

A COMPREHENSIVE STUDY OF OLDAGE PENSION IN INDIA

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ABSTRACT

Old-age pension is an important component of India's social security system, aimed at providing financial support and improving the living conditions of elderly persons, particularly those belonging to economically vulnerable households. With increasing life expectancy, changing family structures, rising healthcare costs and growing economic dependence among older persons, the need for adequate old-age income security has become increasingly significant. In India, old-age pension support is provided through a combination of central and state government programmes, with the Indira Gandhi National Old Age Pension Scheme (IGNOAPS) under the National Social Assistance Programme (NSAP) being a major component. The status of old-age pension in India reflects both significant progress and continuing challenges. Government pension programmes have expanded the coverage of elderly persons from poor and disadvantaged households and have contributed to reducing financial insecurity. Pension payments can help beneficiaries meet basic household expenses, purchase medicines, access healthcare and maintain a minimum degree of economic independence. State governments have also introduced their own pension schemes and, in several cases, provide additional financial assistance over and above central support. The expansion of digital payment systems and direct benefit transfers has further improved the delivery of pension benefits in many areas. However, several problems continue to affect the effectiveness of old-age pension programmes. Identification and eligibility procedures can also exclude deserving persons who lack required documents or face difficulties in accessing government offices and digital services. Delays in pension payments, difficulties in biometric authentication, bank-related problems and inadequate awareness about eligibility and application procedures are additional concerns; Overall, old-age pension schemes have become an important instrument of social protection in India. Their effectiveness depends on adequate pension levels, wider and inclusive coverage, timely payment, transparent administration and easy accessibility. Strengthening awareness, simplifying application procedures, improving grievance-redressal mechanisms and periodically revising pension amounts in line with living costs can improve the welfare impact of old-age pensions.

KEYWORDS: Study Oldage Pension India

INTRODUCTION

Because social security pensions offer a steady income stream that lowers future uncertainty and boosts confidence in spending, they have a direct impact on household saving and consumption patterns. Since a desirable and sustainable social policy should not only serve the goals of equity and fairness but also have a sound interaction with the socio-economic ecology in which it is embedded, scholars and policymakers have long been concerned about the dynamic relationship between social security and macroeconomics. The majority of people are covered by the public pension system, which consumes a significant amount of social spending and has a significant impact on household saving and consumption and, consequently, macroeconomics. Rural social insurance is now developing well overall, as seen by the rising number of persons enrolled in both urban and rural basic pension insurance and the over 98% participation rate in new rural cooperative medical care. The traditional view of social insurance as a significant welfare system concentrates more on the income redistribution effect it brings, but numerous studies have demonstrated that social insurance also has complex socioeconomic effects by influencing human capital, the labour market, and consumption.

According to the World Bank, the main objective of a pension plan is to offer adequate, reasonable, resilient, and sustainable benefits; the secondary objective of mandatory pension provisions is to contribute to economic development. Finding the crucial connection between public pensions and production growth is therefore crucial. In the post-crisis age, governments in many nations are trying to boost economic growth and domestic consumption by expanding social security, which is also the optimal course of action when domestic demand is inadequate. Nonetheless, there is ongoing discussion over the connection between social security and household savings or consumption. According to some academics, private saving has been supplanted by the pension system.

Social Security pensions are government-run programs intended to give people financial stability and a consistent income when their regular earnings are reduced due to old age, widowhood, or disability. It emphasises inclusivity, long-term stability, and fundamental financial security for people and their families. The two basic ways people divide their disposable income in economics are through saving and consumption, which are represented by the following equation:

Consumption plus savings equals income. Consumption (C): Purchasing products, services, and daily necessities. Saving (S): The percentage of income that is saved and not spent; often, this is stored in retirement funds, investments, or interest-bearing accounts.

DEFINITION

Social security pensions are government-administered programs that provide financial support to retirees, the disabled or surviving dependents. **Consumption** is the spending on goods and services for immediate satisfaction, while **saving** is the portion of income that is not consumed, typically set aside for future use.

- Winter 1980-81

A social security pension functions as a guaranteed income stream, typically funded by payroll taxes during a person's working years. Its primary purpose is to protect individuals and families from a drastic drop in living standards when their working income.

