



**Chronic Poverty**  
Research Centre

Background Paper for the Chronic Poverty  
Report 2008-09

## **Poverty Target Programs for The Elderly In India**

With Special Reference to  
National Old Age Pension Scheme, 1995

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February 2006



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## 1. Introduction

A World Bank publication “Old-Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reforms” (May, 2005) points out, while the developed world got rich before its people started living longer, in developing countries people are getting older before the countries have got rich. In the context of India this is amply true and makes the issue of pensions so very critical.

In fact, not only in India, but on a global level societies and governments are talking about ageing and pension at higher decibels.

This paper looks into various aspects of the old age pension debate and related policies in India. In the analysis that follows, we address issues such as: the identity of the drivers of change; the political context in which many of these policies emerged; the intrinsic relationship between poverty and old age problems; state ideology; and the design and implementation of related policies.

The questions and their responses have been weaved into a seven-part discussion below.

The first section, ‘**Background**’, attempts to put the debate into perspective by touching upon some of the key issues around old age: the formal vs. informal care of the elderly; the role of state in providing security to elderly; factors that lead to problems among the elderly; and changes in social structures which are giving rise to some of the problems associated with old age.

The second section, ‘**India: A Changing Society**’, looks more specifically into the Indian social structure and changes therein, especially the institution of family. It attempts to identify some of the key factors that have led to a situation where the elderly - a whopping 71 million population - have become marginalised. It also looks into an interesting aspect of inter-state disparities among elderly population in the country. This point is especially relevant because it provides us an insight to understand the various designs of pension policy, which in many cases exist at two levels — national and state.

The third section, ‘**The Demographic Shift. Disadvantage: Elderly**’, delves into some of the specific socio-economic problems faced by the elderly. Poverty is a defining feature of old age and this section throws some light on this issue. The Ministry of Social Justice and Empowerment, Government of India (1999) in its document on the National Policy for Older Persons, has relied on the figure of 33% of the general population below poverty line and has concluded that one-third of the population in 60 plus age group is also below that level - 23 million. It also looks at the gender disparities among the



elderly. Much of this understanding of poverty and the accompanying figures go on to contribute towards policy prescriptions in this space.

The fourth section on '**Poverty In India**' takes a detailed look at the many aspects of poverty in the country, its magnitude and impacts. It also looks at the regional differences in poverty indicators, which in turn signifies the role of political and civil society interventions in social development, and also suggests that states which lag behind in literacy and agriculture are the ones which are more backward. It also discusses the challenge of chronic poverty among the elderly in India. Having set the tone, the paper moves on to the next section, which looks at '**Care For Elderly: Post Independence Prescriptions**'. The discussion here takes into consideration the political context in which the debates regarding the elderly took place. The policy prescriptions that followed largely emerged out of these debates.

We further address the range of responsibilities of the welfare state envisaged after independence. The debate around poverty and need to address the old and other deprived people, through the process of planned development are captured in the sixth section which is titled: '**Welfare State, Poverty and The Elderly**'. It brings to light the policy spaces in which many of the interventions relating to the elderly were debated and formulated. We consider the roles of the Planning Commission, Ministry of Social Welfare, the Finance Commission and other critical players, such as major political leaders and political parties. Taking a historical approach, the section covers over three decades of planned development before attempting to unveil the nuances of the liberalisation era.

The last section deals with the '**Indian elderly in the era of liberalisation: National Old Age Pension Scheme**', which is a centrally funded program, to support the destitute elderly. Introduced in 1995, the program was a bold initiative at targeting poverty, involving a direct cash transfer to those over 65 years old. Studies have shown that out of the many poverty-targeting programs, this is one of the most successful. This section analyses the scheme; looking at its effectiveness, the gaps that still plague it and whether there is a need to enlarge its scope, both in terms of coverage and benefit.

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## 2. Background

Growing life expectancy transforms the demographic structure, increasing the proportion of the elderly. Such persons require social, economic, moral and physical support. The debate around this issue is perhaps as complex and curious as the problem itself. From arguments defending the more traditional family support system to those endorsing the state to stepping in to lend a helping hand— a host of proposals have been advanced over decades. India, as caught between dominant global paradigms and compulsions of her own philosophy of development, has borne a range of policy prescriptions. Whilst in the initial years of planning the care of the elderly was a low priority, India's economic development, of the 1980s and 1990s, brought it into sharper focus. Political ideology also became integral to formulation of policies. International events have too played a part; an the World Assembly on Ageing in Vienna in 1982, for example, also guided Indian initiatives.

The problems afflicting the elderly are multi-dimensional problems and invariably involve many aspects of national life. No single sector of national life is willing to accept the problem of old age as its own. Each sector is only too willing to pass the buck to another. For instance, the health sector believes that problems of the aged are essentially social in character; hence their care is the responsibility of the social sector. The social sector, in turn, considers that it is the responsibility of the health sector and so on. The latter considers the problem as a matter of concern of labour and also being economic, so the onus is shifted to the realm of economic department.

In recent years, scholars have focused on the comparative roles of informal care (often carried out in the family domain) and formal care (which is provided by the state). Their relative importance in caring for the elderly has been a matter of debate. Issues such as the complementarity between, and the balance of, the two forms of age care, the diminishing role of informal care in contrast to the increasing role of the state, in the care of the elderly (and vice versa) have engaged attention of scholars. A common thread that binds together many different viewpoints and arguments is that public or formal old age care is a supplement to informal old age care and not its substitute. It is increasingly felt that attempts should be made to weave the two forms of care together.

The problems faced by the elderly generally arise from: inequality of opportunity for employment; inadequate income; unsuitable housing; lack of social services and of provisions for sustaining physical and mental health; stresses and strains produced by changing family patterns and family relations; and lack of meaningful activities in retirement. Among the reasons advocated by scholars for state intervention in developing countries, two seem to be important. The first reason is market failure. For example, labour, credit and insurance markets are important for the poor in these



countries. Deprivation and vulnerability may result if these markets do not exist or function well. In such cases, the state can interfere in market functioning in a bid to improve social security. The second reason is that the state may invoke the social equity rationale to alter highly uneven distributions of income, wealth or assets. These two reasons can provide a rationale for introducing social security measures.

In a review of less developed countries' governments' perceptions and policies on ageing (articulated in documents submitted to the World Assembly on Ageing, 1982 and the United Nations Population Inquiry of 1984), Heisel summarised some of the vital issues common to all: '[v]alues of the traditional family system are still very important and the aged command respect and attention of the young members of the family who have the responsibility of caring for their elders. However, recent economic and social changes, particularly migration, have produced a decline in the traditional system of assigning responsibility in the family and in its capacity to cope with some of the fundamental needs of its aged members. There are many elderly persons without means of support and without kin who are available or willing to look after them. The government has thus to assume of this responsibility.'

The India Development Report 2002 also notes: '[m]ost industrialized countries provide safety nets to their citizens. They take care of the poor, unemployed, sick and old through publicly provided safety nets.'<sup>1</sup>

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<sup>1</sup> Parikh, and Radhakrishna, 2002: 16



### 3. India: A Changing Society

India, which used to have a strong system of joint family (where up to three generations lived under one roof and hence care of the elderly was not really an issue), has undergone change. Some of the important factors responsible for this change include::

- Industrialisation, wherein production of goods with the use of hand-tools is replaced by power-driven machines gives importance to individuals rather than kinship groups. Homogeneity of outlook among the family members decreases;
- Modernisation, technological change, mobility and the explosion in the lateral transmission of knowledge have introduced changes in lifestyle and values;
- Younger people are increasingly formulating their own visions of society; challenging the established order and moribund traditions – they are hence likely to come into conflict with the elderly;
- The gradual migration of people towards large industrial complexes. The enforced crowding together of large communities in confined spaces has, ironically, signaled the erosion of the neighbour systems and this acts as a severe constraints in common residence of the elderly with their sons;
- The migration of younger population to cities and towns, which increases the vulnerability of the old who stay behind, specially for those who do not have a independent livelihood or assets such as land, livestock or household industry but are primarily dependent on their labour;
- The increasing numbers of women seeking employment in offices and factories - this impinges on their time for taking care of the elderly, many of whom may need constant care. Further, decline in the status of elderly women due to less importance in socio-religious ceremonies; and
- The enormous expansion of education, which raises the cost of bringing up children, and adds to the pressure on families to alter expenditure priorities in favour of the younger generation, thereby affecting the intra-family distribution of income. As a result of these forces, the joint family system has come under severe strain, thereby increasing the vulnerability of the elderly.

Along with these trends, there has been a simultaneous change in the demographic profile of India.

According to the 1991 census, the proportion of elderly persons has risen from 5.3% in 1961 to 6.58 % in 1991. It reached close to 9.08% in 2001 and 9.875 % in 2021. More than four-fifths of elderly persons live in rural areas, and female elderly outnumber the





male elderly.<sup>2</sup> It is also important to note where most elderly people live, in India and major states. A whopping 78.4% of the elderly male population lives in rural India, while this figure is 77.8% for females. In some of the states about 90% of the elderly population live in the rural areas (see Table).

While it took France 120 years for the elderly population to double, it took India just 25 years. This population shot up from 12 million in 1901, to 19 million in 1951 and 77 million in 2001. It is anticipated that by 2021 it will reach 137 million. India now has the second largest aged population in the world.

