Micro Pension

All-India, 14 States, India
Gautam Bhardwaj
Organization type:
for profit
Project Stage:
Growth
Budget:
$1 million - $5 million
Website:
http://www.micropensions.com

- Consumer protection
- Corporate social responsibility
- Social enterprise

Project Summary

Elevator Pitch

Concise Summary: Help us pitch this solution! Provide an explanation within 3-4 short sentences.

IIMPS enables low income individuals to accumulate micro-savings for their old age in a secure, convenient, affordable and well regulated environment.

About Project

Problem: What problem is this project trying to address?

Over 300 million low income informal sector workers in India including women in poor households are excluded from formal pension programs and are highly vulnerable to the risk of old age poverty. Meaningful financial and social security inclusion is constrained by suboptimal access by the poor to regulated savings and insurance products, and equally limited access to banking and other secure micro-payment mechanisms. These challenges are compounded by fragile labour market attachments, low intermittent incomes and savings capacities, and low literacy and financial illiteracy of the excluded population. As India cannot afford the fiscal cost of a nationwide social pension, the excluded workforce increasing will need to self-provide for their own old age and insurance needs.

Solution: What is the proposed solution? Please be specific!

IIMPS has pioneered the concept of contributory pensions for low income workers in South Asia. IIMPS is the only social enterprise in the world focused exclusively on encouraging and enabling excluded individuals to accumulate micro-savings for their old age, insurance and known future expenditure in a convenient, affordable and secure environment using a scalable and sustainable "Micro Pension" model. Individuals save $4 to $6 a month in a customized, integrated financial solution consisting of regulated pension, insurance and micro-savings products. IIMPS reaches excluded individuals through credible outreach partners including MFIs, cooperatives, employers, rural banks, CBOs and SHG federations. Periodic micro-savings are transferred directly (and cashlessly) to product providers using bank accounts or prepaid cards. Pension or insurance payouts are transferred directly by product providers into the bank account or prepaid card of individual clients or their nominees.

Impact: How does it Work

Example: Walk us through a specific example(s) of how this solution makes a difference; include its primary activities.

The Centre for Tribal Research and Development provides livelihoods related services to roughly 15000 tribals in a remote, hilly region of Tamil Nadu in India. Although their incomes are enough for their current consumption, the workforce will likely face old age poverty when they are too old to work. A large latent demand for micro-pensions was observed among this group. But the nearest bank branch is nearly 50 kms away and individuals have zero access to regulated financial services. CTRD and IIMPS are now working together to educate and assist the community to save for their old age. CTRD field staff are trained and certified by IIMPS. They use standard, field-tested retirement literacy tools to educate beneficiaries regarding financial and retirement concepts, product features, processes and rights and also assist them with regulatory formalities in subscribing to an integrated financial solution from IIMPS product partners. CTRD receives an annual fee from IIMPS to offset its costs of education, enrolment and ongoing services. Periodic individual micro-savings are transferred directly from each client's "Micro-Pension VISA Prepaid Card" to regulated product providers by IIMPS. The IIMPS HelpLine undertakes concurrent audits on field compliance and also provides ongoing assistance and information to clients. The IIMPS IT platform issues a unique, portable individual account to each client and maintains a record of the static and transactional data of each individual over time.

Sustainability

Marketplace: Who else is addressing the problem outlined here? How does the proposed project differ from these...
IIMPS has pioneered the concept of "micro-pensions" in South Asia and works closely with a range of strategic partners in overcoming infrastructural and behavioral challenges of pension inclusion. IIMPS works also with government departments on design and implementation of CCTs-based pension programs for excluded households. Some MFIs have recently begun delivering pension products to their clients. This will be challenging to sustain as an MFI’s relationship with micro-credit clients is tiny compared to the savings tenure of a pension product. However, considering the size of the pension coverage gap in India (and other countries in South Asia), there is ample scope, and perhaps an urgent need, for a much larger base of entities to focus on this issue.

Team

Founding Story

At IIEF, I had been advising the Indian Government on developing an inclusive pension policy framework since 1998. By 2005, we had developed a scalable institutional architecture, and the underlying legislation for a new "national pension system" that would encourage and enable low income informal sector workers to save for their old age. The government adopted this architecture to implement civil service pension reforms in 2004. But the legislative approvals for extending the program to the low income excluded households remained pending. In 2006, IIEF partnered with UTI-AMC (a large mutual fund) and SEWA to field-test the principles and architecture of the NPS among low income women. In 3 months, 25,000 women began saving Rs.70 ($1.25) per month but we also saw several challenges. Replicating this to other locations required dedicated effort and for many challenges to be addressed. In 2006, we set up IIMPS to work full-time in achieving just that.