Emmanuel Saez - 2012

SOCIAL SECURITY PENSIONS TO IMPACT OF CONSUMPTION AND SAVING PATTERN

The availability of a guaranteed pension has a direct impact on how households handle their finances throughout their lives. In economic theory, Social Security can serve as a stand-in for private savings. People may believe they don't need to save as much on their own to sustain their future standard of living if they know the government will offer a consistent income in old age. Increasing Current Consumption: Employees can spend a greater percentage of their current wages on present consumption since they do not need to actively preserve money to survive retirement. Smoothing Lifetime Consumption: People naturally wish to live at a steady standard of living for the duration of their life. They save money while they are employed. They "dissave" (spend their amassed wealth) and depend on consistent pension payments to sustain themselves during retirement. Governments can create laws that shield the elderly from poverty while simultaneously promoting economic growth through individual savings and investment by taking into account this delicate balance.

SOCIAL SECURITY AND HUMAN CAPITAL

The final complication to the basic life-cycle proposition that social security offsets private saving involves an important element of household savings decisions and lifetime planning that is by and large overlooked in discussions of the social security system. That is, the interaction between social security and capital formation in the form of human capital investments.⁴ Introducing human capital, particularly investments in education, adds a degree of complexity that has not been explored. This is a serious omission since it is possible that the interaction of human capital investments with social security is strong. The strength of the relationship is suggested by the similarities between human capital wealth and social security wealth. Thus, it is possible that the relationship between these types of assets is as important as their relationship to the standard forms of saving. Additional similarities are that human capital investments, along with retirement saving, are an important form of life-cycle planning by the family unit and, also, that human capital investments are an important form of intergenerational transfers.

THE STATE OF SOCIAL PENSIONS IN INDIA

When it comes to adequacy, sustainability, and integrity, India's pension system is among the worst in the world. Strengthening the framework of our national pension is an urgent priority for policymakers due to rising longevity, declining fertility, and a sizable informal workforce. There is a clear need to boost social pension spending in India, as seen by cash transfers like the Indira Gandhi National Old Age Pension Scheme (IGNOAPS), state old pension plans, and occupational pensions aimed at the unorganized sector. Although this is positive, it is important to stand back and consider if expanding social pension plans in their current shape might have a systemic effect on poverty and the security of old-age income. Two outcomes should be guaranteed by a well-functioning pension system: (i) long-term savings to create inflation-protected corpuses that provide sufficient annuities in post-retirement life; and (ii) redistribution to guarantee that the economically disadvantaged have access to a minimal standard of living in their later years. The government can efficiently perform the

redistribution function, even as financial markets have a clear role in creating pension alternatives to improve long-term savings for individuals.

NATIONAL SOCIAL ASSISTANCE SCHEME (NSAP)

The National Social Assistance Programme (NSAP) is a Centrally Sponsored Scheme of the Government of India that provides financial assistance to the elderly poor, poor widows/widowers and persons with disabilities below a certain income threshold in the form of social pensions. The NSAP scheme only includes Below Poverty Line individuals as beneficiaries.

HISTORY

Article 41 of the Indian Constitution directs the State to provide public assistance to its citizens in case of 'unemployment, old age, sickness and disablement and in other cases of undeserved want within the limit of its economic capacity and development'.

1995: The NSAP is launched with the aim of providing social assistance to destitute "defined as any person who has little or no regular means of subsistence from his/her own source of income or through financial support from family members or other sources". The NSAP includes three components: National Old Age Pension Scheme (NOAPS), National Family Benefit Scheme (NFBS), and National Maternity Benefit Scheme (NMBS).

2000: Annapurna Yojana is introduced to provide eligible beneficiaries, who were not covered under NOAPS, 10 kg of free rice.

2001: NMBS is transferred to the Department of Family Welfare.

2006: Monthly pension amount for NOAPS raised from ₹75 (79¢ US) to ₹200 (US\$2.10)

2007: The NSAP is extended to cover all individuals living below the poverty line. The NOAPS is renamed Indira Gandhi National Old Age Pension Scheme (IGNOAPS).

