



# **DAILY EDITORIAL ANALYSIS**

**TOPIC**

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**UNIVERSAL BASIC INCOME (UBI) &  
INDIA'S WELFARE ARCHITECTURE**

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## UNIVERSAL BASIC INCOME (UBI) & INDIA'S WELFARE ARCHITECTURE

### Context

- The idea of a **Universal Basic Income (UBI)** is now emerging as a pragmatic policy imperative, as India grapples with widening inequality, technological disruption, and persistent welfare inefficiencies.

### What Is Universal Basic Income (UBI)?

- Universal Basic Income (UBI) is a **social welfare policy proposal** under which every citizen receives a regular, unconditional cash transfer from the government, ensuring a minimum standard of living and social security.
- Its **core principles** include:
  - Universal:** Given to all citizens, irrespective of income level, employment status, or wealth.
  - Unconditional:** No preconditions such as work requirement, asset ownership, or means testing.
  - Periodic:** Paid at fixed intervals (monthly, quarterly, etc.), not as a one-time grant.
  - Cash Payment:** Delivered directly in cash or through bank transfer, allowing people to spend according to their needs.

### What Makes UBI Different From Other Welfare Schemes?

- Traditional welfare programs rely on complex eligibility criteria, circumstances and bureaucratic proof of need.
  - However, UBI focuses on every citizen, regardless of income or employment status, receiving a periodic cash transfer.
- UBI's universality eliminates the stigma of 'being poor enough' and prevents the exclusion errors that plague targeted schemes.
  - It ensures that no one is left behind due to administrative inefficiency or arbitrary eligibility filters by providing a **basic floor of income security**.

### Rationale / Need for UBI in India

- Job Displacement:** Automation, AI, and robotics threaten traditional employment. For example: McKinsey projects 800 million jobs could be lost globally by 2030.
- Precarious Work & Inequality:** Gig economy lacks social security. India's top 1% owns 40% of the wealth (World Inequality Database 2023).
- Administrative Inefficiency:** Fragmented welfare architecture with duplication and leakage. UBI via Aadhaar-linked DBT can streamline delivery.
- Economic Stabilizer:** Increases purchasing power and demand during economic downturns.
- Social & Psychological Well-being:** Reduces stress, improves nutrition and education (as seen in SEWA pilot in Madhya Pradesh).
- Moral and Gender Justice:** Recognizes unpaid care work (mostly by women) as an economic contribution.

### Challenges and Considerations

- Inflation:** Historical evidence contradicts the claim that UBI triggers runaway inflation.
  - Major inflations occur due to production collapse or external debt crises — not from moderate income transfers.
  - If **funded prudently**, UBI **stabilizes demand** and prevents hardship without price spirals.
- Fiscal Feasibility:** A minimal UBI equal to the poverty line (7,620 per person annually) would cost about **5% of GDP**.
  - Funding can be achieved by **rationalizing subsidies**, introducing **progressive taxation**, and **phasing implementation** — beginning with vulnerable groups like women, the elderly, and persons with disabilities.
- Technological and Access Challenges:** **Inclusion gaps** persist in remote and tribal regions despite digital advances.

- ♦ Ensuring **universal access to banking, mobile connectivity, and financial literacy** will be critical before full-scale rollout.

### Evidence From India and Beyond

- Pilot programs in **Madhya Pradesh (2011–13)** led by **SEWA** demonstrated measurable gains: improved nutrition, school attendance, and small enterprise growth.
- Similar global trials — from **Finland to Kenya** — have found **better mental health, food security, and no decline in work participation**.
- These results suggest that a well-designed UBI can enhance both social and economic outcomes.

### Case for UBI in India

- **Administrative and Moral Efficiency:** India's welfare architecture, though vast, remains **fragmented and leak-prone**.
  - ♦ Multiple overlapping schemes lead to duplication and exclusion. A UBI, enabled by mature digital platforms like **Aadhaar** and **Direct Benefit Transfer (DBT)**, can streamline welfare delivery.
- **Inequality Beyond the Headlines:** The **World Inequality Database (2023)** reports India's **wealth Gini coefficient at 75** — with the top 1% owning 40% of national wealth.
  - ♦ The apparent prosperity reflected in GDP growth (8.4% in 2023–24) conceals deep divides, evident in **India's 126th rank on the World Happiness Index**.
  - ♦ A UBI, by distributing purchasing power more equitably, can **reconnect economic growth with human wellbeing**.
- **From GDP to Genuine Prosperity:** As Nobel laureate **Joseph Stiglitz**, GDP alone does not measure wellbeing or justice.
  - ♦ A modest, unconditional transfer to every Jan Dhan account can **reignite local demand**, stabilizing consumption for millions living paycheck to paycheck.
  - ♦ Growth, then, becomes tangible — **visible in kitchens, not just spreadsheets**.
- **Redefining the Citizen-State Relationship:** UBI aims to transform the citizen's relationship with the state from one of dependency to one of rights.
  - ♦ By decoupling welfare from political patronage, UBI **weakens populist 'freebie' politics** and restores accountability to governance.
  - ♦ Citizens become **participants, not petitioners** — empowered to demand better schools, healthcare, and ecological responsibility.
- **Not a Cure-All, but a Foundation:** A UBI will not replace public investment in **health, education, or infrastructure**, but it can form a **secure base** upon which citizens build productive lives.
  - ♦ It recognizes **unpaid care work**, largely done by women, as a vital economic contribution — embedding **gender justice** into welfare design.

### Conclusion

- A universal basic income is **not a luxury but a necessity**, in an age of deepening insecurity, automation, and inequality, and the foundation of a renewed social contract.
- India can reimagine the 21st-century welfare state by embedding **universality, dignity, and autonomy** into welfare policy — not as a patchwork of schemes, but as a **guarantee of shared citizenship**.

Source: TH

### Daily Mains Practice Question

**[Q]** Examine the feasibility of implementing Universal Basic Income (UBI) in India considering fiscal, administrative, and political constraints.