About You

Organization:
Invest India Micro Pension Services

First Name
Gautam

Last Name
Bhardwaj

Twitter URL

Facebook URL

About Your Organization

Organization Name
Invest India Micro Pension Services

Organization Country
, UP, Noida

Country where this project is creating social impact
, All-India, 14 States

How long has your organization been operating?
More than 5 years

Has the organization received awards or honors? Please tell us about them
NA

The information you provide here will be used to fill in any parts of your profile that have been left blank, such as interests, organization information, and website. No contact information will be made public. Please uncheck here if you do not want this to happen.

Innovation

How long have you been in operation?
Operating for more than 5 years

Which of the following best describes the barrier(s) your innovation addresses? Choose up to two
Access, Equity.

Social Impact

Please describe the goal of your initiative; outline what you are trying to achieve
IIMPS is focussed on on putting together both available and missing necessary ingredients to build a secure, scalable and sustainable marketplace using which millions of women in low income households and excluded individuals more generally in India and other countries in South Asia will be able to accumulate tiny amounts for their old age. Using the same plumbing, and a secure micro-pension payment mechanism, we aim to deliver a range of other risk management tools (including a variety of insurance products) to "micro-pension" clients. In all this, we believe that
our clients should receive the highest level of protection against insurable risks using optimum and customised financial solutions.

Which barrier(s) to financial inclusion does your solution seek to address? (select all applicable)

Physical and other accessibility obstacles that prevent communities from reaching financial services, The lack of affordable financial products tailored to the needs of underserved and excluded communities., Powerful incentives for financial service providers to move up-market, Other (Please describe below).

If you selected ‘other’ above, please specify which other barriers to financial inclusion you solution seeks to address:

A secure, convenient and affordable micro-payment solution for transferring micro-savings to product providers

For which underserved or excluded communities will your solution create access to valuable, affordable, secure and comprehensive financial services?

IIMPS targets rural and urban low income informal sector workers who are largely self-employed. They include farmers, head-loaders, domestic help, street vendors, milk and dairy producers, artisans, construction workers, daily wage earners, home based workers, contract and casual workers in factories.

Could your solution work in other geographies or regions? If so, where?

Income insecurity in old age is likely to be one of the key causes of increased poverty in several developing countries in South Asia and Africa. Most developing countries are remarkably similar to each other in terms of demography, economic strength, labor markets, history, culture, legal and political structures, and challenges of governance. Hence, lessons from both success and failure in pension policy design and implementation are highly portable from one country to another. The IIMPS micro-pension model is portable across developing countries in Asia and Africa.

If your solution is dramatically successful, how will things be different in 10 years?

Millions of women in low income households and financially excluded individuals more generally in India (and perhaps in some other developing countries) would be marching towards their old age with greater confidence and a higher probability of a dignified retirement armed with financial literacy, secure micro-payment tools and and voluntary micro-savings discipline. A mass-market for "micro-pensions" would perhaps also prompt a more conducive policy and regulatory response to exclusion in India. It would perhaps also prompt a larger base of financial institutions to adopt more innovative and cost-efficient sales, distribution and communication strategies in targeting and reaching the next 200 million customers for Indian finance. In parallel, this could encourage other countries to design and implement similar programs targeting their own excluded citizens.

What will have had to have changed to make this happen?

A mass-market status for the "micro-pension" model will become easier to achieve in a shorter timeframe if more State governments in India actively stepped forward with CCTs to encourage mass-scale voluntary enrollments and savings discipline. In parallel, an appropriate investment in "public goods" in the form of mass-scale generic promotions and public education by the government would shake loose the large latent demand. And business investments by payment solutions providers in upscaling the supply of convenient micro-payment (cash-in and cash-out) transaction points would create an appropriate enabling environment for long-term micro-savings. All this would in turn give regulators greater confidence in product design and delivery innovations.

What has been the impact of your solution to date?

