
2. The second feature of UBI is cash transfer instead of in-kind transfer.
3. The third feature is that UBI is unconditional. That means one need not prove his or her unemployment status or socio-economic identity to be eligible for UBI.

Thus, it rightly said that UBI has 3 pillar⁶ of unconditional and Universal, and cash transfer⁷. The idea of a guaranteed minimum income in the form of public assistance can be traced as far back as sixteenth-century Europe, when it was raised by the political theorist Thomas Paine, and re-appeared intermittently throughout the nineteenth and twentieth centuries. Only now, however, does the idea appear to be entering the political mainstream in many parts of the world. Propounding it as a potential tool against poverty, Dr Subramanian argues in the Survey. The idea of a Universal Basic Income has emerged in India's Economic Survey 2016-17.

Economic Survey 2016-17 has considered the universal Basic Income for improving social and income status by stating the importance outcome of social and Financial inclusion by transferring benefit to bank account. The government has appointed two Committees to estimate BPL house hold income, the Tendulkar committees, Rangarjan Committee and Niti Aayog. Arvind Subramanian first proposed a UBI scheme in the annual Economic Survey in 2017, which sparked several debates on its effectiveness and its viability towards implementation. **Quasi UBI Scheme could improve the rural economy.**

- Poverty line for 2016-17 has been fixed at Rs 7,620 per year, using Tendulkar's poverty line formula (inflation indexing @ Rs 5,400 per year fixed for 2011-12 to 2016-17 with a target poverty level of 0.45%) to lift all poor above the Tendulkar poverty line.

³ The Hindu -Ensure a minimum income for all –Ram Singh- March, 02,2019.

⁴ Live Mint-19,January ,2019,-Is India ready for Universal basic Income?

⁵ Universal Basic Income: Will it work in India?-Prasanna Mohanty-January,29,2019-Business Today

⁶ What constitutes a good UBI?-Business Standard ,Monday,27,May 2019

⁷ National Council of Applied Economic Research-February,22,2017.

Economic Survey (ES) Model of 2016-17:ES model will cost 4.9% of GDP - as against 5.2% of GDP spent on all 950 central sector and centrally sponsored sub-schemes (actual allocation of 2016-17). So, fiscal space exists - but only if UBI replaces all existing Central govt. schemes.

- C Rangarajan revisited it in 2014 and put poor families at 29.5% (363 million) - fixing per capita per day expenditure at Rs 32 in rural and Rs 47 in urban areas. Table 1: Poor families in millions, % of total population and parameters.

Table No 1: Parameters of Poverty Line

Committee	Rural	Urban	Total	2011-12	2009-10	Parameters -Poverty line
Tendulkar Formula	216.5	52.8	269	21.9	29.8	Per day-Rural Rs27.2 and Rs33.3 per capital ,Per month-Rural Rs 816,Urban Rs1000
Rangarajan Formula	260.5	102.5	363	29.5	38.5	Perday-Rs32 and Rs47; per capital expenditure-Rural-Rs 972/Month; Urban – Rs1407;Household rural Rs4860;Urban Rs7035 at 2011-12 price-Well –being will be much higher
Difference	44	49.7	93.7			

Niti Aayog Task Force on Elimination of Poverty report supports the Tendulkar's formula saying that the Rangarajan formula has not been officially accepted.

The first term, “universal,” is more ambiguous. In our reading, universal refers to three distinct design features:

- Available to everyone, without targeting based on family structure, presence of children, age, or disability status.
- Paid to those without earned income, and even without any effort to find work.

Paid to those with relatively high earned income, so that it is not simply a program for those in deep poverty.

Major Concern: Identifying the Beneficiaries and Documentation is one of the areas of UBI. Through JAM (Jan Dhan accounts, Aadhaar and Mobile) government can collect data and think for UBI implementation.

Reason for UBI: As human labour is being substituted by technology, there will be reduced wage income and reduced purchasing power. UBI will compensate for reduced purchasing power. UBI will help in reducing inequality and eliminating poverty and ensures security and dignity for all individuals.

Best Mode for Transfer of UBI: Best Mode of transfer of UBI is JAM which stands for Jan Dhan accounts, Aadhar and Mobile.

UBI Matching Schemes in India: 950 central sector and centrally sponsored sub-schemes include those of food subsidy, fertiliser subsidy, NREGA, SSA, LPG subsidy, Awas Yojana, Gram Sadak Yojana, ICDS, Swachh Bharat, Mid-day meals are matching the UBI scheme.

