Social Security Provisioning in Bihar: A Case for Universal Old Age Pension

First Author: Dr. Manjur Ali (Research Officer)
Second Author: Nilachala Acharya
Authors’ Organisation: Centre for Budget and Governance Accountability
New Delhi-110029
India

Section I: Introduction

Public provisioning towards social sector services and particularly for social security and welfare, which includes pensions for old age, widow and disabled, has been at the core of public policy discussions in India over the last few years. In the Constitution of India, there has been a mention of functions to be discharged by the various layers of governments. For instance, public provisioning for the pension schemes in India falls under the domain of Union and State Budgets as this function is clearly mentioned in the Concurrent List of the Constitution. Commensurate to this responsibility, the National Social Assistance Programme (NSAP) was introduced on 15th August, 1995 (as a fully funded Centrally Sponsored Scheme) by the Union Government. However, in the year 2002-03, NSAP was transferred to the State Plan and funds were, from then onwards, released as Additional Central Assistance (ACA) to States with the Ministry of Finance releasing funds to the States as a single allocation for all the sub-schemes, and freedom has been given to the States to allocate to the individual sub-schemes as per the need. Subsequently from 1st April 2014, NSAP has again become a Centrally Sponsored Scheme (CSS), listed under the Ministry of Rural Development and funds were released by the Ministry of Rural Development to all States and Union Territories. Further, in the listing of schemes into different categories in the Union Budget 2015-16, the allocation under this scheme has been listed under “Schemes to be Fully Supported by the Union Government” and is grouped as Central Assistance for State and UT Plans. Within NSAP, Indira Gandhi National Old Age Pension (IGNOAP) Scheme caters to the pension needs of the elderly population.

Under this scheme, at present, Union Government provides an assistance of Rs. 200 per person per month between 60 years and 79 years. For a person who is 80 years and above the pension amount is Rs. 500 per month, and States are also advised to put in extra amount of resources and if States want they can also put any amount beyond rupees two hundred, as monthly pension. However, this is a directive of the Union Government and not necessarily States would put in equal amount of resources as is provisioned by the Union Government. Nonetheless, there are instances where State Governments have been allocating more than Rs. 1800 hundred per month per person as pension (e.g. Goa) even with an extended coverage (e.g. Odisha) what has been set by the Union Government.
In this context it would be worth analysing how Union Government has been prioritising its annual spending towards social security, and particularly for the Old Age Pension programme. Along with this, there is a need to look at what the State Governments have been doing on this front. Given this backdrop, present note analyses budgetary allocations and spending towards Old Age Pension for the State of Bihar. While doing this, the present note also records some of the pertinent changes that have happened in the recent past, specifically the implications of the Fourteenth Finance Commission’s recommendations for the State finances.

Prior to the presentations of the 14th Finance Commission (FC) report and the Union Budget 2015-16, it was expected that the Union Government would consider doing things differently, particularly for the social sectors programmes. There were also concerns relating to macro-economic instability, mainly due to prevailing high rates of inflation, low GDP growth, issues of corruption and increasing inequalities etc. Further, there were also apprehensions that how resources would be allocated between the Union and the States, what would be the States’ share in the divisible pool, and who would monitor the progress of 12th Five Year Plan targets in the absence of the Planning Commission etc. However, the presentation of the Union Budget 2015-16 opened up new sets of questions, instead of providing solutions to these concerns.

These new sets of questions are: (i) would higher devolution of central taxes and non-plan grants to the States mean poorer States’ have received more resources, (ii) whether this new-fiscal arrangement enhanced the fiscal space of the States’, along with adequate flexibility to use these resources, (iii) if Union Government only supports the capital expenditures by the States in major schemes, how sustainable would be these schemes where majority of the programme expenses are booked under revenue account, (iv) what would happen to the implementation of flagship programmes of the Union Government, when there is a reduction in their allocations in the Union Budget 2015-16, and finally, (v) how States’ would finance (if at all they want to continue) the schemes which were delinked from the Union Budget support. Instead of giving any concrete and strong arguments in overcoming all these concerns, the Union Budget 2015-16 largely focused on expenditure cuts in various sectors, including the social services sector.

