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## **Universal Basic Income: A Tool for Poverty Alleviation in Rural India**

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**Abstract**

*Universal Basic Income (UBI) guarantees cash transfer to all citizens on an unconditional basis and has been recognized as a poverty alleviation tool around the world. Various pilot programmes have been conducted to test its efficiency, the results of which have been in favour of the goal that the programme wishes to achieve – improved living conditions of individuals. India strives to eliminate the deep-rooted poverty, especially in rural areas, where around eighty per cent of India's poor population resides (World Bank, 2016), earn meagre income, and, as a result, are unable to live a dignified life creating a need for a policy like the UBI. In this paper, an analysis of the implementation of UBI as a poverty alleviation tool has been presented by discussing the inefficiencies of existing poverty alleviation programs, followed by a cost-benefit analysis of UBI in the context of rural India, which is reinforced by the findings of SEWA-UNICEF's pilot in Madhya Pradesh, India. The pilot study highlights the significance of a basic income to free the rural poor from the vicious cycle of multidimensional poverty. A fiscally feasible plan for the implementation of UBI by addressing the greatest critiques of UBI has been presented at the end of the paper.*

**Keywords:** *Universal Basic Income (UBI), poverty, poverty alleviation programmes, rural India, cash transfers, cost-benefit analysis, JAM trinity*

**1.0 Introduction**

Poverty in India has been a menace for decades, with several poverty alleviation programmes and policies being introduced by the government to control poverty levels. One such policy which has been a topic of debate among the policymakers and citizens for its potential of alleviating poverty and promising a dignified life is Universal Basic Income (UBI). UBI involves making payments to every citizen by the state regardless of their income or work (Krishna, 2018). It is based on the pillars of universality – to every individual and unconditionality – without means and work requirements, setting it apart from other targeted cash transfer schemes. Thus, our objective through this paper is to analyse whether UBI has the potential to act as a tool to alleviate poverty in rural India because while income is not the only factor that is crucial in enhancing one's life, it still is a prerequisite to live a dignified and worthy life.

This paper begins with an analysis of the trends of poverty in India and how the government aims to reduce the poverty levels with the help of poverty alleviation programmes. While certain programmes have proved to be effective in delivering their objectives well, some suffer from inefficiencies which can be overcome with the introduction of UBI as a social protection programme. The Indian Government, in its Economic Survey of 2016-17, (Department of Economic Affairs, 2017) devoted an entire chapter to highlight the effectiveness of UBI in overcoming the problems of poverty and inequality persisting in India. Next, we analyse the implementation of UBI as a poverty alleviation tool in rural India through qualitative cost-benefit analysis. The common counter-arguments of UBI have been confronted with the help of a case study conducted by SEWA- UNICEF in Madhya Pradesh, India, whose findings declared them false and make claims towards working out an appropriate legal framework to introduce UBI.

The biggest hindrance in UBI implementation is its apprehended fiscal and administrative burden, which forces us to ask if it is fiscally possible to administer a huge policy like UBI in a country with the second largest population in the world. Therefore, we further review different ways of implementing UBI - as a replacement or in conjunction with the currently existing schemes. After a thorough analysis, we conclude that it is best to undertake a quasi-universal basic income targeted towards all but 25% of the top income holders of India. This could be undertaken in the form of the JAM trinity, a feasible strategy that could be perfected to avail maximum benefits for poverty reduction in India.

The structure to institute UBI in India has been discussed comprehensively throughout the paper. The Indian Government must consider implementing UBI to uplift the poor from years of suffering.

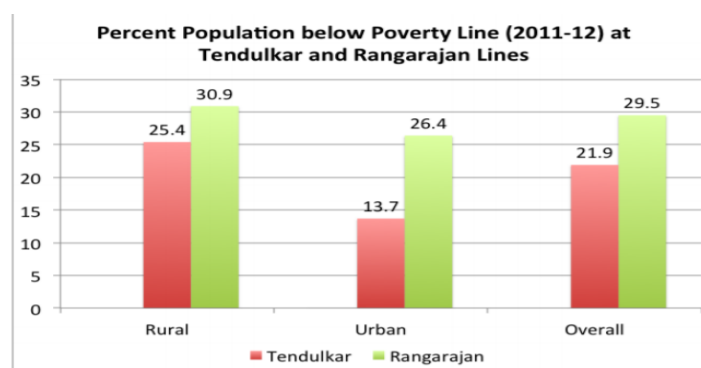
## **2.0 Poverty and Poverty Alleviation Programmes in India**