WHO to Start UBI: Use gradualism - like starting with women, elderly, widows, disabled etc.

UBI IN OTHER COUNTRIES: Idea of UBI to increase the quality of education, health and quality of life of population.⁸ Journalist Annie Lowrey calls this “the robot apocalypse” (Lowrey 2018) – and rising inequality and wage stagnation. Alternatively, a UBI might be seen as a response to perceived inadequacies -- ineffectiveness, inefficiencies, unfairness, contingency, or insufficiency -- of the current social safety net. These are quite different motivations, with important implications for the prospects of a program that could represent a substantial increase in the generosity (and cost) of transfer payments relative to existing programs.

Table 2: UBI in Other Countries

COUNTRIES	NAME OF UBI
Mexico's	Oportunidades Programme CCT for middle income
Brazilian	Conditional Cash Transfer –Chile Basic Cash Transfer-Bolsa Familia
Philippines	Fixed amount per Children
Finland	560 Euros to Unemployed people
India-Telangana & Odisha's	Rs 6000 to Agriculture farmers & Agriculture Investment Scheme-Rythu Bandhu. KALIA (Krushak Assistance for Livelihood and Income Assistance)
⁹ Kenya	The Give Directly charity began giving people \$22 a month as part of a 12-year-long experiment.
Italy	Where a selected group among the poor receives around \$500 a month.
China	Dibao

Objectives of UBI Scheme

1. It will reduce income inequalities.
2. It will encourage the poor spend most of their income and their income will increase demand and promote economic activities in rural areas.
3. It will help public services such as primary health and education.
4. It can promote employment and economic activities. For instance, income receipts can come in handy as interest-free working capital for several categories of beneficiaries (fruit and vegetable vendors and small artisans), thereby promoting their business and employment.
5. It will help bring a large number of households out of the poverty trap or prevent them from falling into it in the event of exigencies such as illness.

Review of Literature

Before analysing the issue, here is a summary of reviews of researchers on the study topic both from India and also outside of India on UBI.

According to Usman W. Chohan (2017)¹⁰ economic inequality is due to socioeconomic and technological factors and elimination of official poverty in the US due to automation, offshoring, technical disruption and he also stresses on UBI help to promote better Gender equality and it requires sufficient resources and political will.

⁸ UNIVERSAL BASIC INCOME IN THE US AND ADVANCED COUNTRIES Hilary W. Hoynes Jesse Rothstein Working Paper 25538 <http://www.nber.org/papers/w25538> NATIONAL BUREAU OF ECONOMIC RESEARCH 1050 Massachusetts Avenue Cambridge, MA 02138 February 2019

⁹ Will Universal Income Ever work?-Sintia Radu-May, 3, 2018.

¹⁰ Universal Basic Income: A Review, 4th August, 2017 Usman W. Chohan- Discussion Paper Series: Notes on the 21st Century

David Coady and Delphine Prady (2018)¹¹ The paper discusses adoption of a UBI as a substitute for the Public Distribution System (PDS) which provides income support to households. Efforts to implement UBI through Budget - It can play an important role in generating public and political support for the implementation of structural reforms in support of economic growth.

David Tilliny (2017)¹² outlined the NIT or UBI- idea has gained momentum especially in some of the West's advanced economies. For example, in 2016, Finland, a number of cities in Holland, and Ontario were all preparing experiments similar to a guaranteed income. Utrecht, a Dutch city, is exploring a plan to give selected social assistance recipients about \$1,000 per month with no strings attached. But, because the cash transfers only target welfare recipients, the program is a far cry from a true UBI, for now. New Zealand is also debating a UBI. Proponents see it as a safety net for anyone battered by the fast-changing, globalized economy. Some in Silicon Valley have taken a shining to the proposal, seeing it as a way to stymie inequality, should robots take our jobs. A negative income tax would empower welfare (whereby anyone earning below a baseline income does not pay tax and receives a cash benefit). Universal Basic Income- Economic Survey 2016-17, Chapter 9 entitled "Universal Basic Income: A Conversation With and Within the Mahatma" Ministry of Finance, Government of India¹³ analyses the Universal Basic Income as a radical and compelling paradigm shift in thinking about both social justice and a productive economy. Improvement in financial inclusion Payment - transfers will encourage greater usage of bank accounts, leading to higher profits for banking correspondents (BC) and an endogenous improvement in financial inclusion. UBI for women also improves the bargaining power of women within households and reduces concerns of money being splurged on conspicuous goods and women face worse prospects in almost every aspect of their daily lives - employment opportunities, education, health or financial inclusion. Six top welfare programmes are - the PMAY, SSA, MDM, PMGSY, MGNREGS and SBM.