A closer look at the budgetary provisions of the Union Government in the Union Budget 2015-16 suggests that the effort of the Union Government towards fiscal consolidation remained as it was earlier, i.e. through measures of expenditure compression rather focusing on possible ways for revenue augmentation. This is corroborated by the fact that the total expenditure of the Union Government is projected at Rs. 17,77,477 crore in 2015-16 BE, which is less than the projected amount of Rs. 17,94,892 crore in 2014-15 BE. Further, there is no such clear indication to give a boost to overall tax-GDP ratio. The decline in expenditure of the Union Budget is reflected mostly in the Plan heads and this decline is to the tune of Rs. 1,09,723 crore in 2015-16 BE compared to 2014-15 BE.
The justification provided by the government for such a reduction is on account of the increase in fiscal devolution to State Governments as per the recommendations of the 14th FC. As per this, now States’ would be getting 42 percent resources from the divisible pool of central taxes, an increase by 10 percentage points from the prevailing level of 32 percent. No doubt that States’ would be getting more resources (in absolute terms) compared to the previous years from the divisible central taxes; however, we also need to take into account the loss that States have incurred because of the scrapping of a number of schemes and even scaling-down of Union Government’s resource allocations to an array of Centrally Sponsored Schemes. For a better illustration, we can see how Union Budget allocations to a few such schemes i.e. SSA, MDM, ICDS where the reduction of allocation are to the tune of 22, 30 and 54 percent respectively in the current Union Budget compared to the allocations for the same in the previous Union Budget.

Further, a detailed examination of the amount of increased devolution provides a clearer picture of the status of overall resources being transferred to all States and also for Bihar. Data presented in Table-1 below show that the net increase in fiscal capacity of all States and UTs (combined) is to the tune of:– Rs. 63,941 crore if we compare 2015-16 BE figures with 2014-15 BE (Budget Estimates) figures, and it is Rs. 1,58,677 crore if we compare 2015-16 BE figures with 2014-15 RE (Revised Estimates) figures. Since the size of a State Budget on an average has reached Rs. 1 lakh crore per year, such an increase of Rs. 2000 crore to Rs. 5000 crore per State on an average (in 2015-16 BE) implies a modest increase of the size of the State Budget by 2 % to 5 % only, which is very small if we adjust this increase with that of current inflation rate.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State's Share of Taxes and Duties</td>
<td>382216</td>
<td>337808</td>
<td>523958</td>
</tr>
<tr>
<td>2</td>
<td>Total Non-Plan Grants</td>
<td>69936</td>
<td>80258</td>
<td>108551</td>
</tr>
<tr>
<td>3</td>
<td>Total Plan Grants</td>
<td>323563</td>
<td>262913</td>
<td>207147</td>
</tr>
<tr>
<td>4=1+2+3</td>
<td>Resources Transferred to State and UT (Grants)</td>
<td>775715</td>
<td>680979</td>
<td>839656</td>
</tr>
</tbody>
</table>

Source: Union Budget 2015-16.

Further, in the new devolution formula, Bihar received a lesser amount [combined resources transferred to State of Bihar through (i) State’s Share in Central Taxes, (ii) Non-Plan Grants, and (iii) Plan Grants] in 2015-16 BE from the Union Government compared to earlier years. Information presented in Table-2 below show that the total Union resources, received by Bihar during pre and post 14th FC devolution.
Table-2: Devolution of Funds to Bihar (Rs. Crore)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State’s Share in Central Taxes</td>
<td>34829</td>
<td>41775</td>
<td>38028</td>
<td>50748</td>
</tr>
<tr>
<td>Grant-in-Aid from Centre (both Plan and Non-Plan)</td>
<td>12584</td>
<td>31420</td>
<td>28903</td>
<td>18171</td>
</tr>
<tr>
<td>Total Resources Transferred from the Centre (Excluding Loans)</td>
<td>47413</td>
<td>73195</td>
<td>66931</td>
<td>68919</td>
</tr>
</tbody>
</table>

Source: Budget Summary 2015-16, Finance Department, Government of Bihar.