India has been grappling with poverty for decades, which hinders the country's economic growth. Poverty means that the income level of individuals is so inadequately low that they are unable to meet basic human necessities. Multidimensional view of poverty is a comprehensive way of understanding poverty by taking into consideration the deprivations

faced by poor people in their daily lives. It has been observed that a combination of ‘income poverty’- lack of income or purchasing power of people to fulfill basic needs, ‘human development poverty’- denial to opportunities to upskill and lead a better life, and ‘social exclusion’ - marginalisation or discrimination makes people incapable to lead happy and purposeful lives (Krishna, 2018). “Multidimensional poverty encompasses the various deprivations experienced by poor people in their daily lives – poor health, lack of education, inadequate living standards, disempowerment, poor quality of work, the threat of violence and living in areas that are environmentally hazardous" (Oxford Poverty & Human Development Initiative, n.d.).

Perceptions about 'basic needs' vary greatly according to different geographical, socio-economic and political factors. Therefore, "the conventional approach to measure poverty is to specify a minimum expenditure (or income) required to purchase a basket of goods and services necessary to satisfy basic human needs" (Niti Ayog, 2015). This expenditure is called the poverty line. Two techniques of measuring the poverty line are given by the Suresh Tendulkar Committee which provided a method of calculating the poverty line based on Per Capita Consumption Expenditure which is ₹27 and ₹33 per day for rural and urban areas respectively and the Rangarajan Committee which determined a Daily Per Capita Expenditure of ₹32 and ₹47, in rural and urban areas respectively as the poverty line" (Yogima, 2014).

Fig.1. Percent population below poverty line (2011-12) at Tendulkar and Rangarajan Lines



Source: (Niti Ayog, 2012)

Key Observations from Fig. 1:

1. According to the Tendulkar Poverty Line, people below the poverty line in rural and urban areas stood at 25.4% and 13.7%, respectively.
2. According to the Rangarajan Poverty Line, people below the poverty line in rural and urban areas stood at 30.9% and 26.4%, respectively, showing an evident difference between the calculation of the percentage of population below the poverty line.
3. 'The Rangarajan Committee considers consumption expenditure as the basis for determining poverty, and obtained the total number of poor in the country at 29.5% of the population while the Suresh Tendulkar Committee calculated the overall poverty levels to be 21.9%' (Yogima, 2014).

In 2020, with the COVID-19 pandemic bringing the world to a halt, strict lockdowns wreaked havoc on the economy and livelihoods, pushing people into unemployment and eventually poverty. According to a report by Azim Premji University, during the year 2020-21, rural and urban poverty rates increased by 15% and 20%, respectively. In these tough times, poverty elimination lies at the core of India's national development agenda to create an equitable and just society (Azim Premji University, 2021).

To reduce the number of people living below the poverty line, several poverty alleviation programmes have been introduced for the past few decades to tackle the threats looming over the nation. The Indian Government introduced its first "Anti-Poverty Scheme" or "Poverty Alleviation Programme (PAPs)" to promote economic growth by the active participation of the poor. Consequently, several such programmes focusing on the fact that poverty is multidimensional, promoting self-employment, upskilling, subsidized goods and proper housing have been in motion since 1980. As 80% of the poor living in India are still located in rural India (World Bank, 2016), the schemes are primarily targeted to wipe out rural poverty.

Some major PAPs in India are Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Public Distribution System (PDS), and Pradhan Mantri Gramin Awas Yojana (PMGAY). MGNREGA is a wage employment programme introduced to enhance livelihood

security with its aim 'to provide a minimum 100 days of employment' to adults of every rural household who volunteer to work for unskilled, manual labour in asset creating public works (Sharma, 2011). PDS is a targeted food security programme that aims to provide below poverty line people food security by distributing food grains - wheat, rice, and coarse grains and commodities like kerosene at subsidized rates. PMGAY was started for rural development to provide all rural poor financial assistance to construct or upgrade to proper houses to raise their living standards and ensure the best quality of life (Department of Rural Development, 2009).

### **2.1 Shortcomings of Current Poverty Alleviation Programmes (PAPs)**

Poverty alleviation programmes suffer from certain shortcomings that not only increase the administrative costs but fail to meet their target and to make significant positive changes in the lives of the poor (World Bank, 2011). One of the major drawbacks is ineffective targeting which involves “the process of identifying the beneficiaries of a welfare scheme by bureaucrats continuously updating the list and ensuring that it does not exclude names of any worthy beneficiary” (Department of Economic Affairs, 2017). The shortage of bureaucrats in low-income rural districts results in faulty targeting leading to a misallocation of resources. Furthermore, the process of targeting is also plagued with exclusion and inclusion errors where exclusion error is an un-identification of poor households that are worthy beneficiaries and inclusion error is where unworthy beneficiaries are included.

