

A Rethink on Universal Basic Income

What is the issue?

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- The union government in its recent economic survey proposed for a universal basic income.
- This is a form of social security in which all citizens of a country receive a regular, unconditional sum of money, independent of any other income.
- Experts are of an opinion to rationalise on the characteristics of a basic income in India.

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What are the considerations in this regard?

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- **Form of support** - The question is whether to support vulnerable sections in the **form of goods and services or as cash**.
- Cash gives the discretion to beneficiaries to spend it any way.
- On the other hand, provision of services or goods directly to beneficiaries may be directed to achieve certain objectives in terms of nutrition, health or education.
- There are concerns of leakages and quality in provision as services.
- For India, where the State is already providing a whole lot of services, income support as a supplement to existing services would be the best option.
- **Coverage** - There is a need to rethink on the universality of the income.
- The adoption of a universal basic income is bound to be a fiscal burden for

a developing country like India.

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- The attempt must be to think in terms of reducing the number of beneficiaries using easily definable criteria. Some of it could be age, sex, etc.

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- It should however be ensured that strict targeting does not run into complex problems of identification.

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- **Level of basic income** - If we were to treat the cut-off used to define poverty as the minimum income, then the total fiscal burden would be enormous.

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- Level of concentration of poverty within the poverty line and the poverty line itself could be used to arrive at an optimum basic income level.

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- Support given under the MGNREGA can also be considered in this regard.

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- **Financing the scheme** - As per experts opinion, the scheme would be feasible if the total expenditure is limited to around 1.5 to 2% of GDP.

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- There are suggestions to rationalise the expenditure in certain areas to make up this cost. This includes

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1. Exemptions in our tax system.

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2. MGNREGS - as this employment scheme is very similar to the proposed basic income scheme.

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3. Expenditure on fertilizer subsidies.

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4. Higher income groups giving up the supplemental income.

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- Given all these the remainder must come from raising additional revenue.

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- Finally, the central government can seriously review the idea of basic income to making it a supplemental income.

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Source: The Hindu

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