As per 13th FC, Bihar’s share in Central Taxes was 10.9 percent, which got reduced to 9.6 percent according to the 14th FC formula. There has been an increase in absolute amount devolved to the State, i.e. to the tune of about Rs. 9000 crore in 2015-16 BE compared to 2014-15 BE. However, if we combine State’s share in divisible pool of central taxes and Grants-in Aid from Centre together, in 2014-15 (BE) Bihar got Rs. 73195 crore, which has reduced to Rs. 68, 919 crore in 2015-16 BE, and the reduction in absolute term is to the tune of Rs. 4,276 crore (Table-2). Much of this reduction has been noticed under the head of Plan Grants from the Centre.

As mentioned earlier, in the context of new federal fiscal architecture it would be pertinent to look at how Bihar responded in allocating resources, particularly after receiving lesser amount from the Union Government. Further, it is also pertinent to locate expenditure priority of the state for social sector in general. Although, it is too early to comment on the allocation trend for social sector items of a state, as states’ have been given very little time to adjust their respective annual budgets of such a change in federal fiscal arrangements. Nonetheless, it would certainly give an indication as how state is going to realise the expectations of the larger mass through provisioning of education, health care, social security, drinking water and sanitation facilities etc.

Table 3: Share of Social Sector Expenditure in the Total Expenditure from Bihar State Budget

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State’s Total Expenditure (Rs. in Crore)</td>
<td>116886</td>
<td>132187</td>
<td>120685</td>
</tr>
<tr>
<td>Expenditure on Social Services Sector (Rs. in Crore)</td>
<td>43970</td>
<td>52921</td>
<td>42128</td>
</tr>
<tr>
<td>Share of Social Services Sector Expenditure in State’s Total Expenditure (in %)</td>
<td>37.6</td>
<td>40.0</td>
<td>34.9</td>
</tr>
<tr>
<td>Expenditure on Social Security and Welfare (Rs. in Crore)</td>
<td>4294</td>
<td>6015</td>
<td>3548</td>
</tr>
<tr>
<td>Share of Social Security and Welfare Expenditure in State’s Total Expenditure (in %)</td>
<td>3.7</td>
<td>4.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Share of Social Security and Welfare Expenditure in Total Social Services Sector Expenditure (in %)</td>
<td>9.8</td>
<td>11.4</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Source: Budget Summary 2015-16, Finance Department, Government of Bihar.
In an attempt to look at the share of social services sector expenditure in Bihar’s total expenditure, it has been revealed that state could not able to prioritise its spending towards social services sector. There has been a dip in the share of social services sector spending in the total budget of the state from 37.6 percent in 2014-15 BE to 34.9 percent in 2015-16 BE. The reduction is to the tune of 2.7 percentage point, (i.e. Rs. 1,842 crore), even though there is an increase the total budget size (of Rs. 3,799 crore) of the state to Rs. 120,685 crore in 2015-16 BE from Rs. 116,886 crore in 2014-15 BE. Further, the allocation towards social security and welfare (where most of the pension schemes have been classified as items of expenditure) received least priority not only within the items of social services sector but also in the state budget. For instance, the share of social security welfare expenditure within social services sector declined from 9.8 percent in 2014-15 BE to 8.4 percent in 2015-16 BE. Similarly, such shares in the total state budget declined from 3.7 percent in 2014-15 BE to 2.9 percent in the current budget. The most pertinent issue to note here is that in absolute term there has been a reduction in allocation (of Rs. 746 crore) under items of social security and welfare.

Section-II: Present Status of Allocations towards Old Age Pension Scheme in Bihar

As noted OAP, as a subject, comes under the domain of concurrent list and hence, both the Union and State Governments of India sharing the responsibility in provisioning towards this cause. In line with this responsibility, the Union government has formulated the Indira Gandhi National Old Age Pension (IGNOAPS) within the broad National Social Assistance Programme (NSAP). Whereas, apart from implementing IGNOAPS, various states have also been formulated and implementing their own old age pension schemes. The Union Government, time to time, sets various criterions for a person to be eligible for IGNOAPS. At present, these norms are: (i) h/she must be the age of 60 years or above, (ii) belong to Below Poverty Line (BPL) family, based on the BPL survey conducted in 2002 for which a monthly pension of Rs. 200 per person as pension to be given. As envisaged, states may contribute any amount it deems fit towards sharing the responsibility of OAP provisioning.