The large-scale corruption that results in leakage of resources also renders these social protection programmes inefficient because the right amount of government resources fail to reach the poorest districts and the worthy beneficiaries are deprived of them. The report of the World bank in 2011 discussed the conundrum of high leakage and diversion of grains from PDS, citing in 2004-2005 NSS that only 41% of food grains ever reached the poor (World Bank, 2011).

All of this points at the manipulation of data and corruption that renders these schemes useless by filling the pockets of the rich while the poor are left tangled in the “petty abuses and exploitation of the middlemen and the rich” (Department of Economic Affairs, 2017).

### **3.0 Alternate Way to Alleviate Poverty: UBI**

The counterproductive nature of the poverty alleviation programmes demands a new or slight change in current policies. Universal Basic Income (UBI) is one such policy that aims to address the challenges posed by poverty and uplifts the poor. The idea behind UBI is to provide a regular state payment to all citizens, regardless of working status, stating that it is universal and unconditional in nature which does not require further means-testing or work requirements (Parijs, 2004). UBI would be provided to all participants without (or with minimal) conditions (Francese & Prady, 2018) which is expected to supplement the wages and should not be seen as income for sustenance as a whole. There is a conviction that basic income, when efficiently administered, does not suffer from the deficiencies found in current poverty alleviation programmes, solving the issues of leakage, inefficiency in reaching the target audience, and corruption (Wispelaere & Stirton, 2012).

#### **3.1 Objectives Fulfilled by UBI**

Each individual deserves to live a life with the availability of basic necessities and dignity. UBI gives individuals a means to increase their standard of living in terms of food, clothing, housing, accessibility to clean water and sanitation. 'Dignity lies at the core of rights, in the sense that all are supposed to enjoy basic necessities to lead a dignified life and not endure a life of degradation in the absence thereof' (Krishna, 2018). Women in India have faced decades of marginalisation and stigmatisation and have always been looked down upon as incapable of meeting the household's financial requirements. UBI will provide greater financial autonomy and empowerment to women allowing them to take control over their lives. They can be seen as independent individuals capable of taking care of their own needs without having to fall back on abusive relationships (Krishna, 2018).

Recent research found a correlation between poverty and deteriorated mental health, which leads individuals to fall prey to addictive spendings such as alcohol, tobacco and drug use, pushing themselves into a vicious cycle of making poor financial decisions. UBI transfers will boost the self-esteem of individuals who have spent years in languishing conditions freeing them of psychological distress, giving them an incentive to lead happier and better lives.

### **3.2 Indian Government's Take on UBI**

UBI became the nation's talk when the Department of Economic Affairs in the 2016-17 Indian Economic Survey (2017) released a 41-page report named "Universal Basic Income: A Conversation With and Within the Mahatma," considering it as a tool to overcome widespread poverty. It made favourable arguments for UBI, dispelled pre-conceived notions of drawbacks of UBI, and suggested ways to implement it successfully across the nation.

An instance when UBI was set to be rolled out in India was a proposal in a general election manifesto in 2019. The Indian National Congress (INC) proposed a social welfare programme called Nyuntam Aay Yojana (NYAY), promising that the party, if voted to power, would enact a law under which, it would distribute cash to the bottom 20% of India's families, as a minimum guarantee programme ("Congress releases manifesto", 2019). These households will each receive up to Rs 72,000 a year, a programme that INC claimed would benefit 250 million people in India (Roy, 2019b).

NYAY was openly criticized by policymakers, economists and the international press stating that it was fiscally impossible to administer it, if existing welfare programs and food, fuel, and other subsidies operated parallel to NYAY. One of the major concerns was targeting the beneficiaries with the experts fearing that benefits of the scheme would typically land up in the government officials' pockets and those who are politically and bureaucratically well connected in the society (Wikipedia, 2021). The INC manifesto did not do a great job in specifying how it would administer such a huge policy and making sure that benefits reach the targeted beneficiaries. In the following sections, we analyze through a cost-benefit analysis whether benefits outweigh costs in UBI administration and if they do, how India can efficiently implement it.

