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**UBI
(UNIVERSAL BASIC INCOME)**

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A Universal Basic Income is a minimum level of income guaranteed by the government of any country to its citizens. It is a financial support given by the government to its people so that they do not have to struggle for the basic needs of life like food, shelter, clothing etc. Over the years, there has been a sharp increase in inequality as well as joblessness in the country. It is estimated that the present figures of unemployment will grow with time if sufficient jobs are not created. And the gap between the rich and the poor is also rising day by day.

In such a scenario, the concept of a Universal Basic Income for the poor people of the country might benefit the country. Ensuring them a basic level of income for their basic minimal needs is the duty of the government. But the process is not an easy one for a country like India which has a vast population

Basic Principles

- The main features of UBI are that it should be universal and not targeted, it should be unconditional and not tied to work or employment, and it should be in cash.
- UBI is envisaged as a method of redistribution of resources from the rich to the poor.
- It is envisaged as providing all persons (especially, the poor) with an income to lead a dignified life, with basic needs taken care of.

Why UBI?

- As a form of social security UBI will help in reducing inequality and eliminating poverty. Thus it ensures security and dignity for all Individuals.
- 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.

How UBI Works?

- Under UBI, only those with zero income will receive the full benefits in net terms.
- For those, who earn additional income over the basic income, the net benefits will taper off through taxation.
- So even though the basic income is universal, only the poor will receive the full benefits.

Advantages of UBI

1) **Freedom of choice**:- UBI would give individuals freedom to spend the money in a way they choose. In other words, UBI strengthens economic liberty at an individual level. This would help them to choose the kind of work they want to do, rather than forcing them to do unproductive work to meet their daily requirements.

2) **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. Credit increased income will release the constraints on access to credit for those with low income levels.

3) **Administrative efficiency:-** A UBI in place of a plethora of separate government schemes will reduce the administrative burden on the state.

4) **Better targeting of the poor:-** As all individuals are targeted, exclusion error (poor being left out) is zero, though inclusion error (rich gaining access to the scheme) is 60 percent.

5) **Psychological benefits:-** A guaranteed income will reduce the pressures of finding a basic living on a daily basis .

6) **Promote Productivity:-** UBI promote greater productivity. For example, agriculture labourers who own small patch of land and earlier used to work in others 'farm for low wages, can now undertake farming on their own land. In long term this will reduce the percentage of unused land and help in increasing agriculture productivity.

7) **Insurance against shocks:-** This income floor will provide a safety net against health, income and other shocks.

Flaws of UBI

- 1) A guaranteed minimum income might make people lazy and it breeds dependency. They may opt out of labour market.
- 2) There is no guarantee that the additional income will be spent on education, health etc. There are chances that the money will be spent on 'temptation goods' such as alcohol, tobacco, drugs etc.
- 3) Given the large population size, the fiscal burden on government would be high. Also, as Economic Survey 2016 -17 noted, once implemented, it may become difficult for the government to wind up a UBI in case of failure.
- 4) If the UBI is funded by higher taxes, especially by the indirect taxes, it will result in inflation. This, in turn, will reduce the purchasing power of the people and lowers the value of the amount.
- 5) A guaranteed minimum income might reduce the availability of workers in some sectors which are necessary but unattractive and raise the wages of such workers. For example, the wages of agriculture labour might increase due to non-availability of workers willing to work in other farms.

What Economic Survey 2016-17 Says About UBI?

The Economic Survey 2016-17 assumes that in practice any program cannot strive for strict universality So Survey propose some alternatives.

- First Survey targets bottom 75 percent of the population and this is termed as "quasi-universality" The cost for this quasi universality is estimated to be around 4.9% of GDP
- Second alternative targets women , who generally face worse prospects in employment opportunities , education , health or financial inclusion .A UBI for women can reduce the fiscal

cost of providing a UBI to about half Giving money to women also reduces the concerns of money being used on 'temptation goods'.

- Third, to start with a UBI for certain vulnerable groups such as widows, pregnant mothers, the old and the infirm.

But if any one of the above alternative is adopted, it will also face the problem of 'exclusion error' in the identification of beneficiaries. Efficiency will be reduced. Corruption will creep in, more importantly, UBI will not remain 'universal'.

Conclusion

Despite making remarkable progress in poverty reduction, nearly 22 percent of the population lives below poverty line (Tendulkar Committee report, 2011-12). One of the major criticisms of poverty alleviation programme is significant leakages. UBI is seen as a more efficient alternative.

Though UBI has many advantages, there are many flaws too. A transparent and safe financial architecture that is accessible to all is important for the success of the UBI.

As Economic Survey States, UBI is powerful idea whose time even if not ripe for implementation is ripe for serious discussion.

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