Table-4: Number of IGNOAPS Beneficiaries and Amount incurred during 2014-15

<table>
<thead>
<tr>
<th>States</th>
<th>Expenditure Incurred under IGNOAPS (Rs. in Crore)</th>
<th>Number of Beneficiaries</th>
<th>Percentage of Beneficiaries in All India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bihar</td>
<td>755.15</td>
<td>4470795</td>
<td>23.41</td>
</tr>
<tr>
<td>West Bengal</td>
<td>175.12</td>
<td>1886739</td>
<td>9.88</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>247.56</td>
<td>1237809</td>
<td>6.48</td>
</tr>
<tr>
<td>Odisha</td>
<td>198.26</td>
<td>1418631</td>
<td>7.43</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>105.54</td>
<td>699186</td>
<td>3.66</td>
</tr>
<tr>
<td>All India</td>
<td>3790.09</td>
<td>19097677</td>
<td>100.00</td>
</tr>
</tbody>
</table>

However, there are instances where some of the states have been contributing equal amount per elderly under the scheme, some others contribute more than the Centre’s share and there are also others who contribute less than the amount what Center is contributing. In addition, while some states contributing the same amount as Centre does, but have considerably relaxed provisions for identifying the beneficiaries on basis of economic vulnerability and/or age criteria resulting in inclusion of beneficiaries than identified by the BPL survey as allowed under the Centre’s IGNOAPS. Also, some states have OAP programs not linked at all to the IGNOAPS, making zero additional contribution under the same while implementing their own OAP scheme, based on their own identification criteria and monthly pension amount also vary to a great deal. Some other states also have a more comprehensive OAP with Centre’s share or contribution under IGNOAPS getting subsumed with the state OAP scheme. Hence, as a result of this concurrent responsibility, provisioning for OAP vary considerably across Indian States’.

Table-5: Expenditure under NSAP in the Union Budget (Rs. in Crore)

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Budget for NSAP</td>
<td>4442</td>
<td>5109</td>
<td>5110</td>
<td>6546</td>
<td>7825</td>
<td>9046</td>
<td>10547</td>
<td>7188</td>
<td>9000</td>
</tr>
</tbody>
</table>

Source: Expenditure Budget Volume-I, Ministry of Finance, Government of India

Also, even the coverage provided by centre’s IGNOAPS differs significantly across the states as beneficiaries for the same are identified according to the BPL survey. Looking at the status of implementation of IGNOAPS at various states show that the number of beneficiaries differ across states with only five states viz Uttar Pradesh (3.66 percent), Bihar (23.41 percent), West Bengal (9.88 percent), Odisha (7.43 percent) and Tamil Nadu (6.48 percent) accounting for around 50 percent of the total 190.97 lakh beneficiaries.

As part of provisioning social security in India, Government of India in its annual budgets spent Rs. 4442 crore in 2008-09, which has increased to Rs. 9046 crore in 2013-14. This shows that the budget for National Social Assistance Programmes in the Union Budget doubled within a period of six years. Further, in 2014-15 BE, the budget for such programmes increased to Rs. 10,547 crore (Table-5). However, in the current budget there has been a reduction in allocation for NSAP, where provisioning of Old Age Pension is a part.

**Provisioning of OAP in Bihar’s Annual Budgets**

In absolute term, the allocation for pension schemes for the state of Bihar, which includes old age, widow and disables, has been on the rise since 2013-14. In fact, state’s total allocation for these heads of expenditure in 2015-16 (BE), has been estimated at Rs. 1986 crore, which has increased from Rs. 1675 crore in 2014-15 (BE), shows an increase of around 18.66 percent. In fact the actual expenditure for the pension programmes during 2013-14 was Rs. 1356 crore. Of
the total expenditure on pension programmes by the state, majority of funds provisioned for old age pension scheme and are funded by the Union Government (Table 6).