At the state level, the highest percentage of elderly people is in Kerala. In general, the proportion of elderly people is higher in the Southern States and relatively lower in the Eastern and North-Eastern region. It is also higher in Punjab, Haryana and Himachal Pradesh, which are relatively better off states. This is expected, since some of these states have done well on a number of socio-economic indicators and have also been successful in bringing down their population growth rates. Surprisingly, the proportion of elderly to total population is also high in Orissa, which is among the poorest states in the country. The regional pattern is more or less similar for both rural and urban areas.<sup>3</sup>

**Table 3.1: Percentage of elderly population by place of residence (2001)**

States	Male		Female	
	Rural	Urban	Rural	Urban
India	78.4	21.6	77.8	22.2
Andhra Pradesh	80.1	19.9	78.0	22.0
Assam	89.7	10.3	89.6	10.4
Bihar	89.6	10.4	89.8	10.2
Gujarat	70.1	29.9	70.3	29.7
Haryana	80.5	10.5	78.8	21.2
Himachal Pradesh	94.1	5.9	94.3	5.7
Karnataka	74.3	25.7	74.1	25.9
Kerala	75.3	24.7	73.4	26.6
Madhya Pradesh	81.3	18.7	81.4	18.6
Maharashtra	68.6	31.4	69.8	30.2
Orissa	90.2	9.8	90.7	9.3
Punjab	76.6	23.4	76.2	23.8
Rajasthan	81.1	18.9	80.4	19.6
Tamil Nadu	69.7	30.3	67.6	32.4

<sup>2</sup> Report of the National Commission of Labour, 2002: 874

<sup>3</sup> National Human Development Report 2001, 2002: 91



Uttar Pradesh	84.6	15.4	84.4	15.6
West Bengal	69.1	30.9	71.5	28.5

**Source:** Census of India 1991: Series – 1, Part IV A, Social & Cultural Tables, 1998.

There are certain **general points** that emerge out of the demographic trend:

1. The rate at which the size of the elderly population is increasing is higher than that of the general population.
2. The increase in the number of elderly women is much more than in case of men.
3. The percentage of elderly persons working is declining, particularly in the case of women.
4. Nearly two-thirds of elderly women will be widows, while only 22% of elderly men will be widowers.
5. A large population of the elderly population will continue to live in poverty, or at the subsistence level, and will also remain illiterate.

At the time of independence, the elderly commanded a lot of respect and attention, as per the prevalent social structure. They were considered as assets, their guidance was sought in all matters, including religious ceremonies and marriages, and their advice mattered. They were not considered deprived and they did not attract the attention of political parties or national or local governments. However, some philanthropists and religious organisations provided Ashrams (shelter houses), mostly on the banks of holy rivers or in the hills, where persons, after renouncing their families or widows without encumbrances, could retire for meditation and live a peaceful life.

But, this once widespread perception of the elderly as the repository of collective wisdom is on the wane. Being economically unproductive, they do not have the same authority and prestige as before; older people are now perceived as burdens.

### 3.1. The Demographic Shift. Disadvantage: Elderly

The elderly population faces a number of problems and adjusts to them in varying degrees. These problems range from an absence of a secure and sufficient income to support themselves and their dependents to ill-health, absence of social security, loss of social role and recognition and the non-availability of opportunities for creative use of



free time. The needs and problems of the elderly vary significantly according to their age, socio-economic status, health, living status and other such background characteristics.

Perhaps the most important problems confronting India's elderly are financial. Mass poverty is the Indian reality and the vast majority of the families have incomes far below the level which would ensure a reasonable standard of living. The Ministry of Social Justice and Empowerment, in its document on the National Policy for Older Persons (1999), maintains that 33% of the general population live below poverty line and that one-third of the population in 60-plus age group is also below that level. On this basis, there are 23 million poor older persons. As people get older, they need more intensive and long-term care, which in turn may increase financial stress in the family. Inadequate income is a major problem facing the elderly in India.<sup>4</sup> The most vulnerable are those who do not own productive assets, have little or no savings or income from investments, have no pension or retirement benefits, and are not taken care of by their children, or live in families that have low and uncertain incomes and a large number of dependents.

Nearly half of the elderly are fully dependent on others, while another 20% are partially so.<sup>5</sup> For elderly people living with their families - still the dominant living arrangement - their economic security and well-being are largely contingent on the economic capacity of the family unit. Particularly in rural areas, families suffer from economic crisis, as their occupations do not produce income throughout the year.

Nearly 90% of the total workforce is employed in the unorganised sector. They retire from their gainful employment without any financial security, such as pensions and other post-retirement benefits. In the formal sector (which includes the Central and State governments, local government bodies, and major enterprises in basic industries (e.g. manufacturing, mining etc.)) there are approximately 30 million workers; nearly one in every 10 members of India's total workforce of 314 million. The work participation rate among the elderly is around 40%. More elderly men than women participate in economic activities. The participation is higher in rural areas than in urban areas. Most 60-plus workers are engaged in agriculture. Nearly half of the elderly are fully dependent on others, while another 20% are partially so.<sup>6</sup>

Other estimates suggest a bigger workforce, with a smaller proportion employed in the formal sector. In an editorial dated October 28, 2005, The Times of India wrote that out of the 500 million strong Indian workforce, '...a miniscule 5%, or 27 million, work in the organised sector. About 70% of this number, about 19 million, work for the central and state governments... Add a couple more million to that and you get a figure of between

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<sup>4</sup> Siva Raju, 2002

<sup>5</sup> National Sample Survey Organisation, 1998.

<sup>6</sup> Ibid



20 and 22 million people who belong to the labour aristocracy. This 4% of workers militate against the interests of the other 96%.<sup>7</sup>

Women are more likely to be dependent on others, given lower literacy and higher incidence of widowhood among them. The most vulnerable are those who do not own productive assets, have little or no savings or income from investments made earlier, have no pension or retirement benefits, and are not taken care of by their children; or they live in families that have low and uncertain incomes and a large number of dependents.<sup>8</sup> Vulnerable groups like the disabled, fragile older persons, and those who work outside the organised sector of employment, such as: landless agricultural workers, small and marginal farmers, artisans in the informal sector, unskilled labourers on daily, casual or contract basis, migrant labourers, informal self-employed or wage workers in the urban sector, and domestic workers.

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<sup>7</sup> The Times of India, October 28, 2005

<sup>8</sup> Bose, 1996.



## 4. Poverty in India

Poverty is largely a matter of extremely low levels of well-being. 'Poor people are particularly vulnerable to adverse events outside their control. They are often treated badly by institutions of the state and society and excluded from voice and power in those institutions.'<sup>9</sup> Using income as a measure of poverty, the World Development Report<sup>10</sup> refers to the 'deep poverty amid plenty' in the world and states that a fifth of the world's people live on less than \$1 a day, and 44% of them are in South Asia. Lack of access to resources or assetlessness is a unifying characteristic of all its manifestations of poverty. Those who are severely below the poverty line are largely involved in subsistence activities for which they get exploitatively poor returns despite suffering extreme physical hardship and undertaking grave risks so as to earn a meagre income. Since earnings are below even the margins of existence, expenditure and survival needs exceed income.

This often results in the need to borrow small amounts of money at usurious interest rates of as much as 120% per annum. When borrowing is not possible, hunger is endured instead. An inability to change the predominant power relationships can result in a scarcity of available common resources (such as even drinking water) or public funds meant for poverty alleviation being misappropriated and diverted through manipulation by the locally powerful. Since there are no mechanisms for redress, this could result in social tension, despair or a combination thereof.

The Planning Commission estimates the incidence of poverty in India on the basis of household consumer expenditure surveys conducted by the National Sample Survey Organisation. Six large sample consumer surveys have been conducted by the NSS on a quinquennial basis since 1973-74. During the period between 1973-74 and 1999-2000, the incidence of poverty (expressed as a percentage of people below the poverty line) continuously declined, from 54.9% to supposedly 26% (Table 2). However, the pace of poverty reduction varied considerably during this period with a large decline in the percentage of the population in poverty throughout the 1980s, a slowdown in the pace of poverty reduction in the early 1990s, and a reported, but contested, sharp 10% decline in poverty in the second half of the 1990s. No such secular decline occurred in the numbers of those in poverty. The number of people below the poverty line increased by 8 million during the 1970s, decreased by 21.8 million during the 1980s, increased by 13 million during the early 1990s and reportedly decreased by a massive 60 million during the mid to late 1990s.<sup>11</sup>

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<sup>9</sup> International Board for Reconstruction and Development, 2000-2001: 15

<sup>10</sup> World Development Report, 2000-01: 3

<sup>11</sup> [www.chronicpoverty.org](http://www.chronicpoverty.org)



Table 4.1: Incidence of Poverty in India

Year	Percentage of population below poverty line	Decline	Number of people below poverty line (million)	Decline
1973-74	54.9		321.3	
1977-78	51.3	- 3.6	328.9	- 3.6
1983	44.5	- 6.8	322.9	- 6.8
1987-88	38.9	- 5.6	307.1	-5.6
1993-94	36	- 2.9	320.3	- 2.9
1999-2000	26.1	- 9.9	260.2	- 9.9

Source: Planning Commission Draft Ninth Five Year Plan, 2001

Considerable progress was made in poverty reduction during the 1980s and this is reflected in terms of a decrease in the numbers of people below the poverty line from a high of 328.9 million in the 1970s to 307.1 million towards the end of the 1980s; a decrease in the percentage of population in poverty from 54.9% in the early 1970s to 39% during the second half of the 1980s; and an increase in the rate of poverty reduction from 3.6% in the late 1970s to around 6% in the 1980s.

The early 1990s saw a reversal in some of these gains as the numbers of those in poverty increased to 320 million and the pace of the decrease in poverty incidence declined from around 6% to 2.9%. However, in 1999-2000, both the percentage and number of people below the poverty line was drastically reduced. This change was largely secured by remarkable development performance in the Southern states and significant gains in literacy and agriculture in two of the erstwhile BIMARU (Bihar, MP, Rajasthan and UP) states.

It is important to look at the rural-urban distribution of poor people in India. Over 80% of the poor were located in rural areas in the 1970s. The proportion of the rural, as opposed to urban, poor declined steadily from 80.3% (1977-78) to 75.5% (1987-88). The number of urban poor increased by 10.6 million during the same period, partly due to the migration of poor people from rural areas. There was therefore an increase in the relative



share of urban poverty from 18.7% to 24.5% during the period from 1973-74 to 1987-88 and it has fluctuated around this estimate since then.<sup>12</sup>

This brings us to the discussion of poverty in the states. It may not be surprising to note that almost half (48%) of India's poor and one third (35.6%) of India's population are concentrated in the three states of Uttar Pradesh (including Uttaranchal), Bihar (including Jharkhand) and Madhya Pradesh (including Chhatisgarh). This makes the task of these states vis-a-vis the poor and the destitute even tougher.

Three states — Maharashtra, West Bengal and Orissa — account for another 22.5% of those in poverty. 71.65% of India's poor (half of the population) is therefore located in six states. Further, in all these states, except Maharashtra, their relative share of those in poverty exceeds the share of the population, and is substantially larger in the cases of Bihar, Madhya Pradesh and Orissa. No major reduction in poverty in India is possible unless interventions for poverty alleviation are intensified in these states.