### **4.0 Qualitative Cost-Benefit Analysis of UBI**

Through the conduct of various experimental or pilot programmes of UBI all across, there are enough arguments and evidence to analyze the fruitfulness of this programme in general and in the context of poverty alleviation in India. While developed countries want to provide their citizens protection from unemployment because of automation, developing



countries like India look at it as a tool to alleviate poverty and promote economic growth (Bhatia, 2020).

#### **4.1 Costs of UBI Implementation**

For a populated country like India, implementing UBI means a high fiscal cost. The estimate given by the Tendulkar committee was Rs. 816 per month per person (10.58% of GDP) (2011-12 prices), which is equivalent to the below poverty line price. Economic survey 2016-17 (Department of Economic Affairs, 2017) gave an estimate of Rs. 7,620 per person per year (4.47 % of GDP) for 75% of the population. IMF in 2017 suggested Rs. 2,600 per annum per person (2.81% of GDP) after removing all subsidy programmes (Bhatia,2020). It is apprehended that a large number of cash transfers will put a lot of stress on the existing banking systems (Department of Economic Affairs, 2017). Since UBI is universal in nature, the beneficiaries will be both rich and the poor, causing more disparity between the two. (Aiyar, 2016)

The in-kind goods transfers are safe from market fluctuation. The fixed amount of goods reaches the poor irrespective of the current market price. However, the fixed amount of cash transfer, as mentioned in the Economic survey 2016-17, will not safeguard the poor from market fluctuations as they will have to utilize this cash themselves by directly engaging with the market. People can also become lazy and unproductive because of receiving cash transfers as the basic income would cover their basic needs, hence demotivating them to work and encouraging them to spend more money on "temptation goods" (Tcherneva & Wray, 2005).

#### **4.2 Benefits of UBI Implementation**

UBI can reduce multidimensional poverty by providing individuals with financial security and pushing them to find better sources of employment or increase "self-employment" as they will have the basic income to rely on (Krishna, 2018). According to the World Bank's 2016 Report on India's poverty profile, the poor spend a lot of their earnings on food, fuel and electricity but with the provision of UBI, they can spend their earnings on important things like education, skills development, etc. Implementing UBI will

promote social justice; providing the poor a basic income through direct bank transfers will give them "greater bargaining power" (Krishna, 2018) and freedom to make choices by removing the "paternalistic" (Department of Economic Affairs, 2017) in-kind distribution of commodities with direct transfer of cash.

The direct cash transfer to UBI beneficiaries will leave no room for leakages and corruption as the role of officials and middlemen in distribution is scraped off from this scheme (Banerjee et al., 2019). Targeting beneficiaries, allocation of resources and avoiding exclusion error is easier because of the simple and universal nature of the programme that covers every person (Ghatak & Muralidharan, 2019). The programme is universal in nature and includes women and children, which guarantees their financial inclusion and security. A direct cash transfer will allow low-income households to save and invest in the market, safeguard themselves from uncertainties and accumulate capital assets like farm equipment and livestock. These investments then raise their productivity levels and add to the country's economic growth (Hastavala, 2017). The implementation of UBI will further provide impetus to poor people working in the unorganized sector to shift to the organized sector seeking higher outputs, thereby adding to India's GDP.

#### **4.3 Conclusion**

After analyzing both costs and benefits of implementation of UBI, it is clear that the benefits are greater than the costs. The benefits are based on the results of various pilot programmes conducted all around the world and pave a path towards the alleviation of multidimensional poverty in rural households. However, some of the costs are rather apprehensions with no substantive evidence to prove their truth or falsity as there has not been an implementation of the UBI programme in any country which means, costs cannot be stated as true or false until there is a proper roll-out of the UBI programme.

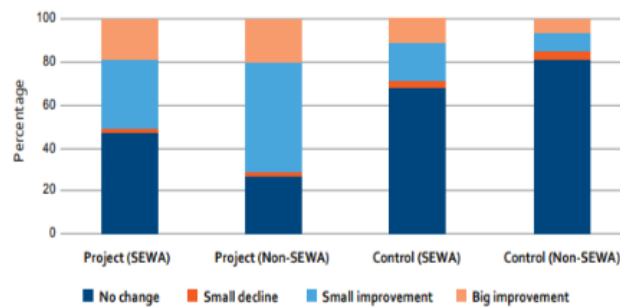
#### **5.0 A Study by SEWA-UNICEF in Madhya Pradesh, India**