2009: The NSAP is expanded to include the Indira Gandhi National Widow Pension Scheme (IGNWPS) – for widows aged 40–64 years – and the Indira Gandhi National Disability Pension Scheme (IGNDPS) – for persons with multiple or severe disabilities aged 18–64 years living below the poverty line.

2011: Age limit for IGNOAPS is lowered from 65 to 60 years under IGNOAPS and monthly pension amount for those 80 years and above is raised from ₹200 to ₹500. Age limits for IGNWPS and IGNDPS are changed to 40–59 and 18–59, respectively.

2012: Monthly pensions under IGNWPS and IGNDPS increased from ₹200 to ₹300. Age limit changed to 40–79 years and 18–79 years, respectively.

2013: Report of the Task Force on Comprehensive Social Assistance Programme submitted to the Government of India. Recommends raising monthly pension and expanding coverage.

INDIRA GANDHI NATIONAL OLD AGE PENSION SCHEME (IGNOAPS)

The Indira Gandhi National Old Age Pension Scheme (IGNOAPS) is a non-contributory old age pension scheme that covers Indians who are 60 years and above and live below the poverty line. All individuals above the age of 60 who live below the poverty line are eligible to apply for IGNOAPS. All IGNOAPS beneficiaries aged 60–79 receive a monthly pension of Rs. 300 (Rs. 200 by central government and Rs. 100 by state government). Those 80

years and above receive a monthly pension amount of Rs.500. States are strongly urged to provide an additional amount at least an equivalent amount to the assistance provided by the Central Government so that the beneficiaries can get a decent level of assistance.

The scheme "Indira Gandhi National Old Age Pension Scheme (IGNOAPS)" is one of the five sub-schemes of the National Social Assistance Programme (NSAP). Under IGNOAPS, citizens living Below Poverty Line and 60 years or above in age are eligible to apply. A monthly pension of ₹ 200 up to 79 years and ₹ 500 thereafter distributed. The Government of India, on 15th August 1995, introduced the National Social Assistance Programme (NSAP) as a fully funded Centrally Sponsored Scheme targeting the destitute, defined as any person who has little or no regular means of subsistence from his / her own source of income or through financial support from family members or other sources, to be identified by the States and UTs, with the objective of providing a basic level of financial aid. NSAP is being administered by the Ministry of Rural Development. This program is being implemented in rural areas as well as urban areas. NSAP represents a significant step towards the fulfillment of the Directive Principles of State Policy enshrined in the Constitution of India which enjoin upon the State to undertake within its means a number of welfare measures. These are intended to secure for the citizen's adequate means of livelihood, raise the standard of living, improve public health, provide free and compulsory education for children.

INDIRA GANDHI NATIONAL WIDOW PENSION SCHEME (IGNWPS)

Indira Gandhi National Widow Pension Scheme (IGNWPS), introduced in the year 2009, provides BPL (Below Poverty Line) widows in the age group 40 to 59 (later revised 40 to 79 WEF 01.10.2012) with a monthly pension of Rs. 200 (later revised to Rs.300 WEF 01.10.2012) per beneficiary. This programme was started in 2009 under the ministry for rural development.

INDIRA GANDHI NATIONAL DISABILITY PENSION SCHEME (IGNDPS)

Individuals aged 18 years and above with more than 80% disability and living below the poverty line. Amount: ₹300 (US\$3.10) per month (₹500 (US\$5.20) for those 80 years and above).

NATIONAL FAMILY BENEFIT SCHEME (NFBS)

In the event of death of a bread-winner in a household, the bereaved family will receive lumpsum assistance of 20,000. The bread-winner should have been between 18–64 years of age. The assistance would be provided in every case of death of primary bread-winner in a household.

ANNA PURNA SCHEME

This scheme aims to provide food security to meet the requirement of those senior citizens who, though eligible, have remained uncovered under the IGNOAPS. Under the Annapurna Scheme, 10 kg of free rice is provided every month to each beneficiary.

