

Delivering voluntary pensions to the poor

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1 May 2008, New Delhi

Outline

- Backdrop
- Approach

Backdrop

- One in 8 of the world's elderly live in India.
- India is unable to adequately support this group.
- This population will double to 175 million by 2030.

Backdrop (3)

- 143 million low income workers do not have access to retirement savings products.
- Over half are aged less than 35 years.

Backdrop (4)

- At least 61 million low income workers are interested in savings for retirement and have some savings capacity

Backdrop (5)

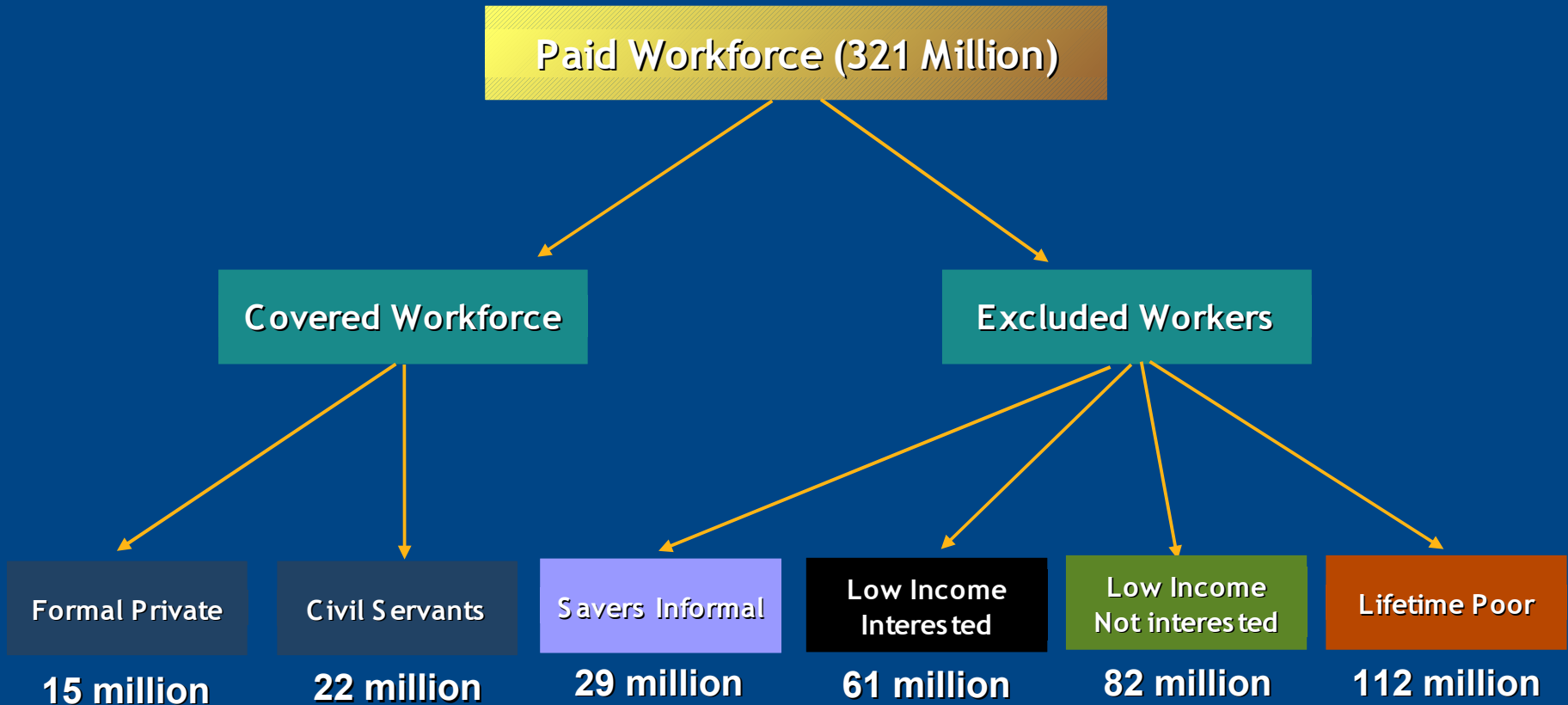
- We need to motivate mass-scale voluntary coverage as forcing people to save for retirement will not work in India.
- But 87.5% of the interested and capable group does not pay income tax.
- And are spread across 3.3 million sq. kms.