"Self-Employed Women's Association (SEWA), in collaboration with UNICEF in 2011 (Davala, 2019) conducted two pilot programmes to study the "effectiveness of universal

income grants in India in the villages of Madhya Pradesh in India" (Standing, 2013). The two pilots were carried out as Randomized Control Trials (RCT) in eight villages of Madhya Pradesh, where basic income was given to every person for 18 months, and their effects were studied, and twelve "similar control villages" (Standing, 2013) where no income was given were taken to draw a comparison. This was the bigger pilot, and another smaller one was conducted in a tribal village with another control village for 12 months. Out of those eight villages that received basic income, four were SEWA, and four were non-SEWA villages. In the bigger pilot, every person living in those eight villages initially received a monthly and unconditional monetary transfer of Rs 200 (Adults) and Rs 100 (Children) for three months which was increased to Rs 300 and Rs 150 respectively. A similar scheme was followed in the tribal villages (Krishna, 2018). The money was handed out as cash for three months as many villagers did not operate bank accounts, then it was "transferred into bank accounts or cooperative accounts" (Standing, 2013). All of this was carried out to compare and analyze the effect of basic income on villages receiving basic income to those not receiving it.

The study's findings are as follows: people used their money to improve their living conditions by repairing their houses, walls, building toilets and accumulating assets. In the tribal villages, the percentage of families having a single bed rose from 35.5% to 83%; mobile phone owners increased from 9% to 61%, and the buying of scooters and bikes went from 3% to 30% (Schjoedt, 2016). There was an improvement in food consumption which can be seen in the percentage increase of consumption of pulses and lentils by 1,000%, and vegetables by 888%. When the pilot started, 45% of people reported they did not have enough funds for food needs, but later this number fell to 19% (Krishna, 2018) while the control village witnessed a slight drop. "The proportion of children with normal weight for age increased from 9% to 59%, an improvement that was double than in the control villages." (Schjoedt, 2016). With the cash, people in the pilot villages spent more money on their child's education, resulting in better health and nutrition which improved their attendance and performance in school (Fig. 2) (Standing, 2013).

Fig.2. Changes in school attendance

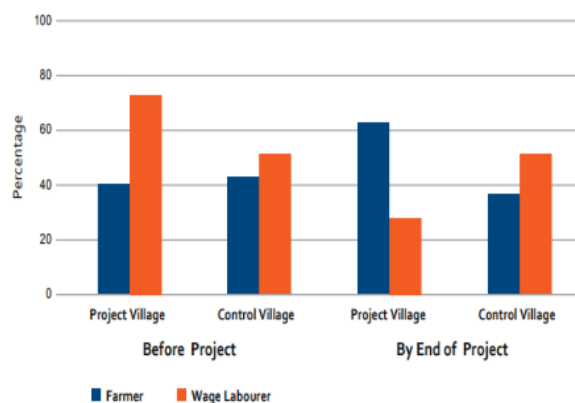


Source: (SEWA Bharat, 2016)

Wastage of money by the poor on "temptation goods" (Krishna, 2018) like alcohol, if given cash transfers, is one of the greatest criticisms of cash transfer programmes like UBI, reflecting a brutal judgment that the poor are more likely to make ill choices. While some people tend to misuse their money and turn to alcoholism, the general trend in the village showed a decline in alcohol consumption. "In the pilot villages 3% of respondents increased their alcohol consumption, while 4% reduced it; in contrast, in the control villages 7.5% of people increased their consumption, while it fell by only 2.5%" (Schjoedt, 2016).

The cash transfers gave women financial autonomy and led them to establish their identities which can be gauged by the percentage of respondents (55%) that said that they shared their earnings equally in the households that received basic incomes, which was more compared to the ones that did not (36%) (Schjoedt, 2016). Furthermore, in the tribal villages, 71% of individuals initially reported that all the decisions were taken by the heads of their houses, which was reduced to 52% by the end of the pilot (Krishna, 2018). A popular criticism of basic income is that it will make people lazy and inhibit their productivity and will to work. Now, there was a decline in wage labour (Fig. 3) but not because people were unwilling to work, but because they shifted to working on their lands, i.e., they left wage labour to become self-employed. "This was possible because people had more means to buy seeds, fertilisers, and other inputs – especially when combining the basic income with inexpensive loans through SEWA – and, as a result, could start developing their own fields instead of being forced to take low paid wage labour" (Schjoedt, 2016).

Fig.3. The shift from wage labour to self-employment in the tribal village



Source: (Schjoedt, 2016)

Many families in rural India struggle with debts due to their meagre income (Davala et al., 2015). Through the cash transfer, "around 73% of beneficiaries in the tribal village managed to reduce their debts while none increased. In the control village, 18% had reduced their debts while for 50% it increased" (Schjoedt, 2016). Many people were successful in freeing themselves from bonded labour (Standing, 2013) and were in a better state to bargain their positions to escape their employers' exploitative behaviour (Schjoedt, 2016).