Table 6: Expenditure on Pension Schemes (Old Age, Widow & Disabled) by Bihar (in Rs. Crore)

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>2235-60-102-0001</td>
<td>Old Age Pension (Administration-Non Plan Expenditure)</td>
<td>24</td>
<td>35</td>
<td>35</td>
<td>38</td>
</tr>
<tr>
<td>2235-03-101-0101</td>
<td>IGNOAPS</td>
<td>713</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2235-03-101-0102</td>
<td>IGNUAPS</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2235-03-101-0103</td>
<td>Widow Pension</td>
<td>108</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2235-03-101-0204</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>1092</td>
<td>1092</td>
<td>941</td>
</tr>
<tr>
<td>2235-03-101-0304</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>0</td>
<td>675</td>
<td>336</td>
</tr>
<tr>
<td>2235-03-789-0101</td>
<td>IGNOAPS</td>
<td>208</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2235-03-789-0102</td>
<td>Widow Pension</td>
<td>47</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2235-03-789-0103</td>
<td>IGNUAPS</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2235-03-789-0205</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>390</td>
<td>390</td>
<td>266</td>
</tr>
<tr>
<td>2235-03-789-0305</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>0</td>
<td>149</td>
<td>96</td>
</tr>
<tr>
<td>2235-03-796-0201</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>2235-60-102-0101</td>
<td>Old Age Pension Scheme (State)</td>
<td>6</td>
<td>5</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>2235-60-102-0104</td>
<td>Bihar Disabled Soc. Sec. Pension</td>
<td>79</td>
<td>40</td>
<td>180</td>
<td>91</td>
</tr>
<tr>
<td>2235-60-102-0105</td>
<td>Laxmi Bai Soc. Sec. Pension Scheme</td>
<td>102</td>
<td>70</td>
<td>200</td>
<td>115</td>
</tr>
<tr>
<td>2235-60-789-0102</td>
<td>Laxmi Bai Soc. Sec. Pension Scheme</td>
<td>33</td>
<td>26</td>
<td>82</td>
<td>35</td>
</tr>
<tr>
<td>2235-60-789-0103</td>
<td>Bihar Disabled Soc. Sec. Pension</td>
<td>23</td>
<td>15</td>
<td>63</td>
<td>30</td>
</tr>
<tr>
<td>2235-60-789-0104</td>
<td>State Old Age pension</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>1356</td>
<td>1675</td>
<td>2883</td>
<td>1986</td>
</tr>
</tbody>
</table>

Source: Compiled from the Non-Plan Expenditure and Plan Details 2015-16, Finance Department, Government of Bihar.