**Table 4.2: Percent of India's poor and of population in six high poverty states**

State	Percentage of poor in 1999-2000	Percentage of population in 2001
Uttar Pradesh	20.36	17
Bihar	16.39	10.69
Madhya Pradesh	11.47	7.91
Maharashtra	8.76	9.42
West Bengal	8.20	7.81
Orissa	6.50	3.57

**Source:** Calculated based on Government of India, Poverty Estimates for 1999-2000 (2001) and Government of India, Provisional Population Tables (2001)

Which states have a large percentage of their population in poverty? In 1999-2000, 71.68% of India's poor resided in the seven states: UP (20.36), Bihar (16.39), MP (11.47), Maharashtra (8.76), West Bengal (8.20), and Orissa (6.50). These states constitute 56.4% of the total population.

<sup>12</sup> Ibid



While Kerala, Andhra Pradesh and Punjab substantially reduced their poverty levels, Bihar and UP, of the BIMARU fame, continue to show no remarkable results. This was largely because of: tardy and flawed implementation, rampant corruption and a lack of awareness among the beneficiaries.

Bihar, Orissa, Madhya Pradesh, Assam and Uttar Pradesh have endured chronic poverty - more than 40% of the population of these states has been in poverty for over two decades.

#### 4.1. Challenge of Chronic Poverty Among Elderly

India's elderly constitute a major proportion of those enduring chronic poverty therein. According to India's Institute of Public Administration's working paper on "Chronic Poverty Among Indian Elderly" (2004), in the rural areas, 58% of women and 45% of men are entirely economically dependent, whereas in urban areas, these figures are 64% and 46% respectively. In general there is a marked difference between males and females in this respect. The most vulnerable group consists of elderly women in urban areas; 64% of them are dependent on others for food, clothing and healthcare. This is one of the reasons why the elderly to continue to work despite their poor health.

**Table 4.3: Fully dependent elderly by sex and place of residence among major states**

State	Rural			Urban			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
AP	46	64.9	55.3	43.1	59.1	51.5	44.8	62.2	53.6
Assam	50.7	69	58.6	45.1	57.1	50.9	49.5	66	56.8
Bihar	36.7	54.6	45.1	37.4	63.2	49.9	36.8	56.5	46.2
Gujarat	45.3	58	58.1	46.5	63.3	55.4	45.9	60.7	53.5
Haryana	54.1	65.9	60	51.1	66.7	59.1	52.8	58.2	55.7
HP	36.3	37.7	37	30	52.2	40.6	35.6	39.3	37.4
J&K	37.7	61.6	48.4	34.8	72.3	51.4	36.8	64.7	49.3
Karnataka	50.4	58.8	54.9	52.8	66.7	59.9	51.6	62.4	57.3





Kerala	53.4	57.7	55.8	53.4	66.9	61	53.4	61.4	57.8
MP	42.1	51.4	46.7	45.5	59.4	52.2	43.3	53.9	48.6
Maharashtra	46.7	52.3	49.6	45.9	62.9	54.4	46.3	57.3	51.9
Orissa	49.4	62.4	55.6	40.4	69.9	55.9	47.45	64.1	55.6
Punjab	57.2	67.9	62.4	46.9	70.2	58.5	53.2	68.8	60.8
Rajasthan	43.7	54.8	49.6	42.6	60	52.1	43.2	56.9	50.6
Tamil Nadu	42.1	52.4	46.8	40.3	60.8	50.4	41.2	57.1	48.8
UP	39.7	54.9	47	46.9	64.7	56	41.6	57.8	49.5
W Bengal	49.8	67.1	58.2	46.9	64.6	55.5	48.3	65.8	56.9
India	45	58.2	51.4	45.5	64.2	55	45.2	60.6	52.8

Source: Rajan and Irudaya, 2004: 37. The figures have been estimated by the author based on the National Sample Survey data (52nd round, 1995-96)



## 5. Care For Elderly: Post Independence Prescriptions

The political situation in India prior to independence was one of belligerence and issues such as care for the elderly largely remained confined in the realm of academic discourses. However, the scenario changed after independence.

The Directive Principles of State Policy of the Indian Constitution stated that: '[t]he State shall, within the limits of its economic capacity and development make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement ...' In pursuance of this, Directive Principle certain provisions are made for public assistance to older persons. Article 41 of the Constitution enjoins the State to make effective provision within the limits of its economic capacity and development for public assistance in case of unemployment, old age, sickness and disablement and in other cases of undeserved want. 'What was exactly in the minds of the founding fathers of the Constitution is difficult to assess. One interpretation of Article 41 is that old age is mentioned with sickness and disablement and this does not clearly indicate to the 'aged group', which may still be capable of working. There is no other mention of the aged anywhere in the Constitution.'<sup>13</sup> However 'the framers of the Constitution did ... recognise the need for social security programmes to be supported by the state. With the change in situation, as the problem started growing, it did receive attention of the law makers.'

The above reasoning indicates the lack of focussed attention that the issue of old age attracted in the initial years after India's independence. However, it would only be naive to say that Jawaharlal Nehru, the first prime minister of India and his distinguished set of Cabinet members did not regard it as important. Only because the problem - of demographic imbalances that we confront today - was not as glaring as it is today that the issue appeared to have been dwarfed by other problems. Also for a nascent nation, there were a host of priorities that required urgent attention. In fact it goes to the credit of Nehru and Bhim Rao Ambedkar to have even incorporated old age under a Directive Principle. However, as India matured as a democracy and as a welfare state, the issue received increasingly sharper focus and treatment. There have been three reasons for this. First, the proliferation of nuclear, as opposed to joint, families (which emerged as a result of large-scale migration to urban India, in search of opportunities) left the elderly to fend for themselves. Secondly, over the years, the problem of poverty gained attention, internationally, in political economic discourse. This in turn affected the political discourses back in India and the 1970s saw poverty attracting the attention of the political elite. Since Indira Gandhi gave the slogan of Garibi Hatao (eliminate poverty) in

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<sup>13</sup> Bali, 1999: 197



the 1970s (also discussed below), poverty has continued to be one of the important components of the agenda of all political parties.

In fact the Hindu Adoptions and Maintenance Act, 1956 provided that it shall be the obligation of a person to maintain his or her aged or infirm parent. Section 20(3) and Section 125(d) of the Criminal Procedure Code (1973) requires every person having sufficient means to maintain his father or mother who are unable to maintain themselves and on getting proof of such neglect or refusal, a first class magistrate may order such person to make a monthly allowance not exceeding Rs 500. These provisions are not very well known to the people and there may be very few cases of elderly persons resorting to litigation to get maintenance allowance from the courts. Legal procedure is considered to be an expensive affair, time consuming and full of uncertainties. The provisions have thus remained more or less of academic interest only. By and large, responsibility for maintaining the aged has been assigned to their children but given increasingly large numbers of unattached aged persons, destitute, widows and weaker sections of the community, it is considered essential for the State to provide social security benefits to the aged.

In industrialised countries, pension systems cover the economic needs of the elderly. In India, where over 90% of the total workforce is employed in the informal sector; social security offered by pension schemes is only available to the 10% retiring from the organised sector. There is a government scheme for destitute persons above the age of 65 years. The amount currently is Rs 150 (just under £2) a month, which is insufficient to meet the bare necessities of an elderly person. According to a study by HelpAge International, only one in five of those eligible receive said benefit. Being illiterate and poor, many are not able to fill in the relevant forms or produce age certificates. There is an utter neglect by the political class - of all hues - of such basic issues. Grassroots' politics is mostly confined to addressing some clichéd issues, such as good farming techniques, irrigation, and empowerment through participation in Panchayat system



## 6. Welfare State, Poverty and The Elderly

India as a welfare state has launched planned development programmers to eradicate poverty, improve the lot of weaker sections and lead the country to economic prosperity. The India Development Report 2002 noted that we have a 'large number of anti-poverty programmes as well as pension programmes and public hospitals to provide safety nets. Such safety nets are important as they free people from the fear of destitution and reduce insecurity. Insecurity is debilitating. It discourages persons from taking risks. With safety nets persons can be more enterprising as the cost of failure is reduced. Above all, a humane and compassionate society ought to provide all its citizens such safety nets.'<sup>14</sup>

Before we go on to discuss the various measures initiated by the welfare Indian state to eradicate poverty and provide what was then called social security to the needy and the marginalised, a brief discussion on the concept of welfare state is critical here.

According to T. H. Marshall, the welfare state is a critical stage in the long struggle for equal citizenship.<sup>15</sup> What then is equal citizenship? 'It is constructed on the basis of three sets of rights - civil and legal rights, political rights, and social rights - through various stages over the last several centuries. These rights are anchored in the recognition of 'equal social worth' of all members of society. They promote the ideal of enabling the process of achieving full membership in the community, and to participate in 'valued and worthwhile ways of living'.<sup>16</sup> This also includes a concern with social integration, or social solidarity, and promoting enough commonality in the social experiences and lifestyles of different segments of society so that genuine equality of respect will be possible. In other words, the democratic welfare state is an attempt at solving the serious challenge to social integration that necessarily results from the central role of markets in the organisation of modern society, where some people are deprived of the very means of survival and the possibility of maintaining their well-being and dignity due to poverty which causes undeserved exile from society.<sup>17</sup>

### 6.1. Conceptualisation of the Welfare State

What are the landmarks in the conceptualisation of the welfare state in India? It has been accomplished in two phases: (i) the period of a national movement for freedom from foreign rule; and (ii) the making of the Indian Constitution.