Backdrop (6)

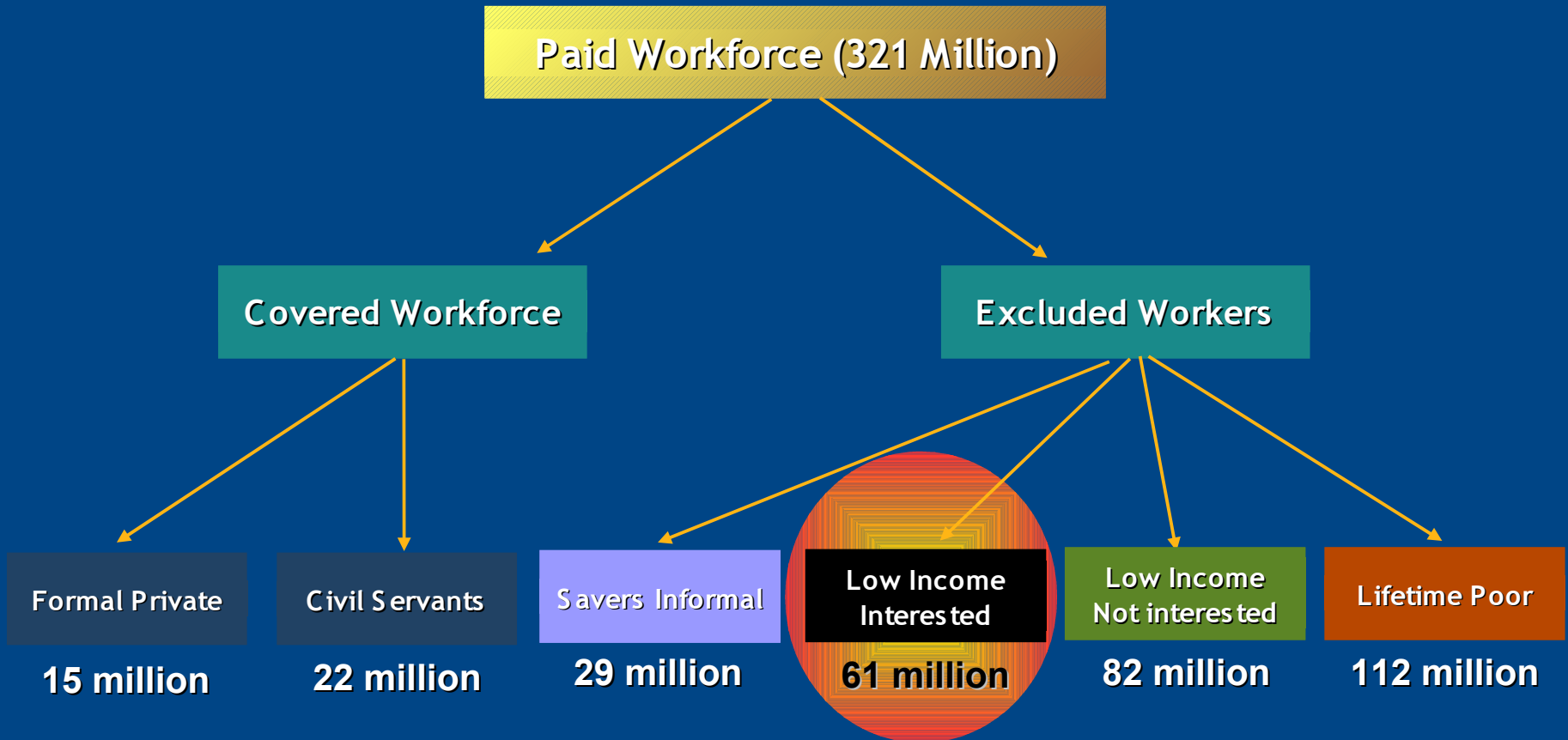
- We need to build low cost distribution channels to deliver NPS to India's low income workforce