Given the nature of the implementation of NSAP in the state, it is very difficult to segregate (extra) expenditure incurred by the state over and above the Union Government’s allocation for NSAP, unless it is exclusively stated in the budget documents of the State. For instance, the State’s own resource allocation towards OAP scheme exclusively mentioned in the budget document is in the range of Rs. 33 to Rs. 54 crore during 2013-14 and 2015-16 BE. In total, Bihar spent Rs. 953 crore in 2013-14, which has increased to Rs. 2358 crore in 2014-15 RE and again reduced in the current budget to Rs. 1715 crore (Table-7).
Table-7: Total Expenditure on Old Age Pension Scheme by Bihar (in Rs. Crore)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>2</td>
<td>2235-60-102-0001</td>
<td>Old Age Pension (Administration- Non-Plan Scheme)</td>
<td>24</td>
<td>35</td>
<td>35</td>
<td>38</td>
</tr>
<tr>
<td>3</td>
<td>2235-03-101-0101</td>
<td>IGNOAPS</td>
<td>713</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>2235-03-789-0101</td>
<td>IGNOAPS</td>
<td>208</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Allocation under IGNOAPS (3+4)</td>
<td>921</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2235-03-101-0204</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>1092</td>
<td>1092</td>
<td>941</td>
</tr>
<tr>
<td>7</td>
<td>2235-03-101-0304</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>0</td>
<td>675</td>
<td>336</td>
</tr>
<tr>
<td>8</td>
<td>2235-03-789-0205</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>390</td>
<td>390</td>
<td>266</td>
</tr>
<tr>
<td>9</td>
<td>2235-03-789-0305</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>0</td>
<td>149</td>
<td>96</td>
</tr>
<tr>
<td>10</td>
<td>2235-03-796-0201</td>
<td>NSAP (CSS: 75:25 and in some cases 50:50 %)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>11</td>
<td>Total NSAP allocation (6+7+8+9+10)</td>
<td>0</td>
<td>1482</td>
<td>2306</td>
<td>1661</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Total IGNOAPS allocation ( with the assumption that 80 percent of NSAP allocation is meant for IGNOAPS) (Value in row [11/100]*80)</td>
<td>921*</td>
<td>1186</td>
<td>1845</td>
<td>1329</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>State’s Contribution to IGNOAPS – Assuming 35 % as State’s contribution (Value in row [12/100]*35)</td>
<td>322</td>
<td>415</td>
<td>646</td>
<td>465</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>2235-60-102-0101</td>
<td>Old Age Pension Scheme (State)</td>
<td>6</td>
<td>5</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>15</td>
<td>2235-60-789-0104</td>
<td>State Old Age pension</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>16</td>
<td>Exclusive State's allocation for OAP (2+14+15)</td>
<td>33</td>
<td>42</td>
<td>52</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Total State’s allocation for OAP (including contribution to IGNOAPS-13+16)</td>
<td>355</td>
<td>457</td>
<td>698</td>
<td>519</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Grand Total (12+16)</td>
<td>953</td>
<td>1522</td>
<td>2358</td>
<td>1715</td>
<td></td>
</tr>
</tbody>
</table>

Note: * Value based on the figure presented in Row 12, which is exclusively for IGNOAPS.
Source: Compiled from the Non-Plan Expenditure and Plan Details 2015-16, Finance Department, Government of Bihar.
In an attempt to trace the quantum of budgetary support of the state government towards OAP provisioning, it is found that state’s allocation vary between Rs. 300 to Rs.700 crore (additional allocation by the state over and above the allocations of the Union Government) during the period between 2013-14 and 2015-16. The state’s allocation for OAP was Rs. 355 crore in 2013-14, which has increased to Rs. 698 crore in 2014-15 RE and subsequently reduced in the current budget to Rs. 519 crore (Table-7). However, this estimation is based on the assumption that 80 percent of the total NSAP allocation is meant for IGNOAPS and within this allocation, state’s support is 35 percent (as state’s share for Centrally Sponsored Scheme).

Section-III: Resource Requirement for a Non-contributory Universal Old Age Pension Scheme for Bihar

Looking at the present scenario of IGNOAPS implementation in the state, a simple exercise has been carried out (how much resources would be required for a non-contributory Universal OAP). The possible scenarios of provisioning for OAP, with details of resource requirements and other information, presented in table 8. The per capita per month pension amount ranges from Rs. 500 to Rs. 2000 have been considered. Further, with regard to coverage, there are four possible scenarios can be thought of where the lowest coverage would be at least 70 percent and subsequently it goes to 80 percent, 90 percent and 100 percent (Universal) coverage.

Table-8: Outlining the cost of a Universal, Non-Contributory Pension Plan for Bihar

| Scenario-1: With 100 % coverage (person aged 60 years and above) | 500 | 1000 | 1500 | 2000 |
| Pension Amount Per Person Per month (in Rs.) | 6000 | 12000 | 18000 | 24000 |
| Population to be covered (in Lakh) | 72.86 | 72.86 | 72.86 | 72.86 |
| Per annum Cost to the State Exchequer (in Rs. crore) | 4372 | 8743 | 13115 | 17486 |

| Scenario-2: With 90 % coverage (person aged 60 years and above) | 65.58 | 65.58 | 65.58 | 65.58 |
| Population to be covered (in Lakh) | 65.58 | 65.58 | 65.58 | 65.58 |
| Per annum Cost to the State Exchequer (in Rs. crore) | 3934 | 7869 | 11803 | 15738 |