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<sup>14</sup> Parikh, Kirit and Radhakrishna, 2002: 16 - 17

<sup>15</sup> Marshall, 1977

<sup>16</sup> Kumar in Vivekanandan and Kurian, 2005: 336

<sup>17</sup> Moon,,1988: 27-52



The Indian national movement for freedom from British rule was led by those conscious of the importance of freedom and planning for social and economic development. It was able to focus the attention of the masses upon growing poverty and the recurrence of famine, which was due to the defective policies of the colonial government. It was the considered view of prominent leaders like Dadabhai Naoroji, M G Ranade and R C Dutt that no solution could be found for the social and economic backwardness of India by the British government pledge to a policy of laissez-faire, but that only a national government which actively promoted development by direct government action could bring about improvement in living standards.<sup>18</sup>

The resolution of the Indian National Congress from 1929 onwards emphasised the need to make revolutionary changes in the economic structure of the society and to remove poverty and ameliorate the condition of the masses. The resolution of 1931 underlined that 'political freedom must include real economic freedom of the starving millions and elaborated the fundamental rights which should be included in the Constitution of free India to provide a basis for it. This resolution was followed by the formation of a National Planning Committee, on the initiative of Subhas Chandra Bose who was President of the Indian National Congress. It consisted of 15 members including industrialists, economists, financiers, professors and scientists, in addition to representatives of provincial governments. The Committee created widespread interest in India about the need for a welfare state with coordinated planning, which was understood as the only means of bringing about a rapid increase in the standards of living through fundamental changes in the social and economic structure. The Congress played an important role in shaping India's future welfare state, which later would pledge to cater to the needs of the needy, including the elderly.

A complimentary process of conceptualisation was contributed by the constant debate about the nature and priorities of the state in post-colonial India among the Gandhians, socialists, communists, radical humanists and other ideological groups in the national movement. The charters of demands adopted by various class organisations of industrialists, merchants, peasants and industrial workers also had a significant impact. The concept of the welfare state became the lodestar of the Constituent Assembly of India. It made its impact upon the orientation of the leading lights of the Assembly who wanted to secure 'justice — social, economic and political' for all citizens of the Republic. They were very clear in their minds that without social and economic democracy, political democracy had no meaning in a poor country like India. The Preamble, Fundamental Rights (Articles 12 to 35), Directive Principles of State Policy (Articles 36 to 51), and the special provisions for scheduled castes and tribes and backward classes (Articles 330 to 342) are significant dimension of the Indian Constitution from this perspective.

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<sup>18</sup> Kumar, Op Cit: 338



## 6.2. Social Security in the Initial Years

The foundation of the welfare state in post-colonial India was laid down during the three Five-Year Plans. While the First and Second Five-Year Plans had provision of social security measures for industrial workers, the Third Five-Year Plan recognised the needs of the old, who had no one to support them. But the onus to carry out welfare activities was left to local bodies and voluntary organisations, without any plan allocation. In 1963 the Ministry of Labour made an outlay of Rs 20 million for social assistance programmes aimed at covering the old and other categories such as the disabled but this was not utilised. This indicated the growing apathy of the new political class in the states on issues of the weak and the marginal.

Though the draft Fourth Five-Year Plan (1966-70) made a provision for an outlay of Rs 40 million for the benefit of old persons and disable, it remained unutilised. Consequently, it was dropped from the Fourth Plan. The Fifth Plan recognised the need of having a social security system for the disadvantaged aged and the handicapped but again this was left to the discretion of the state governments. This failure is located in the larger context of political climate that prevailed in the decades of the 1960s.

Academics argue that the strategy of 'incremental democratic modernisation' encountered a series of problems from 1962 onwards, which made the Nehruvian approach obsolete in many spheres of state politics. A new set of national issues regarding food scarcity, price rises, defence, foreign dependence, economic stagnation and regional inequalities generated a 'cumulative stress' between 1963 and 1967.<sup>19</sup> As a consequence, a new agenda called the Ten-point Program came into being. The dilemma of dependent accumulation and declining dominance of the Congress Party created a shift in India's development direction. The slogan of Jai Jawan - Jai Kisan' (Victory to soldier, victory to peasant) - symbolised the new thrust of the state.

The 1960s saw a sweeping disenchantment with the entire planning process. This period turned out to be one of rediscovery of poverty in political discourse. A. H. Hanson succinctly put the condition: 'Indian planning seems to have gotten into a rut. Approaches and methods are persisted with, even when their results are disappointing, and there is some reluctance to admit, even privately, that anything can be fundamentally wrong. It is time, therefore, for the planners to ask themselves whether the things they are trying to do are really the right things. Every aspect of planning, from

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<sup>19</sup> Kumar, Anand: Op Cit, Pg. 341



the distribution of industrial investment to the organisation of community projects, bears looking at again with fresh, unprejudiced eyes.<sup>20</sup>

The occasion was utilised by Indian socialists, under the leadership of Dr Ram Manohar Lohia, to take the initiative in presenting an alternative approach for promoting people's welfare through democratic planning. This in fact became the rallying point for all non-Congress political formations in the national election of 1967. It also created a pressure for a reorientation of the Congress Party, which resulted in a new agenda for the state in the form of Ten-Point Program.

The program of non-Congressism conceptualised by the socialists emphasised the need to not only change national priorities from industrialisation and sector-wide modernisation to providing irrigation to all agricultural land and economic strength to small land-holding cultivators, but also of promoting a new social order through preferential opportunities to the backward communities. It called for a total challenge to the Indian elite and their three sources of privilege: caste, wealth and fluency in English. In response, the Congress Party moved towards populist nationalism and accepted the need of taming market forces through welfare state mechanisms. These two programmes created a country-wide debate on the challenge of poverty. After a period of political instability at the Center and a wide variety of non-Congress coalition governments in major states in India, the years from 1971 to 1975 became dominated by the idea that India's development strategy should involve putting distribution ahead of growth. This became recognised as a national imperative, as more than half of India's population was still trapped in the poverty. It was legitimised by the slogan of *Garibi Hatao* (eliminate poverty) of the Congress party under the leadership of Indira Gandhi who routed most of the anti-Congress political parties in general elections of 1971-72. It appeared that, after a long wait, the moment had arrived for fulfilling the dreams of Swaraj by creating an egalitarian social order based upon economic self-reliance and democratic social transformation. It is another matter that the electoral mandate was not translated into effective socio-economic measures due to a variety of internal and external reasons.

However, despite odds there was a change of orientation of the political community and policy makers in the early 1970s. According to C. T. Kurien: When a small group in the Planning Commission proposed in 1962 that the central concern of our planning has to be removal of poverty as early as possible, it was a novel and consequently very suspicious idea. But within a decade it had become not only the accepted economic dogma, but also a highly articulated political programme.<sup>21</sup>

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<sup>20</sup> Hanson, 1966: 231

<sup>21</sup> Kurient, 1978: 22-23



The new mood was reflected in the documents of the Fifth Five-Year Plan. For example, "Towards An Approach of the Fifth Plan" (1974-79) proclaimed: There would seem to be a conspicuous element of historic inevitability in a direct approach to reducing poverty becoming the main thrust of the Fifth Five-Year Plan. The plan is being formulated by a government that has massive mandate from the people, both in the parliamentary election of 1971 and the state elections in 1972, on the basis of programme whose piece-piece is *Garibi Hatao*. The homogeneity of the Governments in the Piece and most of the states during the formulation and early years of the Fifth Plan is guaranteed. This should enable bold and imaginative proposals being put through on the basis of an enlightened national consensus.<sup>22</sup>

Thus the Fifth Five-Year Plan of independent India was a landmark in the progress towards the formation of a welfare state in India due to its special thrust, to make the maximum possible dent on low-end poverty whilst ensuring that the country simultaneously progresses towards economic independence. It was also remarkable due to its recognition that the Indian economy has reached a stage where a larger availability of resources made it possible to launch a direct attack on unemployment, underemployment and poverty.<sup>23</sup>

The Fifth Plan also recognised the need for having a social security system for the disadvantaged aged and the handicapped. However, this was again left to the discretion of state governments. 'There was no attempt to consider the problem as such and the concept of Old Age Homes was taken from the developed countries of the West and some grants were given for institutional care of the aged.'<sup>24</sup> However, the Sixth Five-Year Plan omitted the issue of caring for the aged altogether.

The General Assembly of the United Nations decided, in resolution 33/52 of 14 December 1978, to convene a "World Assembly on Ageing" in 1982 in Vienna. The purpose of the Assembly was to provide a forum 'to launch an International Action Programme aimed at guaranteeing economic and social security to older persons as well as opportunities to contribute to national development'. In its resolution 35/129 of 11 December 1980, the General Assembly further indicated its desire that the World Assembly should respond to the socio-economic implications of the ageing of population and to the specific needs of older persons.

UN member countries had been asked to submit country papers to the Assembly and some thinking on the issue was generated. The Vienna Assembly increased the awareness off the growing problem of the elderly. As a result of the World Assembly on

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<sup>22</sup> Planning Commission, 1973

<sup>23</sup> Kumar, Op Cit: 344

<sup>24</sup> Bali, Op Cit: 198





Ageing and growing awareness on the part of voluntary agencies, the Indian Central government started giving grants to voluntary organisations for carrying out welfare programmes aimed at helping the elderly. As a consequence, the final Sixth Plan document, for the first time recognised the aged as a vulnerable group for whom welfare programmes were required. But no Central plan outlay was given and the matter was left to the discretion of the state governments. Again, the Seventh Plan did not recognise the elderly as a separate group, in need of welfare support, but the pattern of grant started in the Sixth Plan was continued, albeit with no appreciable increase in outlay. From this time onwards, the state governments increased the grants and outlays for the pension given to the aged.

Gradually, there was a growing realisation that the elderly needed a care and support system. The notion of social security was sought to be put in place and a host of legislation in various states (discussed later) in subsequent years and few initiatives of the Central government prove this point.

The Seventh Finance Commission took an important decision, to make a financial provision in each state to enable the payment of a monthly pension, by way of social security, to 0.1 per cent of the population according to 1971 Census. The Commission's award allowed for an expenditure of Rs 2640 million for the period 1979-84 in 22 states. It meant that only 1.7 per cent population in the 60-plus age group in need of assistance would be covered. The rate of subsistence allowance suggested was Rs 60 per month.

The Eighth Finance Commission also allowed devolution of resources to the states for old age pensions. There have been some revisions with respect to this pension. Some of the important suggestions given by various groups are: lowering of the age-limit to 65 years for males and 60 years for females; revision of destitution criteria to take into account the economic circumstances of the family; conditions regarding domicile should be removed altogether or restricted to not more than three years; and uniform rate of maximum Rs 100 per month and the need to review this periodically.