All findings of the case study ratify the beneficial role of UBI as a poverty alleviation tool in rural India. The cash transfers increase their productivity and income and give them a chance to live a quality life. People save, invest, accumulate assets, stand against exploitation and live a dignified life, all because of the provision of basic income. Furthermore, the criticisms against UBI were not found to be true in the case of Madhya Pradesh. Still, much cannot be said about the fiscal and administrative burden until and unless there is a large-scale roll-out of the basic income programme.

## **6.0 Different Ways of Implementing UBI in India**

UBI has been considered for implementation in India by policymakers and economists for a long time. The pilot test of Madhya Pradesh in India confirms the advantages of UBI, resulting in better living conditions for individuals and families. Still, it does not necessarily imply that UBI implementation is free of flaws and drawbacks. Certain questions have been raised about UBI being the ultimate solution to India's fight against

poverty: Can it efficiently replace the existing social schemes? Should it be universal or targeted? Does India have the capacity to finance it? All these questions have been addressed in this section, along with a strategy that can be suitable for India.

### **6.1 UBI as a Substitute for Existing Social Schemes**

As previously discussed, poverty alleviation programmes suffer from various shortcomings such as leakages, corruption and misallocation of resources, raising a question on their efficiencies and if a policy like UBI should replace all existing programmes for the interest of the public. However, it is found that the substitution of UBI over all existing schemes is not a perfect solution (Indrakant, 2017). This is because several PAPs are intended to achieve long-term development goals and cannot be simply substituted by cash transfers (Khosla, 2018). "For instance, under the Child Development Services (ICDS) programme, there is a component known as Supplementary Nutrition (SNP) under which children below the age of 5 are provided with supplementary food while ration is provided to expecting and nursing mothers to fight child malnutrition. ICDS, besides SNP, also monitors the growth of children, their pre-school education, etc. All these components of the programmes that do not help families monetarily but socially, will be lost once the programme is dismantled" (Indrakant, 2017). Similarly, MGNREGA provides wage employment to workers through work like land clearing and levelling, bund building and digging trenches that also increase land productivity and, consequently, farmers' income. (Indrakant, 2017). Therefore, the programme promotes infrastructural development alongside raising the income of disadvantaged homes in India.

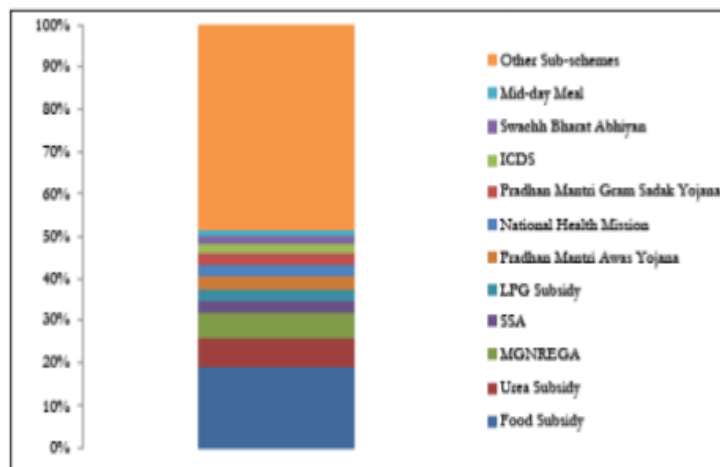
Furthermore, "A fact-finding study by Indrakant and Mahendran on the replacement of PDS with direct benefit transfer in Puducherry and Chandigarh, which was implemented in September 2015, has shown negative outcomes and that the beneficiaries prefer PDS with all its limitations over the direct benefit transfer" (Radhakrishna, 2018). PDS might be stained with corruption and targeting errors while MGNREGA is caught in administrative delays, (Yadav, 2020) yet, it is essential to consider the advantages of the existing PAPs instead of solely relying on monetary transfers because low-income is just one aspect of the multidimensional poverty that prevails in India.

## **6.2 UBI Parallel to Existing Social Schemes**

Since substituting UBI is not the perfect solution, implementing UBI in conjunction with existing social schemes should then be the best possible solution. According to several reports, the Indian Government is often running on a fiscal deficit (Bhatia, 2020), so how will it possibly finance the enormous expenditure of UBI along with the other schemes? And should UBI be universal or targeted? Both of these questions are answered in this section.