To date, IIMPS has educated and enrolled roughly 400,000 low income workers through its micro-pension model. At one level, for the majority of individuals in this group, micro-pension has been their first interaction with formal finance and active retirement preparation. In parallel, the micro-pension model and IIMPS activities have demonstrated the feasibility of a contributions based pension program for the working poor to policymakers, regulators and finance firms. IIMPS has also demonstrated the impact of government co-contributions or CCTs linked to pension savings through its pioneering partnership with a State Government (in 2008) where a CCT-linked pension scheme was jointly designed and implemented by the State and IIMPS. Thereafter, the same CCT-based model has been adopted by the federal government for the for the national pension system where the working poor receive an annual CCT of Rs.1000 under NPS.

What is your projected impact over the next five years?

Over the next 5 years, IIMPS proposes achieve voluntary pension inclusion and savings discipline by 15 million low income workers across multiple States in India. In parallel, IIMPS should have expanded geographical coverage by launching the micro-pension model in some other developing countries in South Asia and Africa.

What barriers might hinder the success of your project? How do you plan to overcome them?

Retirement outcomes in a DC pension system depend largely on the behavior of plan participants. Thus, the single most important challenge in succeeding with micro-pensions is in achieving sustained long-term savings discipline by a population that faces tiny intermittent incomes and very short-term income and consumption horizons. IIMPS is adopting a range of parallel interventions to overcome this challenge including high quality pre-enrolment education, government co-contributions (or CCTs) linked to retirement savings, convenient access to secure micro-payment options, automated payments through standing instructions, a regularity rewards program, and periodic reminders by the HelpLine and IIMPS outreach partners.

Winning entries present a strong plan for how they will achieve and track growth. Identify your six-month milestone for growing your impact

Grow coverage to 1mn low income individuals through the micro-pension model and achieve >75% savings regularity

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Task 1

Work closely with existing business partners to optimise coverage and activate the currently dormant pension accounts

Task 2

Upscale the number of channel partners to reach a larger base of current excluded households
Task 3
Strengthen the business, operations and customer protection teams; Implement a rewards program for savings regularity

Now think bigger! Identify your 12-month impact milestone

Go live with the new, web-based, plug-and-play platform and initiate a pilot in at least one other developing country

---Identify three major tasks you will have to complete to reach your 12-month milestone---

**Task 1**
Complete integration of the mobile-based payments solution with the back-end sCube micro-pension IT platform

**Task 2**
Expand micro-pension operations outside India with VISA and a multilateral DFI

**Task 3**
Strengthen the R&D team at the Lab and set up an editorial board comprising global domain experts

**Sustainability**

Tell us about your partnerships

IIMPS partners include (a) highly respected and well regulated product providers (LIC, UTI, SBI, NPS), (b) Government departments that offer CCTs linked to pensions, (c) national and regional channel partners including banks, MFIs, employers, SHG federations, NGOs, farm and milk cooperatives, and worker associations, (d) payment solution providers such as SBI, Canara Bank, regional rural banks, VISA and BillDesk, (e) DFIs such as NABARD, KfW and UNDP, and (f) strategic partners including ACCION and MicroSave.

Are you currently targeting other specific populations, locations, or markets for your innovation? If so, where and why?

IIMPS has helped the Indian Government develop a new CCTs-linked, integrated pension, micro-savings and insurance scheme for 5 million overseas Indian migrant workers. IIMPS proposes to work with the government in turn-key implementation of this program in the Middle East. IIMPS is also expanding its present program to domestic help (maids and drivers) and to the trucking and transport community in partnership with a major oil marketing company. IIMPS market research suggests a significant latent demand for pensions and micro-savings among these large, visible, low income groups.

What type of operating environment and internal organizational factors make your innovation successful?

IIMPS has broadly 3 vertical teams for (a) new partnerships and implementation management, (b) operations and payments, and (c) training, financial literacy and client protection. A separate team works on research and development related to design and field-testing new financial delivery platforms, new micro-payment solutions, new financial literacy tools, new products and new strategies (including reward programs and incentives) for savings regularity. This R&D team is housed within a non-profit Micro-Pensions Payments and Inclusion Lab. On a front-end operations level, IIMPS has built a simple, secure, compliant and scalable plug-and-play architecture using which outreach partners can offer a range of regulated micro-saving products to excluded households.

Please elaborate on any needs or offers you have mentioned above and/or suggest categories of support that aren’t specified within the list

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