In 1983-84, Ministry of Welfare started a general grant scheme for the construction of homes for the aged and a provision of Rs 400'000 was made in the Five Year Plan that was hiked to Rest 2200'000 in 1988-89. By the end of the Seventh Plan all the states and Union Territories had an old age pension scheme. In 1998, 4'916'000 people were in receipt of old age pension.<sup>25</sup>

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<sup>25</sup> HelpAge India, 2002: 3



**Box 6.1: Old Age Pension: Concept & Evolution**

A pension is a periodic payment to someone who has retired from work because of age or disability. Pensions, originally thought of as charity, are now viewed as an essential part of the social responsibility of employers or of the state. In the Roman Empire there was a well-established pension system to care for soldiers who had become disabled or had grown old. The French government, early in the 19th century, and then the British (1834) made provisions for superannuated public servants. In the United States pensions in various forms have been given to veterans of all wars since the Revolution; military pensions are now covered by the Servicemen's and Veterans' Survivor Benefits Act (1957). Retired servicemen and servicewomen receive, after 20 years of service, 50% of their base pay at time of retirement, with automatic increases as indicated by the consumer price index. Civil-service pensions were developed later in the United States than in Western Europe. Old age pension plans, drawn up by cities for certain groups of public employees (fire-fighters, police officers, and teachers), provided for compulsory contributions from the employee. Pensions for federal government employees were authorised in 1920. The idea of extending such protection to all citizens also appeared earlier in Europe (notably in Germany) than in the United States, where it was a 20th-century development. Many corporations and groups (such as labour unions, professional associations, and colleges) had made provisions for pensions before the social security legislation was passed in 1935, and many groups now have pension plans that supplement social security. Until the 1940s, pension plans in private industry were set up primarily on the initiative of the employer. As workers gained the right to submit pension plans to collective bargaining, the number of people covered in the U.S. by pensions grew from 4.1 million in 1940 to 59.9 million in 1997, about 64% of all full-time workers. With more than \$6.9 trillion in assets in 1997 (up from only \$2.4 billion in 1940), these plans exert a major impact on the economy because the money is invested in stocks, bonds, and real estate. The Employee Retirement Income Security Act (1974) established regulations to protect pensions from mismanagement and created a federal agency, the Pension Benefit Guarantee Corporation, to insure them. By the 1990s, the number of people covered by pensions leveled off as companies attempted to reduce costs by forcing employees to contribute to their own plans, such as 401(k) plans (in which a worker decides how to invest the contributions), or by terminating the plans.

Public policy on ageing in developing countries has tended to emphasise the welfare requirements of older populations, ignoring the wider dimensions of livelihoods in old age. The prevailing emphasis on pension schemes for formal sector workers and on individual contributions to pension funds, as outlined by the World Bank in 1994, excludes the majority of older people in poor countries who live and work outside the formal sector and lack the capacity to save.



Basic non-contributory pension schemes, designed as an integral part of government poverty reduction programmes, are most likely to target the increasing numbers of poor older people and have an intergenerational impact within their households.

There is evidence that such non-contributory pension schemes, especially universal schemes, can have a significant impact on poverty reduction at family and community levels. Economic evidence suggests that such measures are affordable even for the poorest countries. Larry Willmore<sup>26</sup> for example, in his study of existing schemes in Africa (Mauritius, Namibia and Botswana), calculates the cost to be between 0.4 to 2% of GDP (a detailed discussion on this is presented below). The overall cost to governments is to a large extent dependent upon political rather than economic decisions, and is determined by decisions about the benefits paid and criteria for eligibility.

A brief overview by HelpAge International of a number of participatory research studies with poor older people provides some evidence of their survival strategies and points to the potential of non-contributory pensions to contribute significantly to poverty reduction. They also suggest that non-contributory pensions encourage household economic activity by strengthening the contributions of older people. This research on older people's livelihoods provides evidence of their substantial social and economic contributions to the household and community. Recent studies in communities in Tanzania and Mozambique<sup>27</sup> demonstrate the variety of income generating and non-income generating activities carried out by older people. These contribute to a (fragile) household support system, which older people in turn depend upon. The Tanzania study reports that income derived from these activities was used by the family, primarily for paying school fees. The findings suggest that minimal but guaranteed and regular income in old age will have important intergenerational and anti-poverty effects.

Research in South Africa, in poor rural and urban communities with high unemployment rates, found older people's pension income supporting several household members. Spending priorities were school fees and household food. However, pension income alone may not guarantee that the basic needs of older people are met. The same study found that older people face severe problems accessing healthcare services, highlighting the poor treatment by health staff. This evidence strongly suggests that universal non-contributory pensions or old age cash payments provide a core component of old age support, but that this must be

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<sup>26</sup> Willmore, Larry. Universal Pensions in Low Income Countries, presented at the Oxford IPD Workshop, Oxford Institute of Ageing, 4-5 September 2001

<sup>27</sup> HelpAge International, 2000



complimented by policies ensuring equal access to employment, family support and healthcare.

Emerging evidence from other sources suggests that, for poorer countries, making universal minimal cash payments to older people is an economic possibility, especially as a component of national poverty reduction or social security systems. Older people's capacity to contribute to household well-being and to poverty reduction within communities is well documented. Policy initiatives aimed at poverty reduction, targeted through older people in the form of non-contributory pensions, cost poorer countries no more than richer countries in terms of percentage of GDP. The proportion spent on pensions is determined by political decisions regarding eligibility and benefits.

HelpAge International takes a rights-based approach to development, and its mission is to work with and for disadvantaged older people worldwide to achieve a lasting improvement in the quality of their lives. At the recent 2nd World Assembly on Ageing, held in Madrid in April 2002, 159 participating governments signed a “Plan of Action on Ageing” and issued a political declaration. These commit governments to extending the ‘right to development’ to older people, halving old age poverty by 2015, ending age-based discrimination, and including older people in national and international frameworks – such as the Millennium Development Goals and the Poverty Reduction Strategy Processes – designed to combat poverty.

### 6.3. The Era of Liberalisation

India entered a phase of liberalisation in the 1980s under Prime Minister Rajiv Gandhi, and the process continued in spite of changes in prime ministers. The year 1991 was the beginning of an explicit phase of rolling back the state due to the pressure of liberalisation. A relatively higher growth was recorded during 1980-2000, particularly during the 1990s, which was a decade of structural economic reforms. The period also showed a decline in poverty and improvements in health and literacy levels of the people of the country. A programme targeted, among others, to the old age was also launched during this period. It was called National Social Assistance Programme (NSAP).

In fact, throughout the evolution of the post-colonial Indian state, we see a continuation of the principle of deepening of democracy and the welfare state paradigm. While in the decade of the 70s there was huge thrust on poverty reduction, in the era of liberalisation, the spending on social sector registered a decent increase.



Table 6.1: Expenditure on social sector as a percentage of total public expenditure

	1990-91	1996-97	1999-2000
Education, sport, youth welfare	11.20	11.41	12.28
Public health and water supply	4.23	4.39	4.48
Family welfare	0.60	0.56	0.56
Housing and urban development	0.99	1.40	1.66
Broadcasting	0.39	0.32	0.29
Social security and welfare	2.50	2.97	2.84
Food subsidies	1.58	1.86	1.77
Rural development	3.32	3.69	3.32
Basic minimum services	-	0.76	0.76
Total	24.85	27.22	27.69

Source: Dev, Mahendar and Moij, 2002

In terms of real per capita expenditure, social sector spending has increased from Rs 623 in 1990-91 to Rs 959 in 2000-01, an increase of 54% in 11 years. Since, 1995-96, the percentage has been higher than that of the 1980s.



## 7. National Old Age Pension Scheme (NOAPS)

The preceding discussion has shown how there has been a renewed thrust on social sector spending which has led to the state looking more closely at some of the vulnerable groups, including the elderly. Also, the government could not ignore the reality that ‘...the condition of the elderly in the informal sector is worsening rapidly. Surveys done in urban as well as rural areas show the plight of the elderly, particularly women in the old age. On present trends, a high percentage of the current 300 million workers in the informal sector in India are likely to sink into poverty and suffer from painful social exclusion when they reach old age.’<sup>28</sup> A section of the political class armed with vision and commitment for the deprived may have felt that the new poor may not cause political instability ‘but in terms of social justice and neglect of the Indian values of filial piety, this will constitute a veritable social time-bomb for the country.’<sup>29</sup> The introduction of centrally funded pension program was driven by such thinking.

The National Social Assistance Programmed (NSAP) was included in the Central Budget for 1995-96 and came into effect on 15<sup>th</sup> August 1995. The NSAP includes three benefits as its components: the National Old Age Pension Scheme (NOAPS), the National Family Benefit Scheme (NFVS) and the National Maternity Benefit Scheme (NMBS). ‘NSAP is a social assistance programme for poor households and represents a significant step towards the fulfillment of the Directive Principles in Articles 41 and 42 of the Constitution recognising the concurrent responsibility of the Central and State governments in the matter.’<sup>30</sup> The NSAP is a centrally-sponsored programme under which all such funding is dispersed to the states/UTs to provide the benefits in accordance with the norms, guidelines and conditions laid down by the Central Government.

The NOAPS targets old persons who are considered destitute in the sense of not having any regular means of subsistence on their own or through financial support from family members. Applicants have to be above 65 years, and beneficiaries are expected to provide certificates of age and proof of their destitute status. At the launch of the scheme, each state had an initial ceiling on number of beneficiaries, not exceeding half the Below Poverty Line (BPL) population in the state above age 65. The targeting is done by selection of beneficiaries by Gram Panchayats based on targets communicated by state government. The amount of the pension is modest – Rs 75 or USD 1.60 per month per beneficiary – though the state governments can add to this amount from their own resources.

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<sup>28</sup> Agarwala, 2000

<sup>29</sup> Ibid

<sup>30</sup> National Social Assistance Programme Guidelines, 1999



Implementation of the program is done by authorities at the district level with the assistance of *Panchayats*. The latter assist in selection of beneficiaries and are also responsible for reporting the death of a pensioner, and have the right to stop or recover payments sanctioned on basis of false information. The central government transfers funds directly to the district administration through DRDAs/ZPs in bi-annual installments, while beneficiaries are paid through accounts in banks or other financial institutions. Cash payments are also allowed provided they are made in the public before the *Gram Sabha*.