Firstly, fiscal space for UBI should be created by removing inefficient schemes. According to the Economic survey of 2016-17 (refer Fig.4), there are approximately 950 central sector and centrally sponsored sub-schemes in India, accounting for 5.2% of the GDP by budget allocation. A large majority of these schemes are small in terms of allocation, with the top 11 schemes accounting for about 50 per cent of total budgetary allocation (Department of Economic Affairs, 2017). "The top ten centrally sponsored or central sector schemes (not including subsidies) cost the state about 1.4 percent of GDP" (2014 -15 actuals) while the remaining 940-odd sub-schemes account for 2.3 per cent of the GDP (Department of Economic Affairs, 2017). After an analysis of different social welfare schemes, it has been observed that while some of these schemes are effective, others are not; by abolishing the demeritorious and badly-targeted programmes and retaining those of proven worth, the Indian Government could create enough space for the rolling-out of UBI (Joshi, 2016). Therefore, if the financial burden of inefficient social schemes is reduced, the Indian Government can look forward to implementing UBI as a feasible policy.

Fig.4. Centrally Sponsored and Central Sector Sub-schemes by Budget Allocation, 5.2% of GDP (2016-17)



Source: (Department of Economic Affairs, 2016-17)

Secondly, the implementation of UBI parallel to all existing social schemes while being universal will provide Indians ₹1,215 per month (based on the estimated poverty line of 2011-12), making it prohibitively expensive (more than 10% of GDP and exceeds the centre's tax revenues) (Bhatia, 2020). Clearly, making it universal is not feasible for a vast country like India. The Department of Economic Affairs, in its extensive report of Economic Survey (2017), states that the 'obviously rich' should be excluded from the list of beneficiaries because it will be politically and fiscally costly to administer. 'The survey advises paying the grants to all but the top 25% of India's income distribution by suggesting several ways for the wealthy to withdraw including voluntary opt-out, self-targeting, proxy-means test, and community sanction' (Khosla, 2018). This implementation will take the form of a quasi-universal basic income accounting for 4.9% of the Indian GDP (Khosla, 2018). UBI would promote social justice and empower the poor, and the scheme would bring national poverty down to 0.5%, says Chief Economic Advisor Arvind Subramanian. While this might sound expensive, the Economic survey (Department of Economic Affairs, 2017) noted that India's current welfare schemes, like subsidies for food, fuel, and fertiliser, already cost around 5% of annual GDP (Bhaskar, 2017). Removing inefficient schemes would create a fiscal space for the Indian Government to administer UBI accordingly.



The Economic Survey of 2016-17 (Department of Economic Affairs, 2017) also suggested a feasible solution to implement UBI using the JAM (Jan Dhan Yojana - Aadhaar - Mobile) trinity, which is a reasonable solution for the Indian Government to efficiently implement and finance the policy.

### **6.2.1 JAM Trinity**

The Government proposed a robust mode of transfer of cash benefits by incorporating the JAM (Jan Dhan Yojana- Aadhaar - Mobile) Trinity. The Pradhan Mantri Jan Dhan Yojana (PMJDY) is a scheme launched in 2014 to increase financial inclusivity in the country. "As of February 2021, the government said that a total number of 41.75 crore accounts had been opened under Pradhan Mantri Jan Dhan Yojana (PMJDY), out of which 35.96 crore accounts are operative" ("41.75 crore accounts", 2021). Aadhar cards using a biometric identification system were issued to citizens of India, and bank accounts were seeded with Aadhar (Krishna, 2018). Owing to the large-scale penetration of mobile networks in India and the potential of mobile banking (m-banking), mobile numbers of recipients were also seeded into the system, thus forming the JAM trinity (Krishna, 2018).

The Jan Dhan programme introduced by the government to ensure financial inclusion has brought in a significant number of people into formal banking mechanisms, and linking these accounts with Aadhaar numbers helps to make quasi-universal basic income payments easier to a citizen's Jan Dhan account (Khosla, 2018). JAM is being used for transferring cooking gas subsidies directly into the bank accounts, amongst other subsidies. It has proven to be an effective and economical form of payment disbursement for the government. The Government has also extended direct bank transfers using JAM to other schemes such as PDS, wage payments, pension programmes, etc. (Krishna, 2018). Since the efforts to bring Aadhar identification cards for the entire population of India is already being undertaken, by using the JAM model, the government shall essentially not be incurring any extra costs with the implementation of UBI as to the identification of the beneficiaries (Krishna, 2018).