| Scenario-3: With 80 % coverage (person aged 60 years and above) | 58.29 | 58.29 | 58.29 | 58.29 |
| Population to be covered (in Lakh) | 58.29 | 58.29 | 58.29 | 58.29 |
| Per annum Cost to the State Exchequer (in Rs. crore) | 3497 | 6995 | 10492 | 13990 |

| Scenario-4: With 70 % coverage (person aged 60 years and above) | 54.65 | 54.65 | 54.65 | 54.65 |
| Population to be covered (in Lakh) | 54.65 | 54.65 | 54.65 | 54.65 |
| Per annum Cost to the State Exchequer (in Rs. crore) | 3060 | 6120 | 9180 | 12240 |

While doing so, the implicit assumptions are: (i) total population of the state with 60 year and above is 72.86 lakh (as reported in the Census, 2011) and (ii) the amount of pension to be paid to each individual per month basis. The most desirable scenario (universal coverage with Rs. 2,000 per capita per month pension) for which state would require Rs. 17, 486 crore per annum to be provisioned for OAP scheme. However, at the lower end (Rs. 500 per capita per month pension) with the universal coverage, the amount required for the state is Rs. 4,372 crore. Further, a reduced coverage of population to 70 percent (out of state’s 72.86 lakh elderly population), the
highest and the lowest amount of pension per capita per month would cost the exchequer Rs. 12,240 and Rs. 3,060 crore respectively.

At present, the projected amount to be spent by the government of Bihar for OAP stands at Rs. 1,715 crore (in 2015-16 BE, which includes both Union and State’s contribution). However, to have a decent old age pension programme, which is a non-contributory universal coverage, with a decent amount of provisioning for pension per month, the above estimates suggests that the state has to go a long way in ensuring pension rights of the elderly population.

Nevertheless, this is a preliminary calculation of old age pension budget for the State. In each of the scenarios, one needs to consider factoring in the inflationary impact into account (either annually or biennially) to adjust the cost of living and should be embodied into the process of pension calculation. A part from this, the number of elderly population of the State has to be upgraded regularly in order to ensure that no one is excluded from getting pension. Obviously, for a more inclusive process of pension coverage, a robust system of capturing such information (inclusion and exclusion of elderly population into the list) has to be in place. Further, one can think of considering age reduction of the elderly population from 60 years to 55 for male and 53 for female, which is highly desirable given the present situation of life expectancy.

Section-IV: Where is Resources to Finance Universal Old Age Pension?

Data presented in table 8 show clearly that Bihar is highly dependent on Centre for resources. For instance, out of total receipt budget of the state, 61 percent were came from the Centre in 2013-14, which has further increased to 64 percent in 2014-15 BE, although this dependency reduced to 60 percent in the current budget (i.e. 2015-16 BE). On the other hand, the growth of state’s own revenue (including internal debt) does not show any impressive trend over the same period (Table-8).

Table 8: Revenue Position of Bihar Government (Amount is in Rs. crore)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
</tr>
<tr>
<td>State’s share in Central Taxes</td>
<td>34829.1</td>
<td>41775.1</td>
<td>38082.0</td>
<td>50747.6</td>
</tr>
<tr>
<td>Grant in Aid from Centre</td>
<td>12584.0</td>
<td>31419.8</td>
<td>28903.3</td>
<td>18170.6</td>
</tr>
<tr>
<td>Own Revenue (of Which)</td>
<td>21505.5</td>
<td>28744.6</td>
<td>28759.4</td>
<td>34270.9</td>
</tr>
<tr>
<td>Own Tax Revenue</td>
<td>19960.7</td>
<td>25663.0</td>
<td>25662.7</td>
<td>30875.0</td>
</tr>
<tr>
<td>Own Non-Tax Revenue</td>
<td>1544.8</td>
<td>3081.7</td>
<td>3096.7</td>
<td>3395.9</td>
</tr>
<tr>
<td>Internal Debt of the State</td>
<td>9357.4</td>
<td>12878.2</td>
<td>12878.2</td>
<td>14920.1</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and Advances from the Central Government</td>
<td>549.7</td>
<td>1849.2</td>
<td>1849.2</td>
<td>2788.7</td>
</tr>
</tbody>
</table>

Source: Budget Summary, 2015-16, Finance Department, Government of Bihar
In fact, there has been a decline in share of State’s own revenue (excluding internal debt) from 27.3 percent in 2013-14 to 24.6 percent in 2014-15 BE. There is a slight improvement seen in the current budget (28.3 percent). This justifies that over the years, state government has not been able to explore the possible own sources of resource generation for which the dependency on Central resources is increasing day by day. There are possibility that state could gather resources from various sources of state’s tax and non-tax revenue.

