Resolving rural distress through UBI

What is the issue?

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The idea of UBI takes root to relieve the distress of most vulnerable groups in the country.

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What is UBI?

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- Universal basic income (UBI) is a model where the government would pay every adult citizen a salary, regardless of wealth, employment income or if they worked at all.
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- The origin of the idea can be found in the 16th Century book called *Utopia* by Thomas More.
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Why is there a need for a UBI?

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- The income from agriculture is often not sufficient to meet even the family consumption needs of rural India.
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- Low incomes caused by poor productivity, variations in rainfall patterns and price fluctuations worsens the situation.
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- With land fragmentation, many people find virtually no occupation other than tilling the family plot.
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- The limited land ends up supporting an even larger population than before, perpetuating low income from farmlands.
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- Even the meagre income is spent on essentials, leaving hardly any surplus to

invest in income enhancement measures.
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- This vicious circle is exacerbated when crop failures or market crashes occur with increasing frequency.
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- Debts from informal moneylenders and diversion of crop loans for consumption are more commonly visible in rural areas.
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- Even in times of revenue surpluses, deferred expenses like weddings and treatment of illness take priority than paying back the remaining loan amount.
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- Hence, loan backlog is rarely wiped out by the farmers and when the burden becomes unbearable, loan waivers are being demanded.
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- One of the solutions lies in shifting the population from agriculture to other allied sectors, thereby boosting rural production base and ensuring higher incomes.
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- However, it needs substantial investment in job creation through infrastructure construction by the government.
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- Thus, to meet a living, regular and predictable income for the population, the idea of universal basic income gain significance in recent times.
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How does a UBI resolve these concerns?

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- A universal basic income (UBI) is an unconditional and universal right.
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- It requires that every person should have a right to a basic income to cover their needs, just by virtue of being citizens.
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- A recent estimate calculates the cost of paying every Indian Rs 17,500 (2014-15 prices) a year as UBI to be 3.5% of the GDP.
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- The amount is also sufficient to lift the lowest income tier above the Tendulkar poverty line.

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- Also, if the new basic income programme is restricted to the bottom 50% of the population both urban and rural, it would cover the most vulnerable groups.
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- However, there is a need for the government to revamp some of the existing subsidies to ease the government spending on UBI.
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- Since the basic income transferred would be higher than the MNREGS wages earned, there would be no need for the scheme, once UBI comes into effect.
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- The FY 2018 Budget had also proposed a food subsidy of Rs 1.7 trillion.
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- With UBI, around Rs 1 trillion that is spent by the government for food subsidies could be avoided.
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- The savings from these schemes would make the cost of the UBI scheme to just about 1% of the GDP, which is affordable for the government.
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What are the concerns with practical implementation?

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- Under theTelangana Rythu Bandhu Scheme, farmers are being given income support through direct government payments.
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- This is irrespective of which crop they grow and how much quantity gets sold and at whatever the price.
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- It involves providing grants of Rs 12,500 per hectare per season to meet a major part of their seed, fertiliser, pesticide and field preparation expenses.
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- The scheme benefits farmers without distorting their farm practices and it can’t be manipulated by traders either since per-hectare cash does not affect the market price.
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- The scheme does not also involve any physical procurement and stocking of grains from farmers.
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- But this scheme has a major flaw, wherein larger farmers, many of whom may not need any relief, will get higher benefits linked to the holding size.

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- The scheme also leaves out tenant cultivators, who grow crops on land they don’t own and is taken on a lease.
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- Apart from these criticisms, the scheme would solve all the existing issues of over piling of procured stock grains in the mandis, cartelisation of traders and the demand for higher MSP.
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- Thus, the idea of UBI is just beginning to ripe to solve rural distress and it has to be carried forward further in the future.
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Source: Business Standard

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