

Develop robust means to identify beneficiaries, say economists

Absence of a reliable database of recipients may prove a deterrent

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Chief Economic Advisor to the Finance Ministry Arvind Subramanian has suggested enforcing the Universal Basic Income (UBI) concept for poor households as a means for enabling targeted subsidy disbursement.

The Survey centred its arguments on two core issues: The first is of existing inadequate per capita budgetary allocation in the poor States of Uttar Pradesh, Bihar, Chhattisgarh, parts of Jharkhand, eastern Maharashtra, Madhya Pradesh and Karnataka. And the second is the notion that UBI will enable a better targeted subsidy through the Jan-Dhan, Aadhaar and Mobile (JAM) trinity.

The central question here is the identification of beneficiaries who are eligible for UBI. It labels 60 per cent of the country's population as an inclusion error for subsidy benefits based on their income.

Economists whom *BusinessLine* spoke to said that the government will have to develop more robust means of identifying eligible recipients compared to the existing ones to be sure that UBI reaches the targeted individual before phasing out existing subsidies.

Shift of allocation

Due to the absence of a reliable database of recipients, economists are assuming that the UBI will not be a reality in the immediate future. Without going into much detail, economists hint that the Budget of financial year 2019 may hint a shift of allocation to set the UBI in motion as the government eyes a second term in power.

The survey has not explicitly said that all existing Central and State subsidies will be subsumed under UBI. But the stress on the fiscal is evident. Chief Economist at India Ratings, Devendra Ku-

mar Pant, said, "UBI and subsidies cannot go hand in hand. Even at an income of ₹1,000 per month for 20 per cent of the population, UBI would cost an additional 2 per cent of the GDP if existing benefits are not phased out."

Middle path

Associate Fellow at National Council of Applied Economic Research, Saurabh Bandyopadhyay, said that the government will find a middle path by merging existing social sector schemes to lower the stress on the country's balance sheet.

He said, "The government is likely to merge at least some existing social sector schemes with UBI for fiscal prudence."

Professor at National Institute of Public Finance and Policy, NR Bhanumurthy, said that the government may have to develop a more robust income-linked data base to identify eligible recipients. He said, "This will be easier if everyone starts filing their tax returns. Then it will be easier for the government to identify the UBI targets."