Approach

India's Pension Landscape



Focus of IIMPS



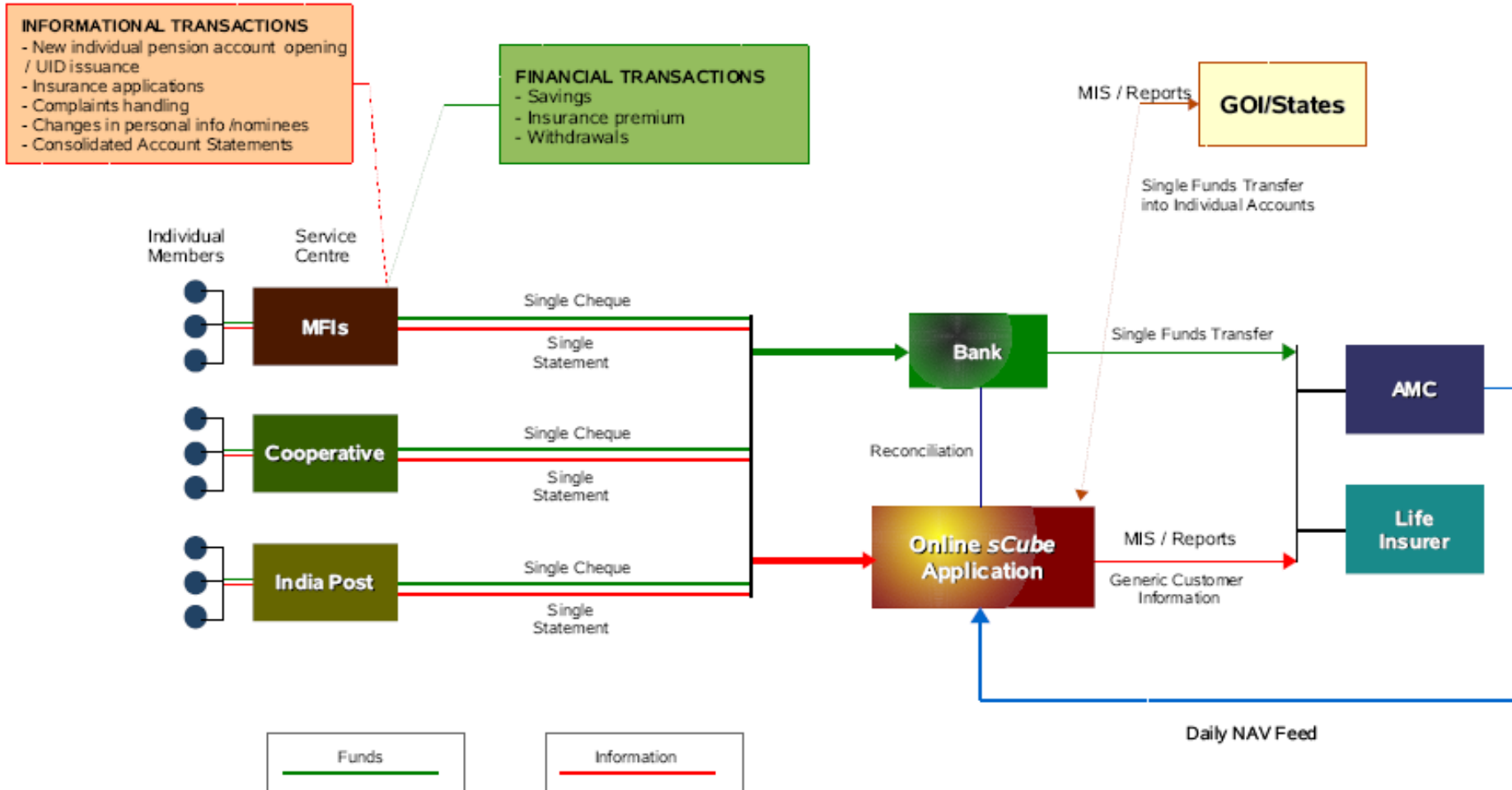
Difficulties with Initial Conditions

- Mostly individuals
- Low literacy and low financial literacy
- Labour mobility across jobs and locations
- Low intermittent incomes, modest savings ability and account balances
- Tax incentives will not work for the majority

Focus of IIMPS (2)

- Deliver retirement savings to the 61 million low income workers.
- Deliver co-contributions to the workers to top-up their limited ability to save for retirement.
- Deliver low cost term insurance
- Build low cost distribution channel to deliver NPS to India's poor

Micro Pension Process Design



IIMPS Learnings

Objectives	Compulsions	Outcome
Targeted Coverage	Low income workers	Delivery through MFIs. Co-operatives & Occupational groups
Scalability	143 mn earners, 3.3 mn sq km	Extensive use of IT, Financial Literacy
Low fees/charges	Small transaction sizes, modest account balances	Use of IT, innovative distribution
Simplicity	Low literacy, lower financial literacy	Financial literacy, Standard Product
Transparency	Targeted coverage, co-contributions	Individual accounts, web based record-keeping
Flexibility	Heterogeneity in target group profile, delivery capacity	Customised Scheme, Partner Capacity Building

Thank You