REPORT OF THE TASK FORCE, MINISTRY OF RURAL DEVELOPMENT (2013)

In October 2012, the Government of India set up a task force to come up with a proposal for a Comprehensive Social Assistance Programme. Some of the recommendations from the report submitted in March 2013 are listed below:

1. Increase IGNOAPS from ₹200 (US\$2.10) to ₹300 (US\$3.10) per month

2. Reduce minimum age requirement for IGNWPS from 40 to 18 years
3. Revise eligibility criteria for IGNWPS to include divorced/separated/abandoned women who, according to the report, face the same discrimination as widows
4. Reduce disability level from 80% to 40%
5. Assistance to be provided in the event of the death of any adult member (and not just male members) to the bereaved family under NFSB
6. Pension amounts should be indexed to inflation using the criteria adopted for dearness allowance
7. Coverage should be expanded with the aim of covering all households eligible for benefits under the NFSB
8. Pro-active identification of beneficiaries with no demand for documentary proof from applicants.
9. Pension payments must follow a fixed monthly schedule - this should be a 'non-negotiable requirement'
10. Cash payments should be discouraged; states may move to bank or post office based systems
11. Pension payment method should be adopted keeping in mind that no pensioner should have to travel beyond three km to collect pension; ultimate goal should be to ensure door-step delivery of pensions

PENSION PARISHAD

The Pension Parishad – an initiative to ensure universal pension to all workers in India – has been demanding that the Government of India establish a "non-contributory and universal old age pension system with a minimum amount of monthly pension not less than 50% of the minimum wage or ₹2,000 (US\$21), whichever is higher."

Other important demands of the Pension Parishad include the following:

- Any individual 55 years or older should be eligible for old age pension; for women, eligibility to be 50 years or older
- APL/BPL criteria should not be used for exclusion

CONCLUSION

The Old-age pension is an important component of India's social security system. It provides financial support to elderly persons who have limited or no regular income, particularly those belonging to economically weaker households. India's ageing population has increased the importance of social protection programmes that can help older persons meet their basic needs and maintain a minimum standard of living. The major central government programme for poor elderly persons is the Indira Gandhi National Old Age Pension Scheme (IGNOAPS), implemented under the National Social Assistance Programme (NSAP). The scheme provides social assistance to eligible elderly persons, with additional support often provided by state governments. Several states have introduced their own pension schemes or enhanced the pension amount through state-funded assistance. As a result, the level of pension and eligibility conditions can vary considerably across states.

The status of old-age pension in India shows both progress and continuing challenges. Pension schemes have expanded the coverage of vulnerable elderly people and have become an important source of regular cash income for many households. Pension payments can contribute to expenditure on food, medicines, clothing, transportation and other essential requirements. For elderly persons without sufficient family support, even a

modest pension can provide greater financial independence and dignity. However, the adequacy of pension benefits remains an important concern. The cost of living, healthcare expenses and inflation can substantially reduce the real value of a small pension. Elderly persons living alone, widows, persons with disabilities and those without stable family support may face particularly difficult economic conditions. Differences in pension amounts between states also create variations in the level of social protection available to beneficiaries.

Another important issue is access. Elderly people in rural and remote areas may face difficulties in completing documentation, establishing eligibility, accessing banking facilities and receiving payments regularly. Digital payment systems and direct benefit transfers have improved transparency and reduced some administrative problems, but digital literacy, connectivity and banking access can still create difficulties for some elderly beneficiaries.

There is also a broader need to strengthen pension systems beyond assistance for poor elderly persons. A large proportion of India's workforce has historically worked in the informal sector without employer-sponsored retirement benefits. Expanding contributory pension coverage and improving awareness about social security can therefore play an important role in strengthening old-age income security. The status of old-age pension in India indicates that social pensions have become an important instrument for protecting vulnerable elderly persons from extreme economic insecurity. Government pension programmes provide regular financial assistance and can improve the ability of elderly people to meet basic household and personal expenses.

Nevertheless, important gaps remain in pension adequacy, coverage, timely payment, awareness and accessibility. The purchasing power of pension benefits should be considered in relation to inflation and the rising cost of healthcare and living expenses. Administrative procedures should be simplified, particularly for elderly people in rural and disadvantaged communities. Greater coordination between central and state governments can also help improve consistency in social protection.

In conclusion, strengthening old-age pension in India requires not only wider coverage but also adequate pension levels, reliable payments, easy access and stronger institutional support. A comprehensive old-age social security system can contribute significantly to economic security, dignity and improved quality of life among India's ageing population.

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