



ASSESSING THE FEASIBILITY AND IMPACT OF A UNIVERSAL BASIC INCOME (UBI) PROGRAM AS A SOCIAL WELFARE STRATEGY IN INDIA: TAXATION, IMPLEMENTATION, AND ECONOMIC CONSEQUENCES"

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Abstract

This paper thoroughly examines the viability and possible effects of introducing a Universal Basic Income (UBI) program in India with the aim of promoting social welfare concepts. The research paper, "Assessing the Feasibility and Impact of a Universal Basic Income (UBI) Program as a Social Welfare Strategy in India: Taxation, Implementation, and Economic Consequences," deftly balances the potentially revolutionary combination of targeted subsidies, progressive taxation, and UBI. The research unfolds with a scrutiny of the viability of instituting a progressive tax system to underpin a UBI initiative, comparing and contrasting its efficacy against prevailing taxation structures. Delving into the realm of social policy, the study conducts a comprehensive evaluation of targeted subsidies, such as food and LPG subsidies, juxtaposing their outcomes with the promises of a UBI model, addressing the intricacies of implementation, the research explores the administrative challenges intrinsic to executing a UBI program on a national or state level. Issues such as fund allocation, beneficiary identification, and the prevention of leaks in the system are dissected, offering a nuanced understanding of the logistical hurdles associated with this ambitious social welfare strategy. Furthermore, the paper dissects the economic repercussions of a UBI program, scrutinizing its potential impact on inflation, fiscal deficit, and broader economic stability. By employing a multidimensional lens, the study seeks to provide a holistic comprehension of how a UBI initiative might reshape economic dynamics in the Indian context. As the research unfolds, a keen focus is placed on the program's potential to alleviate poverty, improve educational and healthcare access, and enhance the overall well-being of marginalized populations. Insights into public opinion and policy acceptance shed light on the political feasibility of embracing such a radical departure in India's social welfare landscape.

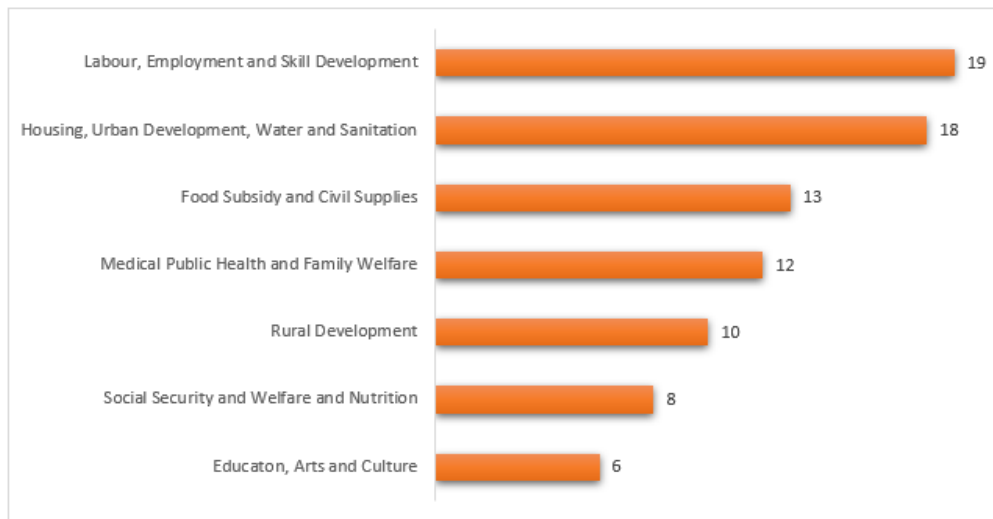
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Introduction

In an era marked by dynamic socio-economic challenges, the pursuit of innovative strategies to enhance social welfare stands as an imperative for nations worldwide. It is evident that the government has encouraged spending on social welfare programs in recent years.