In providing social assistance benefits to poor households in the case of old age, death of the bread winner and the maternity, the NSAP aims at ensuring minimum national standards, in addition to the benefits that the states are currently providing or might provide in future. The intention in providing 100% central assistance is to ensure that social protection to the beneficiaries everywhere in the country is uniformly available without interruption. Accordingly it was ensured that central assistance does not displace state's own expenditure in this respect and that the states/UTs may expand their own coverage of social assistance independently, wherever they wish to do so.

**Table 7.1: Old age pension schemes of states and Union Territories**

States/UTs	Year of introduction	Amount of monthly pension (In Rs)	Stipulated age for eligibility
Andhra Pradesh	1960	75	65
Arunachal Pradesh	1988	150	60
Assam	1983	75	65 (M), 60 (F)
Bihar	1970	100	60
Delhi	1968	200	60
Goa	1983	75	60
Gujarat	1978	200	60
Haryana	1969	100	65
Himachal Pradesh	1968	150	65
Jammu & Kashmir	1976	125	55



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Karnataka	1965	100	65 (M), 60 (F)
Kerala	1960	110	65
Madhya Pradesh	1970	150	60
Maharashtra	1980	100	65 (M), 60 (F)
Manipur	1981	75	65 (M), 60 (F)
Meghalaya	1980	75	65 (M), 60 (F)
Mizoram	1975	100	65 (M), 60 (F)
Nagaland	1979	100	70
Orissa	1975	100	65
Punjab	1968	200	65 (M), 60 (F)
Rajasthan	1964	200	58 (M), 55 (F)
Sikkim	1981	75	74 (M), 65 (F)
Tamil Nadu	1962	150	65
Tripura	1978	75	70
Uttar Pradesh	1957	125	65
West Bengal	1964	300	60
Andaman & Nicobar Islands	1981	75	60
Chandigarh	1969	200	65
Dadra Nagar Haveli	1974	75	65
Daman & Diu	1983	75	60
Lakshadweep	1975	100	60
Pondicherry	1987	100	60

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India	1995	75	65
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**Source:** Rajan and Irudaya, 2004:64-65

The NSAP provides opportunities for linking the social assistance package to schemes for poverty alleviation and the provision of basic needs. Specifically, old age pensions can be linked to medical care and other benefits for the old and the poor. Integrated Rural Development Programme (IRDP) / Nehru Rojgar Yojana (NRY) assistance may be provided in addition to family benefits for the families of poor households on the loss of breadwinner.

Under NOAPS, central assistance is available on fulfillment of the following criteria:

1. The age of the applicant (male or female) should be 65 years or more.
2. The applicant must be a destitute in the sense of having little or no regular means if subsistence from his/her own sources of income or through financial a support from family members or other sources.

State and districts level committees are constituted for the implementation of the NSAP. The state level committee is headed by the Chief Secretary and includes (a) concerned secretaries, such as Finance, Rural Development, Municipal Affairs, Health and Welfare; (b) a nominee of the Union Ministry of Rural Development; (c) a nominee of the Ministry of Urban Development; and (d) independent experts and representatives of NGOs. The district level committee is headed by the Collector and includes (a) concerned Members of Parliament; (b) about one-third of the Members of the State Legislative Assembly from the district, as far as possible representing all political parties; (c) Chairperson of the Zilla Parishad and/or of its relevant Standing Committee; (d) Heads of relevant departments at the district level; (e) representatives from among chairpersons of Panchayat Samitis and Municipalities; and (f) independent experts and representatives of NGOs.

The panchayats/municipalities are responsible for implementing the scheme in their respective areas of operation and for:

- i) Disseminating information about the NSAP and the procedures for obtaining benefits under it.
- ii) The Gram Panchayat/Municipalities are expected to play an active role in the identification of beneficiaries under the three schemes. Central assistance under the three schemes may also be preferably disbursed in public meetings.



- iii) All the benefit payments should preferably be payable to the bank account of the beneficiary in the Post Office savings bank or in a commercial bank or through postal money order.

While most of the states adopted destitution as the criterion, others have adopted an income approach. Some states have included incapacity or infirmity as another condition for eligibility. Thus, the criteria for eligibility differ among the different states. Under the NOAPS, 81.57 per cent of the population of the destitute elderly is covered up to March 1996-97 (Table 7.2).

Table 7.2: Physical performance under NOAPS during 1995-96 and 1996-97

Programme	Years	Numerical Ceiling	Beneficiaries	Covered
	Achievement			
NOAPS	1995-96	--	3119077	--
	1996-97	5371600	4381712	81.57

Source: Bali, 2001: 260

It is important to note that the rate of Rs 75 per month was fixed in 1995 and has not been revised since then, despite inflation. Some states have raised the amount of old age pension on their own. 'Considering that the floor level of minimum wage suggested to the state governments for adoption by the Central Government is Rs 45 per day catering to three consumption units, the amount required for bare subsistence would be Rs 15 per person per day. By this reckoning the minimum amount required for subsistence would be Rs 450 per month per person. Granting that the amount of pension is usually limited to 50 % of the last wage drawn, the amount of minimum pension cannot be less than Rs 225 per month. The rate of pension payable under the NOAPS is therefore totally inadequate for the subsistence of the pensioners and needs to be raised.'<sup>31</sup>

<sup>31</sup> Subrahmanya, 2002: 7



### Box 7.1: The Annapurna Scheme

On 19<sup>th</sup> March, 1999, the government of India announced another social assistance scheme, “Annapurna”, for the elderly destitute who have no one to take care of them. Under this scheme, a provision of free distribution of 10 kilograms rice or wheat was made for the elderly destitute, through the PDS. This scheme aimed at covering those destitute who are otherwise eligible for old age pension under NOAPS. The government allotted Rs 1000 million for the first year of its implementation and it was estimated to cover 6600’000 elderly. The scheme is implemented by the Ministry of Rural Development with the assistance of the Ministry of Food and Civil Supplies. As of 2002, the allocated amount was released to most of the states and the current number of beneficiaries of this scheme was about 1.3 million.

## 7.1. The Politics of NOAPS

Until the National Old Age Pension Scheme was introduced in 1995 as a centrally-funded scheme, state governments had taken lead in the provision of pensions.<sup>32</sup>

The stated objective at the time of introduction of the NOAPS was to add to the states’ resources for providing social security. The timing of the scheme however points to the existence and interplay of local and global imperatives. The mid 1990s also saw a rise in the revenues of the Government of India, from Rs 1,202,790 million (1992-3) to Rs 2,072,340 million (1996-7), which constituted an increase of 72.29%.<sup>33</sup> The rise in revenue receipts during 1996-7 is mainly attributed to an increase in corporation tax (Rs 20,790 million), taxes on income other than corporation tax (Rs 4,000 million), customs duty (Rs 7,0940 million), union excise duties (Rs 48,210 million), interest tax (Rs 5,420 million), service tax (Rs 1,980 million), interest receipts (Rs 36,890 million), miscellaneous general services (Rs 1,920 million), dividends and profits (Rs 9,870 million), broadcasting (Rs 2,090 million) telecommunication receipt (Rs 25,060 million) and railways commercial lines revenue receipt (Rs 18,810 million).<sup>34</sup>

According to an observation in an ODI report, the presence of IAS officers sympathetic to rural development - K. R. Venugopal (Secretary, Rural Development, and later, Principal Secretary to the Prime Minister) and B. N. Yugandhar (Principal Secretary to the Prime Minister), and their closeness to Prime Minister Narasimha Rao, resulted in

<sup>32</sup> Uttar Pradesh developed an old age pension system in 1957 and Kerala set up special pensions targeting widows and the destitute in 1961. Kerala extended pensions to low-income agricultural workers in 1980. Other states, such as Tamil Nadu and Maharashtra have followed suit

<sup>33</sup> CAG (1998)

<sup>34</sup> Ibid



some of these revenues being channeled to Rural Development. The Budget for 1996-7 provided an additional amount of Rs24.66 billion, with a view to increasing the availability of funds for State-level social programs. Another contributory factor to the launching of the NSAP was the need for an announcement by the Prime Minister at the World Summit for Social Development at Copenhagen in 1995. The NOAPS was modified slightly in 1998-9 to increase the number of beneficiaries under the scheme. It was perceived as being a successful scheme – evaluative studies showed it was well targeted, and that it also performed better than the other components of the NSAP.<sup>35</sup>

At the local level, it is useful to mention here that the scheme has created a new space for the political engagement of the grassroots. Today it has become one of the important parameters for the political elite to express their attentiveness to the problem of elderly. This is also because in rural India family and traditional values still enjoy a premium.

NOAPS also is a tool of symbolic politics between different caste communities. In areas where the scheme has been successful, the local dominant caste tries to take the credit for it and pose themselves as champions of social justice. During Panchayat election also, success or failure of the scheme is duly brought to notice and becomes an important concern for all in the local community. In many ways these processes serve as a grassroots-based vigilance on the scheme. It is also important to note that in states where the system of local self-governance (Panchayati system) is working well the scheme has been most successful, while in states where the grassroots empowerment has not been effective, the scheme has suffered.<sup>36</sup>

## 7.2. Impact Assessment

A survey of the evaluation studies show that while from a macro perspective the program seems to be working well, and meeting its many objectives, some micro analysis-show that there are gaps in areas like distribution and the identification of beneficiaries.

There are also issues related to implementation, transparency and curious mix of local caste politics and corruption that require pondering. In the following paragraphs we look at some of these aspects.

According to the Asian Development Bank, 'Evaluations of the NOAPS scheme have shown the scheme is well-functioning in terms of targeting and implementation without

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<sup>35</sup> Nayak, Radhika, Saxena, and Farrington, 2002: 22-23

<sup>36</sup> The view was gathered by researchers of the Centre for Applied Sociology while working for a HelpAge India project, *Non Contributory Pensions in India: A Case Study of Uttar Pradesh*, New Delhi, April 2003



corruption and interference.<sup>37</sup> One of the highlights of program implementation has been its coverage of the SC/ST populations and women. In fact the ADB evaluation notes that the coverage of women was 40-60% across the states. It further notes that out of the project beneficiaries which were considered for evaluation, a third of beneficiaries were found to be neglected by their family or living alone, another third were found to have a dependent (mostly spouse), and did not have a regular source of income in the remaining cases.