Table 9: Major Sources of State’s Own Revenue: Own Tax and Non-Tax (Rs. in Crore)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Revenue</td>
<td>205.4</td>
<td>201.7</td>
<td>250</td>
<td>250</td>
<td>300</td>
</tr>
<tr>
<td>Stamps &amp; Registration Fees</td>
<td>2173.01</td>
<td>2712.4</td>
<td>3600</td>
<td>3600</td>
<td>4000</td>
</tr>
<tr>
<td>State Excise</td>
<td>2429.8</td>
<td>3167.7</td>
<td>3700</td>
<td>3700</td>
<td>4000</td>
</tr>
<tr>
<td>Taxes on Sales, Trade etc.</td>
<td>8670.8</td>
<td>8453</td>
<td>12820.2</td>
<td>12820.2</td>
<td>16025.2</td>
</tr>
<tr>
<td>Taxes on Vehicles</td>
<td>673.4</td>
<td>837.5</td>
<td>1000</td>
<td>1000</td>
<td>1200</td>
</tr>
<tr>
<td>Taxes on Goods &amp; Passengers</td>
<td>1932.1</td>
<td>4349</td>
<td>4117.5</td>
<td>4117.5</td>
<td>5146.8</td>
</tr>
<tr>
<td>Taxes &amp; Duties on Electricity</td>
<td>102.6</td>
<td>141.3</td>
<td>82.7</td>
<td>82.7</td>
<td>102.5</td>
</tr>
<tr>
<td>Dividends &amp; Profit</td>
<td>2.6</td>
<td>2.5</td>
<td>2.8</td>
<td>2.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Fisheries</td>
<td>11.8</td>
<td>10.7</td>
<td>12.5</td>
<td>12.5</td>
<td>13.5</td>
</tr>
<tr>
<td>Forestry &amp; Wild Life</td>
<td>16.7</td>
<td>19.6</td>
<td>17.6</td>
<td>17.6</td>
<td>21.6</td>
</tr>
<tr>
<td>Co-Operation</td>
<td>10.9</td>
<td>35.9</td>
<td>12.4</td>
<td>12.4</td>
<td>95.2</td>
</tr>
<tr>
<td>Industries</td>
<td>27.7</td>
<td>3.7</td>
<td>13.4</td>
<td>13.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Mining &amp; Metallurgical</td>
<td>511.1</td>
<td>569.1</td>
<td>750</td>
<td>750</td>
<td>1000</td>
</tr>
<tr>
<td>Civil Aviation</td>
<td>8.3</td>
<td>12.4</td>
<td>8.8</td>
<td>8.8</td>
<td>13.1</td>
</tr>
<tr>
<td>Road &amp; Bridges</td>
<td>32.3</td>
<td>40.7</td>
<td>64</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>Tourism</td>
<td>0.0006</td>
<td>2.3</td>
<td>0.0006</td>
<td>0.0006</td>
<td>2.4</td>
</tr>
</tbody>
</table>


Data presented in Table 9 reflect that taxes collected through sales and trade, land revenue, stamps and registration duties, taxes on vehicles, taxes on goods and passengers are the major sources of the State’s own revenue. There are possibilities that State can increase its receipts (own revenues) from industry, forest and wild life, mining & metallurgical, civil aviation, tourism etc. that seem to be areas which have not been explored fully.

Reference
Finance Department, Budget Summary 2015-16, Government of Bihar
Finance Department, Non-Plan Expenditure and Plan Details 2015-16, Government of Bihar