Fig.1 ANNUAL AVERAGE GROWTH RATE BETWEEN 2009-10 AND 2020-21



Source: Union Budget 2023-24. www.india.gov.in/spotlight/union-budget-2023-2024

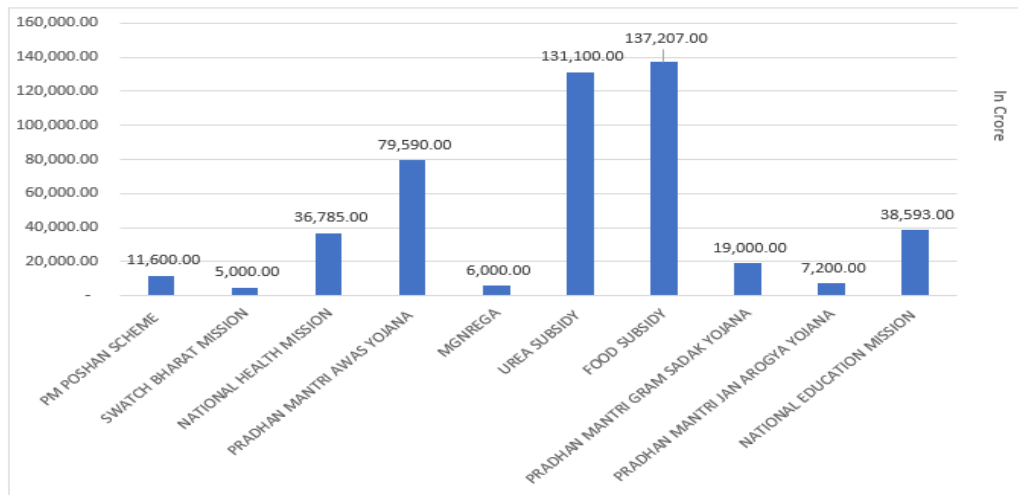
As depicted in Fig.1 between FY 2009–10–11 and FY 2020–21, overall spending in the social sector increased by 11% a year. The development heads with the fastest growth rates were: Labor, Employment, and Skill Development (19%); Housing, Urban Development, Water, and Sanitation (18%); Public Health and Medical (12%); Food Subsidy and Civil Supplies (13%). Among these strategies, the concept of Universal Basic Income (UBI) has emerged as a transformative paradigm, redefining the contours of social policy discourse. In recent years, there has been much discussion on the possible benefits of replacing India's current energy and food subsidies with a universal basic income (UBI). For example, an entire chapter of the 2016/17 Economic Survey (Government of India, 2017) was devoted to a discussion of the advantages and difficulties of implementing a universal basic income (UBI) as a substitute for the current system of energy and food subsidies in January 2017. Usually, these subsidies are described as rife with injustices and inefficiencies. Several studies have shown its inadequate coverage of the impoverished, large-scale benefit leakage to the wealthy, severe operational inefficiencies, and high risk of fraud and corruption (Mr.David Coady and Delphine Prady). This research paper delves into the heart of this conceptual shift, probing the feasibility and potential impact of introducing a UBI program as a pioneering social welfare strategy in the context of India. Under the lens of taxation, implementation intricacies, and economic consequences, this study aspires to unravel the layers of complexity surrounding the adoption of UBI, scrutinizing its viability and implications for the diverse tapestry of Indian society.

As a nation at the crossroads of economic growth and social development, India grapples with the perennial challenges of poverty, inequality, and access to basic necessities. Widening gaps in power and wealth are highly associated with ineffective resource allocation (Gabardo, Pereima, & Einloft, 2017). The correlation between the performance of local agencies and power as well as wealth inequality is every bit as worrisome. In this landscape, the exploration of UBI becomes not just an academic endeavor but a pragmatic quest for solutions that transcend traditional welfare mechanisms. At its core, UBI embodies a radical departure from conventional approaches by proposing a direct, unconditional cash transfer to all citizens, irrespective of their socio-economic status. There are strong normative debates and ideological conflicts between proponents and opponents of basic income because it is seen by many academics and practitioners as a unique social paradigm within modern welfare theory (Jurgen De Wispelaere & Lindsay Stirton).



The introduction of this research paper unfolds in tandem with the trajectory of India's socio-economic evolution. Against the backdrop of this transformative potential, we embark on a journey to assess the viability of financing such a program through progressive taxation. This examination is particularly pertinent as it encapsulates the foundational question of how a UBI program, often perceived as economically ambitious, can be sustained within the contours of India's fiscal ecosystem.