The ADB evaluation also looked at the delivery mechanisms for NOAPS benefits, which it found to be 'functioning well'. For example, benefits are transferred directly to beneficiaries through cheques, postal money orders or cash payments in public meetings. 'A review in Orissa found this process worked well with cash payments made by village workers in the presence of the *Sarpanch* (village head) at a fixed time each month.'<sup>38</sup>

The government of India also carried out an evaluation study (all-India) to gauge the effectiveness of the scheme. It found that 'National Old Age Pension Scheme is found to be extremely beneficial to the old destitute. In general, it has succeeded in giving them a sense of security in life and has definitely improved their quality of life.'<sup>39</sup> According to the report, the following are the positive indicators of the implementation of the scheme:

- A majority (81.22%) of the NOAPS beneficiaries did not face any difficulty in availing the benefit. 82.12% of the respondents got the approval from the authority concerned within 6 months and for a good percentage of them (49.76%) the time lag between application and sanction has been only to the extent of 2 months. Even a majority of the non-beneficiaries interviewed expressed the view that as far as they knew, the implementation of the scheme was generally good.
- Of the persons selected for the scheme, 81.16% received the benefit within 2 months of sanction, of which 31.54% received it within 15 days and another 30.35% within 15-30 days' time.
- Nearly 96% of the beneficiaries feel that the NOAP Scheme definitely made a perceptible change in the quality of their life, at least to some extent. About 59% of the non-beneficiary respondents also think in similar directions. More than 94% of the non-beneficiary samples consider that the scheme would provide beneficiaries with a feeling of security.

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<sup>37</sup> ADB Institute, 2004: 30

<sup>38</sup> Ibid

<sup>39</sup> Ministry of Rural Development



- The Panchayat Raj system of governance is one of the main sources, which has helped the needy to avail the benefits - both as a source of information and in prompting them to apply for the benefit. It is evident from the study that the applications for availing NOAPS benefits are submitted in specified application formats and the majority of them are submitted in the Panchayat Raj institutions.
- It is found that 72.79% of the beneficiaries are between 65 and 74 years old. It is also noticed that only one person from a family is being provided with the benefit even if there is more than one eligible person in the family.
- Nearly 60% of the sample beneficiaries are found to be women. Socially backward communities like SC/ST/OBC constitute 83.79% of the sample population. Of these, the SC/ST beneficiaries form 54.25%.
- The majority (84.41%) of the beneficiaries are illiterate and 53.82% of their family members are likewise.
- Most of the beneficiaries (68.20%) are not engaged in any income-generating activity.
- The households of the beneficiary are found to be earning income mainly from wages and agriculture. The average annual household income amounts to Rs.5032.
- Among the sample beneficiaries, 80.38% are found to live in their own houses. However, of these, 79.27% possess Kucha houses and 8.54% live in houses with a plinth area of only 300 sq. ft. or less. Only 5.98% live in houses of plinth area of 500 sq.ft. or more. About 36.42% of the beneficiaries are found to possess landed property of their own.
- The number of beneficiaries possessing various home appliances is found to be low. A mere 3.90% of the sample beneficiaries own television sets, while 6.30% use ceiling fans. This indicates that most of the beneficiaries are from the lower social strata and are genuine candidates.
- Only a very low 0.91% of the beneficiaries own farm implements like tractors, power tillers and combined thresher/harvester.
- Cash is the most prevalent mode of payment of the benefit. In more than half of the cases (52.09%) the beneficiaries receive the pension in cash.
- A vast majority of the beneficiaries (83.39%) have reported that they do not incur any regular expenses in getting the benefit.

The performance of the scheme is captured in the table below.



Table 7.3.: Physical assessment of National Old Age Pension Scheme, 1995-2000

States/UTs	Percentage of old age pension beneficiaries				
	1995-96	1996-97	1997-98	1998-99	1999-2000
AP	100	110.50	9.18	100	100
Arunachal Pradesh	0	32.18	16.29	5.29	25.51
Assam	46.03	69.32	65.41	75.18	61.35
Bihar	28.49	87.61	91.10	63.69	64.62
Goa	20.32	45.73	79.91	48.78	48.78
Gujarat	30.61	64.81	33.77	30.16	4.19
Haryana	100	100	99.75	43.68	33.04
HP	38.55	99.40	97.78	28.05	39.83
J&K	53.23	79.68	107.44	68.87	45.82
Karnataka	0	255.49	241.94	54.92	57.44
Kerala	31.17	53.40	66.61	52.90	53.13
MP	42.88	105.19	169.21	122.06	97.29
Maharashtra	1.64	24.83	55.74	45.49	13.83
Manipur	88.66	99.89	213.03	16.39	37.92
Meghalaya	18.85	140.29	296.12	49.70	50.85
Mizorama	100	122.07	256.86	67.20	81.88
Nagaland	26.61	124.53	131.22	17.32	35.49
Orissa	64.54	98.64	98.61	102.56	99.73
Punjab	100.55	100.15	75.95	58.59	24.11



Rajasthan	2.01	25.82	61.48	101.16	101.16
Sikkim	0	99.63	0	50	22.60
Tamil Nadu	78.33	75.95	102.11	102.11	102.11
Tripura	89.55	294.34	294.34	54.02	54.03
UP	71.36	60.90	72.94	78.21	74.93
West Bengal	100	83.17	93.07	72.44	73.77
Andaman & Nicobar	0	1	50.50	0	0
Chandigarh	0	105.23	105.23	0	80.14
Dadra & Nagar Haveli	100	95.33	90.33	0	0
Daman & Diu	18	69	47.50	50.75	65.50
Delhi	0	53.96	104.28	60.09	60.09
Lakshadweep	0	126	112	0.67	0
Pondicherry	0	100	100	18.99	18.99
India	55.06	89.21	95.74	90.31	86.26

Source: Rajan and Irudaya, 2004: 58

### 7.3. Problem Areas

Despite highlighting the many advantages of NOAPS, the ADBI study did take note of some of the problems especially in areas of implementation of the scheme. The report asserts: '[t]he implementation problems of NOAPS are primarily bureaucratic. First, since many states had pension schemes before the introduction of NOAPS, the implementation of NOAPS is under different agencies across the states. Thus, although the Ministry of Rural Development is the executing agency at the center, the agencies at the state level may be departments of labour, social welfare, or medical. These state departments have little or no interaction with the District Rural Development Agencies (DRDAs), nor do they have any role in the flow of funds that are transferred directly from





the center to the DRDAs. Consequently, state implementing agencies have little ownership in the NOAPS.<sup>40</sup> Thus clearly there are too many entities involved in implementation without clear demarcation of responsibilities. This also leads to irregular timing of payments to beneficiaries, which can be problematic if the recipients are severely liquidity constrained.

Further, the ADB study notes that given that birth certificates are still issued only to a small part of the population, documenting proof of age is an extremely cumbersome and arbitrary process. The registration procedure itself is quite discouraging, as it requires several proofs and certificates. This problem applies even more strongly to proving a destitute status, since criteria for identifying destitute are not clear and different states follow their own norms. 'As a consequence, potential applicants have to undergo substantial transaction costs dealing with the bureaucracy in the application process. The fact that the size of the pot available is so small relative to potential demand makes the problem of red-tape worse for applicants.'<sup>41</sup>

An Indian Administrative Service (IAS), who has served as a district collector in the northeastern state of Assam, admits in a private conversation with our researcher that the selection process of the destitute is not devoid of flaws. Local considerations, such as caste affiliations and political loyalty, at times lead to a situation where deserving beneficiaries are left out because of discretionary decisions by local officials. Besides noting that the size of the benefit means that it barely meets much of the beneficiaries' needs, she points to another major deterrent which is the long distances that the elderly must travel to their respective post offices to withdraw money.

In fact in a micro study in the Barmer district in Rajasthan, a northern Indian state, it was found that '[m]ost of the beneficiaries were not happy with the amount sanctioned under National Old Age Pension Scheme, which is too less an amount. Majority of them suggested increasing the amount to a logical Rs 300 a month. The scheme has no significant impact on the economic status of the beneficiaries.'<sup>42</sup> This, however, has been contested by some.

S. Irudaya Rajan of Centre for Development Studies, Thiruvananthapuram, in a working paper that he wrote for the Indian Institute of Public Administration, New Delhi did some simple calculations to show how the small amount can actually make bigger differences in the lives of the elderly. Taking into account the state's pension, he says: '[o]n an average, the pension works out to be Rs 150 per month which is equal to a day's wage of a casual or unskilled labour in Kerala. A little reflection will show that this small

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<sup>40</sup> ADB Institute, Op Cit:30

<sup>41</sup> Ibid

<sup>42</sup> Evaluation of Development Programmes in Barmer, Rajasthan.



amount can make a substantial difference to the poor and the elderly destitute. The total cost of purchasing all the entitlements (8 kg wheat, 8 kg rice and 0.4 kg sugar) for a one-month period is just Rs 126 if bought through the public distribution system.<sup>43</sup> This is shown in the table below.

**Table 7.4: Monthly entitlement and its cost under PDS, 2000**

Food Item	Entitlement (per month)	Price (Rs per kg)	Total cost (In Rs)
Rice	8 kg	6.20	49.6
Wheat	8 kg	8.90	71.2
Sugar	0.4 kg	13.10	5.24
Total			126.04

Source: Rajan and Irudaya, 2004: 69

Rajan further reasons that, assuming that for a person above 60 the food requirements are substantially lower particularly when he/she is not engaged in any strenuous physical activity, the entitlement should take care of an older person's basic food needs. Thus the present rate of old age pension not only enables senior citizens to buy his basic food requirements, but also provides them a small allowance over and above the food requirements. However, the pension 'will not be adequate if he/she is living by himself and has to pay a rent for accommodation besides meeting other expenses such as electricity and water. If the pensioners are living with families, the pension makes them less of a burden and enhances their acceptability among their relatives, neighbors and friends.'<sup>44</sup>

Another critical micro problem is noted by noted social scientist Jean Dreze. Based on his field study of Palamau in Jharkhand, an Indian state in the eastern region, Dreze writes: '[t]he main problem is not so much of corruption as limited coverage and lack of funds. According to local officials, 2421 applications for old age pensions are pending in Lesliganj Block, where Bhakasi (village) is situated. As the quota of 1663 pensions assigned to the block is fully utilised, new pensions are sanctioned only when a former

<sup>43</sup> Rajan and Irudaya, Op Cit: 68-69

<sup>44</sup> Ibid



pensioner dies. Assuming a mortality rate of 50 per 1000 among the elderly, this means that a new applicant would have to wait for about 30 years for a pension.<sup>45</sup>

Despite these drawbacks, the ADB study finds that the NOAPS offers a welcome contrast from the typical poverty targeting programs because of its provision of ‘actually transferring its modest benefits in entirety to intended beneficiaries, with little evidence of leakage to ineligible applicants.’ One of the primary reasons why there is less likelihood of corruption is the fact that the amounts involved are small and benefits are transferred directly into accounts of the beneficiaries.

