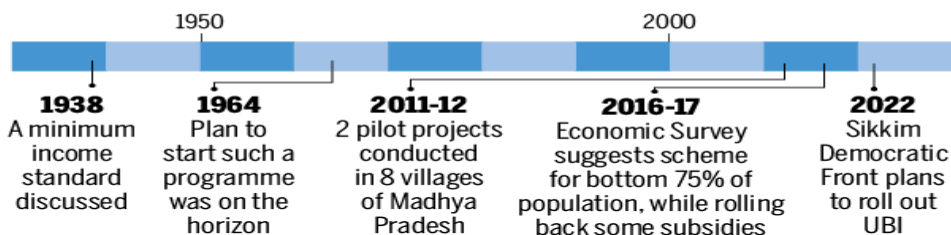


THE CASE FOR MINIMUM BASIC INCOME

INDIA'S TRYST WITH INCOME SUPPORT



UBI ACROSS THE WORLD

US | Alaska Permanent Fund distributes part of the state's oil revenues to all residents on per-capita basis

Stockton, California | Secured funding from private non-profits to launch a small project with about 100 participants receiving \$500 a month for about 18 months

Finland | Scheme started in 2017 to pay 2,000 jobless people assistance of €560 a month stopped last year

Kenya | Largest experiment underway with some villages receiving \$0.50-1 a day

Brazil | Has run experiments

Canada | Ontario plans to test a basic income scheme

France | A senate committee has recommended an experiment

UK & Germany | Studies have been conducted

Scotland | Committed funds to conduct an experiment

Barcelona, British Columbia | Plans to start experiments

Switzerland | Plan to give everyone right to basic income defeated in 2016



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A Minimum basic income is a **government guarantee** that around **20-25% of citizens** receives a minimum income. It is also called a citizen's income, guaranteed minimum income, or basic income.

The payment is enough to **cover the cost of living**. The goal is to provide **financial security**. The concept has regained popularity as a way to offset job losses caused by technology.

Economists admit that a lot more must be done **to improve education and health care**, and to address the **persistent informality** and small scale of enterprises that are providing most of the employment in the country.

The advantage of a **minimum income guarantee** is that it will **also cover the urban poor**, who are not covered in these schemes.

Job guarantee programmes, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme, lock up beneficiaries in low-productivity work, income supplements allow them to continue to look for better employment options.

UBI and MIG difference:

The essential difference between **Universal Basic Income and Minimum Income Guarantee** is this:

- A **universal basic income** provides a monthly stipend that would ensure that a person would be above the poverty line without any other source of income.
- Thus, the **Economic Survey of India** suggested a **UBI of Rs 7,620 per annum to 75 per cent of India's population**.
- The proposed **minimum income guarantee** will cover **22-25%** of the population (as fixed by Tendulkar) or 29.5 per cent (fixed by Rangarajan).
- The income was based on **Tendulkar's poverty line** of 2011-12 inflation-indexed to 2016-17.
- A minimum income guarantee, is pretty much at the discretion of the government of the day: it can be **equal, more or less than the poverty line expenditure**.

Reasons that supporting "Minimum Basic Income":

- The **reforms since 1991** have largely **bypassed agriculture and other segments** of the economy that engage **poor and rural Indians**.
- Due to **incomplete economic liberalisation** and technological advances have led to growth in national income, but all individuals have **not gained equally**.
- The disproportionate **share of gains** from the reforms have gone to **middle-class and rich Indians**.
- This unevenness in development calls for a **superior economic growth model**.
- **Redistributive policy interventions** such as income transfers can improve equity.
- Besides equity, there's also an **urgent need to address rural distress**, which is largely a **consequence of policy failures** such as:
- **Ineffective procurement** and **perverse trade and pricing** policies that have in times of bumper harvests led to gluts, depressed market prices, and
- **Aggravated farmer losses**.

Minimum Basic Income in the other Productive way in Agriculture sector : Rythu Bandhu and KALIA are superior policy intervention:

They do not suffer from the **moral hazard** and **limited reach** of farm loan waivers. Waivers penalise farmers who repay loans on time and benefit only borrowers from banks.

Telangana and Odisha, are already experimenting in a limited way with **income support schemes**, focused on the **farm sector**:

- In **Telangana**, the government is providing **farmers income support** payment at the **rate of ₹10,000/ha**(₹4,000/acre).
- However, this model, **the Rythu Bandhu**, benefits the **biggest landowners** the most, including those who lease out their land.
- **Tenants, sharecroppers and landless labourers, the most vulnerable, are out of its coverage.** Its success depends on **reliable land records**.

Odisha's recently notified **KALIA (Krushak Assistance for Livelihood and Income Assistance)** irons out these creases:

- It proposes to **transfer ₹5,000** in cash per season (₹10,000 per year for double-cropped land) to the **State's 30 lakh marginal farmers**, leaving out the two lakh large farmers.
- It promises cash grants of ₹12,500 each to the **State's 10 lakh landless households**.
- The hope is that they will use this money to **rear goats or poultry** and farm **mushrooms or honey**.
- **Fisherfolk** are covered too, and will receive the investment support for buying fishing nets and allied equipment.

Way Forward: Economists gave idea that to Mobilise Money for Providing Basic Minimum Income:

On an average, it is coming **Rs. 1,50,000 Cr** each year to those, who least need them.

According to Government official records, In fiscal 2016-17 for which we have complete account, government gave away a staggering **Rs. 1,56,000 Cr** to **businesses under incentives, relief, concessions**.

These are massive discounts on **corporate tax and breaks on profits** for entities in Special Economic Zones. 99.94% companies are paying **maximum effective tax, around 29%**.

On the other hand, **India's richest 335 companies**, with **profits greater than Rs. 500 Cr**, get sops and pay around **23% to the exchequer**.

So, Out of **India's 300 million households**, **50 million** participated each year in **Mahatma Gandhi NREGA** during its most successful years.

If India scrap all the subsidies / tax concessions for companies, we can divert this to the poor families. Each poor household would receive an **average of Rs. 30,000 every year**.

This can be done without subtracting one paisa from existing farm or food subsidies.

An alternative approach to Minimum Basic Income is Universal Basic Capital:

A **better solution** to structural inequality than **UBI is universal basic capital**, or **UBC**, which has begun to pop up in international policy circles.

In this alternative approach, **people own the wealth they generate as shareholders of their collective enterprises**. Amul, SEWA, Grameen, and others have shown a way.

Conclusion:

A simplistic UBI will not solve the **fundamental problems** of the economy.

An **unavoidable solution** to fix India's fundamental problems is **the strengthening of institutions of the state** to deliver the services such as of public safety, justice, and basic education and health, which should be available to all citizens regardless of their ability to pay for them.

The **institutions of the state** must be strengthened also **to regulate delivery of services by the private sector** and **ensure fair competition** in the market.

The building of state institutions, to deliver and to regulate, will require stronger management, administrative, and political capabilities will be the need of the hour.