Fig.2 2023–2024 budgetary allocation regarding social welfare schemes



Source: Union Budget 2023-24. www.india.gov.in/spotlight/union-budget-2023-2024

The interplay between targeted subsidies and UBI constitutes another critical facet of our exploration. By comparing the efficacy of existing subsidy frameworks, such as those directed towards food and liquefied petroleum gas (LPG), with the promises of UBI, we aspire to discern the optimal pathway for maximizing the impact of social welfare expenditures.

Implementation, often the linchpin of policy success, emerges as a central theme in our investigation. Navigating the labyrinth of administrative intricacies, we scrutinize the logistical challenges inherent in executing a UBI program on a national or state level. The issue is complex and goes beyond calculating the amount of tax revenue or other financial resources required to finance a universal basic income (UBI). It also directly affects how distribution would be changed by varying UBI levels and how such variations would impact the effectiveness of current welfare programs (Dr Luke Martinelli). Addressing issues ranging from fund allocation to beneficiary identification, this research seeks to provide a comprehensive understanding of the operational dimensions critical to the success of such a pioneering initiative. Moreover, the exploration extends into the economic consequences of a UBI program. By dissecting its potential impact on inflation, fiscal deficit, and broader economic stability, we aim to unravel the intricate web of economic implications that may accompany this novel approach to social welfare. As the research unfolds, it pivots toward the social welfare outcomes of a UBI program. The study evaluates its potential to alleviate poverty, enhance educational and healthcare access, and contribute to the overall well-being of marginalized populations. Insights into public opinion and policy acceptance are woven into the fabric of our exploration, providing a nuanced understanding of the political feasibility of embracing UBI in the Indian context.

This research embarks on a comprehensive inquiry into the feasibility and impact of a UBI program in India, shedding light on the intricate dynamics of taxation, implementation challenges, and economic consequences. As we navigate this intellectual terrain, the ultimate objective is to contribute to a



nuanced and informed discourse, guiding policymakers, scholars, and stakeholders toward a holistic understanding of the transformative potential of Universal Basic Income as a social welfare strategy in India.

Unlocking the Potential: The Positive Aspects of Universal Basic Income (UBI) In India

In the labyrinth of India's complex socio-economic landscape, the prospect of implementing a Universal Basic Income (UBI) program emerges as a beacon of hope and transformation. It is important to unravel the positive aspects of UBI as a groundbreaking social welfare strategy in India, focusing on its potential to reshape economic dynamics, alleviate poverty, and foster a more inclusive society.

1. Eradicating Poverty at Its Roots

At the heart of the UBI proposition lies the promise to eradicate poverty at its roots. By providing a direct and unconditional cash transfer to all citizens, regardless of their socio-economic status, UBI stands as a powerful equalizer. It addresses the immediate financial needs of the most vulnerable populations, ensuring that no one is left behind in the pursuit of a better quality of life.

2. Fostering Economic Stability and Empowerment

A UBI program has the potential to foster economic stability by injecting a steady flow of income into households. This infusion of capital can stimulate local economies, drive consumption, and empower individuals to make choices that align with their aspirations. In the long term, this empowerment can contribute to a more dynamic and self-sustaining economic ecosystem.

3. Simplifying Social Welfare Programs

One of the noteworthy positive aspects of UBI is its simplicity. Unlike traditional social welfare programs with complex eligibility criteria and bureaucratic hurdles, UBI streamlines the process. Its universal nature eliminates the need for extensive administrative machinery, reducing inefficiencies and ensuring that the benefits reach those who need them most, promptly and without discrimination.

4. Enhancing Social Inclusion

UBI has the potential to bridge the gaps of social inequality. By providing a baseline income to all citizens, irrespective of their background, caste, or gender, it promotes a more inclusive society. This inclusivity not only addresses immediate financial needs but also contributes to breaking down systemic barriers that perpetuate social disparities.