Two scholars who surveyed the poverty targeting program for Overseas Development Institute (ODI) have also taken a note of the strengths of NOAPS in an *ODI Opinion*.<sup>46</sup> They note that the Indian government spends US\$5.5bn on poverty-reduction schemes, including around US\$3bn on schemes administered by the Rural Development Department. These include: transfers to the poorest (the National Old Age Pension Scheme, the National Housing Scheme, and many food distribution schemes); asset-building schemes (e.g. the Accelerated Rural Water Supply Programme and the Drought Prone Areas Programme); employment creation; and the promotion of self-employment. Other government departments have their own initiatives, the largest of which is the Public Distribution System, in which over 450,000 ‘fair price shops’ nationwide serve some 160 million families with subsidised food. Together with its storage and acquisition system, this costs around a further US \$5.0bn.

However, their investigation reveals that ‘at least 20% of the funds disbursed through these channels fail to reach the poor and for some schemes ‘leakage’ is as high as 70%. Many government schemes have proved to be too complex and vulnerable to misappropriation. For instance, resources are diverted to political supporters; local officials demand ‘special payments’ to provide signatures or even the application forms; payment is extended to non-eligible groups; and contractors help to distort scheme provisions (e.g. using machinery instead of labor) and then share the ‘surplus’ with officials.’ But, according to the ODI, one method of resource-transfer, which has been effective and relatively free from misappropriation is the transfer of cash, paid mainly through Post Offices as part of the Indian NOAPS.

### Box 7.2: Areas of Improvement in NOAPS Implementation

Based on its survey of the scheme (mentioned above), the Indian government’s Ministry of Rural Development suggested that the scheme would serve its purpose even better if some improvements were made in certain areas such as building

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<sup>45</sup> Dreze, Jean: Praying for food security, 27 October, 2003, The Hindu, leader page article

<sup>46</sup> Farrington and Saxena, 2004



awareness, reducing delays, selection of beneficiaries, etc. Some of the major points for consideration are:

- About 25% of the non-beneficiary interviewees reported that they did not apply for the benefit, as they were not aware of the scheme. Awareness programmes could be organised with the support of Panchayat Raj institutions;
- A significant 40% of the beneficiaries are reportedly not getting their pension on a regular basis. This indicates the need for better planning in disbursement of the benefit;
- Difficulties in availing the benefit have been experienced by 18.77% of the sample beneficiaries. The major difficulty indicated is the non-co-operation of authorities;
- Though low in number, 2.53% of sample beneficiaries are reported to have paid more than Rs.20 as bribe for their pension;
- More than 23% of the respondents had to make four or more follow-up visits to meet the concerned authorities to speed up the process of sanction and disbursement of the benefit;
- Many beneficiaries (54.41%) are not aware of any follow-up action from the authorities concerned and 37.63% clearly indicated that there is no follow up to understand the problems in the scheme affecting the beneficiaries and the utilisation of the amount and its impact on them. Only 8.29% of the beneficiaries reported that there is a follow-up;
- More than one year's delay is noticed in 5.19% of cases in sanctioning the pension after submitting the application. Around 46.43% of non-beneficiaries revealed that their application for NOAP are currently pending before authorities;
- Certificate to prove destitute status of the beneficiary has not always been insisted upon;
- Of the sample beneficiaries, 11.39% are aged less than 65 years, the prescribed minimum age for eligibility to avail NOAP. This indicates loopholes in the system of selection of the beneficiaries;
- Families in the higher income group, though minimal in number have also benefited from the scheme. Nearly 10% of the beneficiaries possessing costly consumer durables like television, refrigerator, ceiling fan, etc., have crept into the BPL list. There is thus a need for further improvement in the verification system;



- Also, 11.29% of the beneficiaries own property of more than 3 acres of land. They have also been considered to be BPL and the benefits of the scheme provided to them. This needs verification and correction; and
- Beneficiaries living in pucca houses (6.09%) and houses with a plinth area of 500 sq.ft. and above (5.98%) also need further verification before the sanctioning of the benefit.

#### 7.4. Should Its Scope Be Increased?

Many would contend that given the perceived ease with which this scheme is run, it should be enlarged in scope, both in terms of coverage and the benefit amount.

'There are strong arguments to suggest that the level and scope of schemes for pensions and allowances could be increased substantially with little wastage.'<sup>47</sup> As a first step, the allocation could be doubled by extending the pensions scheme to all below the poverty line. Then, the individual pension allocation could be raised four-fold for all persons over 65 years below the poverty line, costing some US\$800m per year in total. Reducing the age limit to 60, making widows' pensions universal, and providing an allowance to single parent families would cost around an extra US\$2.0 billion per year. Additional mother and child allowances might also be provided for a further US\$0.5- US\$1.0 bn. None of this would require 'new' money: funds could be transferred out of weakly performing schemes with little loss of impact.

However, ADB notes, 'Given its modest benefits and delivery mechanism, resulting in minimal leakage, the scheme is unlikely to attract political backing, and grow in size.'<sup>48</sup> An ODI paper also notes this: '[t]he NOAPS is reported not to be prone to political interference. This can be attributed to the lack of politically important vested interests (middlemen, for instance, are absent), which stems from design issues — mainly low amounts of individual disbursements and a delivery mechanism that limits access to large funds.'<sup>49</sup> However, it makes a further point by stating that 'though this has resulted in the program being well-targeted, it is also a source of weakness to the extent that beneficiaries are not powerful enough to exercise political pressure for release of funds, resulting in irregular payments.' Operations Research Group found that while in some states benefits were distributed once in two months, in others there was no fixed

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<sup>47</sup> Farrington and Saxena, 2004

<sup>48</sup> Ibid: 31

<sup>49</sup> Nayak, Radhika, Saxena, and Farrington, Op Cit: 21



frequency of distribution. In several states, the timely release of states' contribution has proved to be a problem for the NOAPS.<sup>50</sup>

## 7.5. Making It More Transparent As Well

Another strong argument has been in favor of streamlining the implementation and making the transfer processes more efficient using computer technology that is widely available in India. Additionally, over the next ten years, pensions and allowance records would ideally be linked to birth, death and marriage data, so that the personal discretion of local level officials or politicians over beneficiary selection could be kept to a minimum and all adults be provided with a record of their personal identification details.

Other criteria such as age, caste or marital status (in the case of pensions) might be more robust, though repeated updating will be needed. Ideally, criteria of these kinds would best be incorporated into a computerised system of personal identity cards. Whilst technically feasible, and offering great scope to reduce discretionary decisions by local officials, to introduce and maintain such a system in India would pose challenges.

A discussion paper of the National Advisory Council of the government of India also highlights the need to streamline the payment system using computerised technologies..It says that 'once eligible have been registered, there is a high degree of automaticity and transparency in payments. Computerisation can do much to strengthen the automaticity of transfer processes. Many district-level development offices are now equipped with computers, and some of the more progressive states, these have broadband access to State government databases.'<sup>51</sup> It recommends pursuing the following objectives by the states, which would be both equitable and feasible:

- Link the payment of pensions and allowances to computerised records of births, deaths and marriages;
- Ensure that the personal discretion of local level officials or politicians over beneficiary selection is kept to a minimum;
- Provide all adults with a printout of their personal identification details, as held on the computer system;
- Ensure that the various rights enshrined in these records to claim benefits, to vote etc. are 'portable' – i.e. can be used by migrants wherever they are;

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<sup>50</sup> ORG, 1998.

<sup>51</sup> Saxena and Naresh, 2004



- Consider the range of information to be stored in the computers to serve several schemes;
- Ensure that records are periodically updated (ideally, through updates sent via broadband; as an interim measure, by mailing out CD-ROMs), and put on a website for verification by civil society; and
- Put in place safeguards on access to data, manipulation of data, virus protection and so on.

However, it also attaches a caveat. ‘Such a system will not be entirely watertight – there will remain problems of élite capture and leakage – but careful piloting, and some experimentation with the watchdog roles that civil society organisations can play, will create mechanisms that deliver a far higher portion of intended benefits to the poor than do present ones.’<sup>52</sup>

### Box 7.3: National Policy for Older Persons, 1999

Since 1991, the first day of October has been observed as International Day of Older Persons and 1999 was observed as the International Year of Older Persons. The Indian government announced the National Policy for Older Persons in 1999, which elaborated on the UN Convention on Ageing, Vienna, 1982. The same year, the UN General Assembly endorsed an International Plan of Action on Ageing, setting forth a number of recommendations to deal with the situation of older persons. The United Nations Principles for Older Persons, further developed by the National Policy, say among other things that the aged should have access to adequate food, water, shelter, clothing and healthcare, have the opportunity to work, and access to other income generating activities, have access to appropriate educational and training programmes and be able to live in environments that are safe and adaptable to personal preferences.

Difficulties in getting pension and provident fund from government run set-ups have contributed in no mean measure to the indignities heaped on the elderly. The pension problem has indeed been the subject matter of a large number of regional language movies and the trials and tribulations of a pensioner moving through different sections of an indifferent pension office have been amply portrayed in the media. However, though individual solutions have followed, by and large the bogey of pension is yet to be addressed as a concrete issue. The National Policy assures that coverage under old age pension scheme for poor persons will be significantly enhanced, with the objective of covering all those below the poverty line.



They must also be able to live in dignity and security, free from exploitation and physical or mental abuse.

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<sup>52</sup> Ibid





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