Dipinder S Randhawa, Universal Basic Income in India¹⁴: The Rationale and Challenges -insights on UBI and challenges of UBI Scheme as welfare programme to the poor and more than 950 sponsored programme and its impact on GDP. Administrative and Technical viability in implementation of the scheme in the rural area. Pilot studies on A United Nations International Children Emergency Fund and self-employed women's association, UBI programme in rural areas of Madhya Pradesh, Bihar and Uttar Pradesh are the lessons for the UBI implementation.

In the book *Agrarian Justice*, published in 1795¹⁵, he proposed the notion of a 'citizen's dividend', to be made available, as a matter of right, to all citizens of the US. The view of economists such as Montek Ahluwalia (2011), Jagdish Bhagwati (2011), Surjit Bhalla (2011), and T. N. Srinivasan (2017) seems to be that inequality in the distribution of consumption expenditure has not registered alarming increases, at least not in the rural areas of the country which, by virtue of their relative share in aggregate population, might be expected to predominantly influence aggregate (rural-cum-urban) trends in inequality.

Jean Dreze has put it (Dreze, 2017)—for the fear that '... there is a real danger of UBI becoming a Trojan horse for the dismantling of hard-won entitlements of the underprivileged.'

Chaudhari and Somanathan (2011) and Kotwal, Murugkar and Ramaswami (2011), which, while broadly in favour of cash transfers, also appealingly emphasize the virtues of gradualism, 'piggy-backing', and learning-from-doing.

¹¹ IMF Working Paper Fiscal Affairs Department -Universal Basic Income in Developing Countries: Issues, Options, and Illustration for India- 2018 International Monetary Fund

¹² Universal basic income: Money for nothing or efficient equalizer? SHORENSTEINCENTER- Journalists Resource-HARVARD KENNEDY SCHOOL

¹³ Universal Basic Income Economic Survey 2016-17, Chapter 9, "Universal Basic Income: A Conversation With and Within the Mahatma" Ministry of Finance, Government of India

¹⁴ Dipinder S Randhawa-Universal Basic Income in India: The Rationale and Challenges-ISAS Insights No567,28 May 2019.

¹⁵ Some Basic issues underlying Basic Income -S. Subramanian-The Hindu Centre-7 February, 2019.

Saksham Khosla (2018)¹⁶ Several Indian economists have proposed some form of a UBI and have outlined varying transfer amounts and their fiscal implications (see table 1 for a summary). Pranab Bardhan, a University of California, Berkeley economist and an early proponent, wrote in 2011 that a UBI is “one of the cleanest and least incentive-disruptive ideas” for enhancing social welfare protection in India. Elsewhere, he argued that a UBI for developing.A UBI is a Rorschach test for the welfare state, as it draws from a diverse coalition ranging from the libertarian right to the liberal left that sees it as mediating its own preferred versions of an ideal society.

Research Methodology

Data Collection: The study is discussing the stated objectives of scheme purely based on Secondary data which include, existing articles, online articles and research papers published in different journals, websites. Through these secondary data and available information, the research article on Universal Basic Income (UBI), a sustainable scheme for social and financial inclusion under social welfare of the Society.

Tools: The present research paper uses Tables and Charts for presentation of data and percentage to measure and comparative the performance of the scheme.

Objective of The Study

The main objective of the study is to analyse the UBI in other countries, its influence on the financial inclusion, how to measure the poverty and different schemes that are similar to the UBI which are introduced by the government to increase the income and employment for the social welfare of the society.

India's Ranking in Human Development Index (HDI):India stood at 130 out of 189 countries in the UNDP's 2018 HDI ranking. Movement in the HDI are driven by changes in health, education and income. Sustainable Development Goals (SDG)¹⁷ Index for ranking countries for achieving No Poverty and No Hunger. In SDG newly added indicators for OECD countries in equalities in Economics, health and Education.Himachal Pradesh, Kerala and Tamil Nadu have emerged as the front runners in the race to achieve key sustainable development goals (SDG) to removal of poverty and inequality as indicated in Table 2.