5. Empowering Women and Vulnerable Populations

UBI has the potential to be a game-changer for women and vulnerable populations. By providing a direct cash transfer, it empowers individuals within households, particularly women, to make decisions that positively impact their lives. The individual component of UBI aims to broaden the freedom and safeguard vulnerable members of families. Ensuring the family unit has enough to live without financial instability is ensured by the additional allowance for children (Juliana Uhuru Bidanure). This financial autonomy can contribute to breaking the cycle of poverty and empowering marginalized communities.

6. Mitigating the Impact of Economic Shocks

In a world fraught with economic uncertainties, a UBI program serves as a safety net. The direct cash transfer provides a buffer against economic shocks, ensuring that individuals and families can weather



financial storms without falling into extreme poverty. This resilience can contribute to a more stable and secure society.

As we assess the feasibility and potential impact of a Universal Basic Income program in India, it is crucial to acknowledge the positive aspects it brings to the forefront. From eradicating poverty to fostering economic empowerment and social inclusion, UBI has the potential to redefine the narrative of social welfare in India. This research endeavor seeks to shed light on these positive dimensions, contributing to an informed discourse that considers the transformative potential of UBI in shaping a more equitable and prosperous future for India.

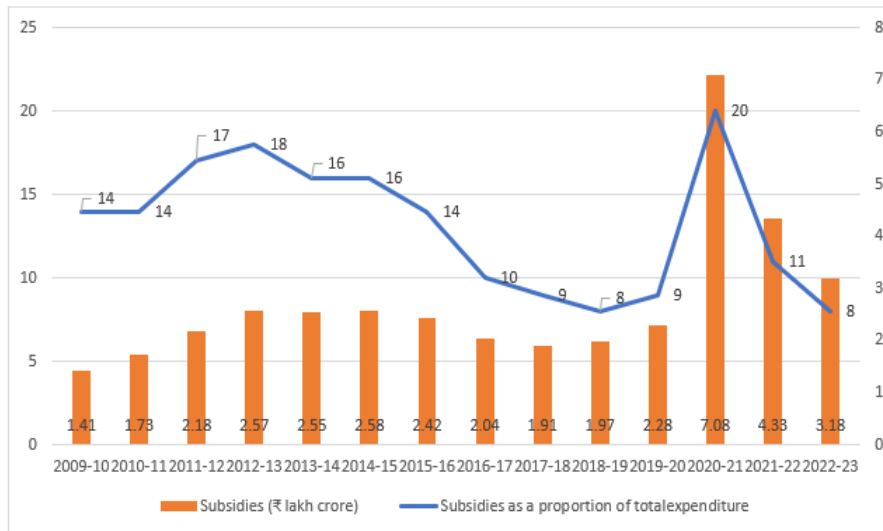
Navigating the Hurdles: Challenges Associated With Implementing Universal Basic Income (UBI) In India

As the prospect of a Universal Basic Income (UBI) program takes center stage in the discourse on social welfare in India, it becomes imperative to address the challenges that may accompany this ambitious endeavor. It is significant to delve into the complexities and potential stumbling blocks associated with implementing UBI, particularly in the Indian context, focusing on taxation, implementation logistics, and broader economic consequences.

1. Fiscal Constraints and Taxation Burden

One of the foremost challenges in implementing a UBI program lies in navigating the fiscal constraints and taxation burden. Financing a universal cash transfer to all citizens demands substantial financial resources.

Fig.3 TOTAL EXPENDITURE ON SUBSIDIES OVER THE PERIOD OF TIME



Source: Department of Expenditure. doe.gov.in/

The Indian government already spends a significant amount of money funding several subsidies (Fig.3). Furthermore, the cost of funding UBI will increase the already heavy load upon economy. The fiscal budgetary constraint for sustaining a UBI scheme gets more intense when income is measured coarsely. This is supported by the fact the financing of UBI is less expensive in an economy with a higher level of equality and that levying taxes is not progressive, as one might suspect in the emerging economies (Maitreesh Ghatak & François Maniquet). The feasibility of progressive taxation as a



means to fund UBI raises concerns about potential economic disincentives, tax evasion, and the overall strain on the existing fiscal framework.

2. Administrative and Logistical Complexities

The sheer scale of implementing a UBI program for a vast and diverse population like India poses significant administrative and logistical challenges. From accurately identifying beneficiaries to ensuring the timely and efficient distribution of funds, the logistical complexities may result in delays, leakages, and mismanagement if not meticulously addressed.

