Pradhan Mantri Kisan Samman Nidhi

What is the issue?

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- The 2019 budget announced the Pradhan Mantri Kisan Samman Nidhi, guaranteeing direct income support for farmers.
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- This has renewed the debate on the idea of a universal basic income (UBI).
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What is the PM Kisan Samman Nidhi?

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- Vulnerable landholding farmer families, having cultivable land of up to 2 hectares, will be provided direct income support of Rs. 6,000 a year.
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- This is to help them meet farm input and other costs during the crop season.
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- The programme would be made effective retrospectively from December 1, 2018.
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- It would be fully funded by the Union Government. The interim Budget provides Rs. 75,000 crore for the present and the next year.
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What is the UBI concept?

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- The idea of universal basic income (UBI) is essentially transferring some income to every citizen.
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- This is built on the twin principles of universality and a notion of minimum basic income to those living at the poverty line.

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- The principle of universality is at the core of it given the problems of targeting.
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- Although the idea of universal basic income (UBI) has been in discussion for decades, no country has implemented it.
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- While a proposal for UBI was rejected by a three-fourth majority in Switzerland, Finland which started a pilot has now discontinued it.
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- But even in Finland, the pilot was not a strict UBI but a social protection scheme aimed at only the unemployed.
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- There have been some pilots by NGOs in developing countries in Asia and Africa.
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- But they have varied in content of transfer and coverage with only few being fully universal.
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What about targeted support?

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- The proposals in the Indian context have mostly been for a targeted income transfer scheme and not UBI.
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- Some form of income support to those who are unable to participate in labour market has been there in most countries in some form or other.
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- E.g. in India, the National Social Assistance Programme (NSAP) pensions for widows, elderly and the disabled
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How does India's UBI proposal differ?

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- In developed countries, the UBI is supposed to supplement existing social security provisions.
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- So it would be over and above the universal provision of health, education

and so on.
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- But in the Indian context, the arguments in favour of UBI are centred on the inefficiencies of existing social security interventions.
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- Essentially, UBI in India seeks to replace some of these interventions with direct cash transfers.
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Why are cash transfers flawed?

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- The targeted cash transfer scheme envisions the role of the state to only providing cash income to the poor.
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- This approach seeks to absolve the state of its responsibility in providing basic services such as health, education, nutrition and livelihood.
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- Besides, it is unfair, as it seeks to create demand for services without supplying the services, leaving the poor to depend on private service providers.
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- Evidently, privatisation of basic services such as health and education leads to large scale exclusion of the poor and marginalised.
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- In any case, India is among the countries with lowest expenditure to GDP ratio as far as expenditure on health, education and so on are concerned.
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How are in-kind transfers a better option?

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- Cash transfers are not encouraging in terms of leakages compared to other schemes of in-kind transfer such as the public distribution system (PDS).
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- A move towards universalisation and use of technology enabled Chhattisgarh and Tamil Nadu to reduce leakages in the PDS.
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- It shows that universalisation is the key to efficient delivery of services against targeting proposed by the cash transfer schemes.

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- Also, the cash transfer proposals claim that it would address everything from agrarian crisis, malnutrition, educational deficit to job crisis.
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- But again the PDS shows that in-kind transfers are twice as effective in increasing calorie intake compared to equivalent cash transfer.
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- Similarly, the crisis in agriculture is unlikely to be resolved by income transfers, where addressing pricing, procurement and other structural issues are essential.
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- Likewise, there are different reasons for persistence for some of the above problems which cash transfer may not wholly address.
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What is to be done?

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- An appropriate way to address poverty is to enable the citizens to earn their living by providing jobs.
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- For those who are willing to work, schemes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme should be strengthened.
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- Nevertheless, cash transfers would be relevant for those who are unable to access the labour market or are marginalised due to other reasons.
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Source: The Hindu

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