However, there are certain bottlenecks that India will have to face before implementing UBI, as financial inclusion is still not sufficient to ensure that the benefits of UBI reach the lowest

rungs of society. There should be increased efforts in infrastructure development and widespread financial literacy to ensure UBI is widely accepted and proves to be an effective strategy for poverty alleviation. Having a universal list of citizens and thorough payment mechanisms is not enough, it is imperative to have a strong monitoring mechanism to oversee UBI functioning and ensuring that the listing mechanism is error-free and continuously updated, with a special focus on vulnerable groups of the society who are more likely to be missed out (Krishna, 2018).

## **7.0 Solutions and Recommendations**

In the previous section, different ways of implementing UBI throws light on the various strategies that can be adopted by the Indian Government for the successful adoption of UBI. Here's how India can move ahead with administering the policy:

1. India should implement UBI in conjunction with the current social schemes, but only those schemes should be continued, that have significant results for the Indian economy. Others that are poorly targeted and are a fiscal burden to the nation should be substituted with UBI. This way, the effective social schemes combine with UBI to transform into stronger policies.
2. 'India can introduce new taxation of the rich and divert some of the subsidies from the better-off beneficiaries to the neediest, and therefore, UBI of about a thousand rupees per person per month can be fiscally affordable. As an experiment, UBI can begin only with women, mostly in urban areas until banking services spread to remote areas and in states where current welfare measures are particularly leaky' (Bardhan, 2017).
3. UBI can be targeted towards 75% of the lower sections of the society and help uplift them, eventually taking the form of a quasi-universal basic income. This 'targeting' would be in the form of excluding the rich, and anyone who falls beyond the target would enjoy the benefits of basic income. Owing to widespread poverty in India, it will be fairly easier to recognise the rich than the poor resulting in lower administrative costs for the government.

4. A way to analyse the effectiveness of UBI in India is to gradually introduce UBI among the most disadvantaged and backward districts of India as pilot programmes until a full-fledged mechanism is in place, which gives scope for expansion (Department of Economic Affairs, 2017).
5. The Indian Government will have to increase its expenditure on infrastructure to meet the country's needs for cash transfers increasing financial inclusivity and prosperity; it would further provide an incentive for poor people in rural India to open a bank account aiding the Government's Jan Dhan Yojana programme.

Overall, India should approach the implementation of UBI gradually and steadily. It should begin by targeting certain groups of people in a society or a particular backward region to understand the costs and benefits of implementation. Financing these public welfare programmes should not come at the cost of the country's overall growth but should promise greater public good in the long run.

## **8.0 Conclusion**

UBI has the untapped potential of accelerating the goal of poverty alleviation in India, especially in rural areas where there is a constant sense of lack of dignity and belongingness. It would serve as a tool to drive individuals and families out of a languishing lifestyle and encourage them to lead more purposeful lives.

Pilot tests across various jurisdictions have proved to be beneficial for society as a whole. Basic income cash grants have helped the beneficiaries to meet their basic needs and necessities, adopt better forms of employment and local entrepreneurship, improve school attendance. It empowers the poor by giving them a sense of security and an option to fall back on, in the case of managing household finances. Another aspect in rural India is the rising incidence of suicides; National Crime Records Bureau (NCRB) data shows 42,480 farmers and daily wagers committed suicide in 2019 (Tripathi, 2020). The main reason for farmer suicides is the inability to repay loans to private money lenders after crop failure. UBI would act as an additional income to farmers promising regular benefits, liberating them from the clutches of debt bonds and exploitative money lenders.

Moreover, a rise in productivity level adds to the nation's economic growth while also having a direct impact on the well-being and mental health of individuals and families. Individuals have proper nutritional levels in their daily diets and improved water and sanitation conditions. Women, who are often the target of any suffering in India, enjoy income security and are free of emotionally taxing and traumatic relationships in households; no longer to be seen at the mercy of the 'head of the household', with better mental health conditions and enjoying greater financial autonomy.

Before implementing UBI in India, certain loopholes in the JAM trinity need to be addressed. After a careful analysis of what works best for India, it should be administered to alleviate rural poverty in India. A right to universal basic income will act as a catalyst giving a push to freedom and liberation of the disadvantaged adding value and dignity in their lives. It is one step closer to India's goal of reducing inequalities and ending economic disparities existing for decades. Therefore, after a comprehensive evaluation of India's fiscal capacity, the government must begin with its journey of considering granting its citizens a basic income to make them feel more empowered and to assist them in leading meaningful and impactful lives.

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