3. Potential Inflationary Pressures

The infusion of a substantial amount of cash into the economy through a UBI program carries the risk of triggering inflationary pressures. This challenge is particularly pertinent in a country like India, where inflation dynamics are sensitive to changes in consumer spending patterns. Balancing the economic stimulus with inflationary risks becomes a delicate exercise that requires careful consideration.

4. Impact on Labor Market Dynamics

Critics of UBI argue that providing a guaranteed income might lead to a reduction in workforce participation, as individuals may choose not to engage in formal employment. This potential distortion in labor market dynamics can have implications for economic productivity and growth, necessitating a nuanced approach to strike a balance between income support and workforce incentives.

5. Ensuring Targeting and Avoiding Exclusion Errors

The universal nature of UBI implies that every citizen, regardless of their economic status, would be entitled to the cash transfer. This universal approach raises concerns about targeting accuracy, as some argue that resources may be directed to those who do not necessarily require financial assistance. Striking a balance between universality and targeting precision is a critical challenge in the design of a UBI program.

6. Cultural and Regional Disparities

India's socio-cultural and regional diversity adds another layer of complexity to the UBI challenge. The varying cost of living, economic activities, and cultural nuances across states and regions may require customized approaches to UBI implementation. Failing to address these disparities could result in uneven outcomes and exacerbate existing regional inequalities.

7. Long-Term Economic Consequences and Sustainability

While UBI holds promises of immediate poverty alleviation, the long-term economic consequences and sustainability of such a program require careful consideration. Questions regarding the potential impact on savings rates, investment patterns, and overall economic productivity necessitate a thorough analysis to ensure that the short-term benefits do not compromise the long-term economic health of the nation.

As we discuss the feasibility and potential impact of a Universal Basic Income program in India, it is crucial to confront the challenges head-on. This research endeavor aims to shed light on the multifaceted hurdles associated with UBI, recognizing that a nuanced understanding of these challenges is essential for crafting effective policies that can truly transform the socio-economic



landscape of India. The road to implementing UBI is fraught with complexities, but acknowledging and addressing these challenges is the first step towards realizing its transformative potential.

Transforming the Horizon: Assessing the Impact of Universal Basic Income (UBI) On the Indian Economy

In the realm of social welfare strategies, the proposition of a Universal Basic Income (UBI) program stands as a potential game-changer, capable of reshaping not only individual lives but the entire economic fabric of a nation. It is essential to delve into the intricate dynamics of the impact that a UBI program could have on the Indian economy, navigating through the lenses of taxation, implementation challenges, and broader economic consequences.

1. Stimulating Consumer Demand and Economic Growth

At the heart of the potential impact of UBI on the Indian economy lies the prospect of stimulating consumer demand. The infusion of a guaranteed income into the hands of citizens, regardless of their socio-economic status, is expected to drive increased spending on goods and services. This surge in demand, in turn, has the potential to fuel economic growth, particularly in sectors directly catering to the needs and aspirations of the general populace.

2. Fostering Entrepreneurship and Innovation

A UBI program could act as a catalyst for entrepreneurship and innovation. By providing a financial safety net, individuals may be more inclined to take risks, embark on entrepreneurial ventures, or invest in education and skills development. This boost to entrepreneurial spirit and innovation can contribute to a more dynamic and diversified economy, fostering a culture of creativity and resilience.

3. Addressing Socio-Economic Disparities and Promoting Inclusion

One of the transformative impacts of UBI on the Indian economy is its potential to address socio-economic disparities. By providing a basic income to all citizens, UBI can act as a levelling mechanism, ensuring that the benefits of economic progress are more equitably distributed. This inclusivity has the power to uplift marginalized communities, contributing to a more balanced and socially cohesive society.

4. Lowering Poverty and Focusing in Human Resources

A powerful instrument for reducing poverty may be the direct cash transfer provided by UBI. It can assist in ending the cycle of poverty by offering a financial safety net, allowing people and families to make investments in skill development, healthcare, and education. Thus, a more competent and effective workforce that can support long-term economic growth is produced, improving human capital.