TABLE 2: SDG INDEX SCORE-STATE WISE SCORE

INDIA	57
HIMACHAL PRADESH	69
KERALA	69
CHANDIGARH	68
TAMIL NADU	66
PUDUCHERRY	65
GOA	64
GUJARAT	64
ANDHRA PRADESH	64
KARNATAKA	64
MAHARASHTRA	64

(Sources: Live Mint,22 December, 2018)

¹⁶ India's Universal Basic Income-Bedevelled By the Details-Saksham Khosla-Carnegie India-2018

¹⁷2018 SDG Index and Dashboards –Global Responsibilities-Implementing the Goals.

Human Development Index¹⁸ is a statistic composite index of life expectancy, education and per capital income indicator. It measures the average achievement in basic human competencies. Based on three components and revelling GNP¹⁹.

1. Indicators of longevity
2. Decent Standard of Living
3. Educational Attainment.

Nobel Laureate Prof. Amartya Sen said, "I did not, I must admit, initially see much merit in the HDI itself, which, as it happens, I was privileged to help him devise. I had expressed to Mahbub considerable skepticism about trying to focus on a crude index of this kind, attempting to catch in one simple number a complex reality human development and human deprivation. Why give prominence, it was natural to ask, to a crude summary index that could not begin to capture much of the rich information that makes the Human Development Reports so engaging and important."

Basic Income Financing Approach: Rearranging the various welfare programmes and combining them in to Basic Income. The various approaches are: Pensions, Various Child benefit Programmes, Food Allowances/Food Stamps, Special tax deductions for low income households, Tax deductions for high – income Household, Special housing programmes payments, Corporate welfare, Negative Income Tax model (NIT).

TABLE: 3 Basic Income Proposals in India

	Pranab Bardhan (2016)	Vijay Joshi (2016)	Maitreesh Ghatak (2016)
POPULATION COVERAGE	All	All	All
ANNUAL TRANSFER AMOUNT	₹10,000	₹3,500	₹13,432
COST AS % OF GDP	10%	3.5% (alternatively, 2.5% and 1.9% of GDP if transfers are paid only to 67% and 50% of the population)	11%
FINANCING MECHANISMS	Roll-back 'non-merit' subsidies: 9% of GDP Eliminate corporate tax holidays and exemptions: 3% of the GDP	Roll-back 'non-merit' and food subsidies: 8.5% of GDP Savings from tax exemptions: 1.5% of GDP Privatization of public sector enterprises: 1% of GDP Taxing agricultural incomes (for a courageous government): 0.5% of GDP Remove dysfunctional social welfare schemes: 0.5%	Roll-back subsidies going to the non-poor: 9% of GDP Raise additional taxes
Debraj Ray (2016)	Abhijit Banerjee (2016)	Reetika Khera (2016)	Economic Survey 2016-17 (2017)

¹⁸Wikipedia

¹⁹ Measuring living standard and poverty: Human Development Index as an alternate measure-Selim Jahan

All	All	All elderly, widows, disabled persons (approximately 10% of the population), and pregnant women (approximately 26 million children born annually)	Bottom 75% of the income distribution
₹10,000– ₹13,000	₹13,000	Pensions – ₹12,000 Maternity entitlements per child – ₹6,000	₹7620/₹6540
9-12%	11%	1.5%	4.9%/4.2%
Commit a fixed fraction of GDP: 9-12%	Replace welfare schemes like the PDS and MGNREGA		Roll-back social sector programs: 2.07% of GDP Implicit ‘middle-class’ subsidies: 1.05% of GDP Top ten centrally sponsored schemes: 1.38% of GDP

There are several economists who assert that using cash transfers to make a sizable dent in poverty would require India to scrap existing welfare programs. The 2011–12 UBI pilots in Madhya Pradesh showed that a basic income was transformative for participants.

CONCLUSION

If India must rule out a truly universal basic income due to fiscal or political constraints, the evidence suggests that targeting based on simpler and fewer criteria, not complicated scoring techniques, deserves further exploration, unconditional transfers of UBI to the incidence of sickness or injury, mental health outcomes, and visits to private and public healthcare. Aadhaar-based payments channel for UBI scheme to boost digital payments and financial inclusion. Identification of Beneficiaries and Measurement of Incomes is the biggest challenge for the government for introducing the UBI and The Socio-Economic and Caste Census conducted in 2011-12 has not given clear picture on the Income of the household. This conclusion is based on various reviews of Research articles. In 1961, Nehru wrote to India’s chief ministers that “It is generally recognized now, even by our critics in India or abroad, that we plan well and we lay down the most excellent of principles. The difficulty comes in implementation.” Unless both the policy’s critics and supporters undertake a concerted effort to better address the above discordances, India’s UBI will meet the same fate.

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