5. Streamlining Social Welfare Programs and Reducing Bureaucratic Overheads

The simplicity of UBI as a social welfare strategy can streamline existing social welfare programs, reducing bureaucratic overheads and operational inefficiencies. The direct cash transfer approach eliminates the need for complex eligibility criteria and extensive administrative machinery. This streamlining not only enhances the efficiency of resource allocation but also minimizes the potential for corruption and mismanagement.

6. Balancing Inflationary Pressures and Economic Stability

While the infusion of cash into the economy through UBI has the potential to stimulate growth, it also raises concerns about inflationary pressures. Striking a delicate balance between providing economic



stimuli and avoiding inflationary pitfalls becomes crucial. Careful consideration of the amount of the basic income and its phased implementation can help mitigate inflation risks and ensure overall economic stability.

7. Encouraging Savings and Investment

The guaranteed income provided by UBI may encourage individuals to engage in savings and investment. This shift in savings behavior can contribute to the accumulation of capital in the economy, potentially fostering long-term economic stability and resilience. Understanding the nuances of how UBI influences savings patterns is essential for predicting its broader economic consequences. As we embark on the journey of assessing the feasibility and impact of a Universal Basic Income program in India, understanding its potential impact on the economy is paramount. This research endeavor seeks to unravel the transformative dynamics that UBI could introduce, from fostering entrepreneurship to addressing socio-economic disparities. By navigating through the complexities of taxation, implementation challenges, and broader economic consequences, we strive to contribute to an informed discourse on the potential of UBI to reshape the economic trajectory of India.

Conclusion: Unveiling the Tapestry of Potential and Challenges in Implementing UBI in India

As we conclude our exploration into the feasibility and impact of a Universal Basic Income (UBI) program as a social welfare strategy in India, the intricacies and potentials of this transformative approach come to light. The threads of taxation, implementation logistics, and broader economic consequences weave together a complex tapestry that demands nuanced consideration and thoughtful policymaking.

Feasibility in the Indian Context: The feasibility of implementing a UBI program in India hinges on navigating a multifaceted landscape. Taxation emerges as a pivotal aspect, with the need to strike a delicate balance between progressive taxation to fund UBI and avoiding adverse economic consequences. The nuances of India's economic structure, diverse population, and fiscal constraints amplify the complexity of this balancing act. Moreover, the administrative challenges associated with identifying beneficiaries and efficiently distributing funds require meticulous planning and robust execution mechanisms.

Impact on the Indian Economy: The potential impact of a UBI program on the Indian economy is both promising and challenging. On the positive side, UBI holds the power to stimulate consumer demand, foster entrepreneurship and innovation, and address socio-economic disparities. It has the potential to act as a catalyst for poverty alleviation and human capital development, contributing to a more inclusive and resilient economy. However, the challenges of potential inflationary pressures, labor market distortions, and long-term economic consequences necessitate a careful and well-calibrated approach.

In navigating these complexities, it is evident that the success of a UBI program in India lies in a holistic understanding of the interplay between its various components. A judicious mix of progressive taxation, streamlined implementation mechanisms, and a keen awareness of economic dynamics is imperative to unlock the transformative potential of UBI.

The Road Ahead: As we stand at the juncture of possibility and challenge, it is essential to acknowledge that the journey toward implementing a UBI program in India is fraught with uncertainties. Yet, within this uncertainty lies the potential to redefine the contours of social welfare, economic stability, and inclusivity. Policymakers, scholars, and stakeholders must engage in a



collaborative and informed dialogue, drawing inspiration from global experiences while tailoring solutions to India's unique socio-economic fabric.

Finally, assessing the feasibility and impact of a Universal Basic Income program in India is a pivotal undertaking that requires a comprehensive understanding of the challenges and potentials inherent in such a transformative strategy. By navigating through the intricacies of taxation, implementation logistics, and economic consequences, we contribute to a nuanced discourse that illuminates the path forward. As India contemplates the adoption of UBI, it is not merely a policy consideration but a profound reflection on the kind of society and economy we aspire to build—one that fosters inclusivity, resilience, and equitable prosperity.

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