

# Can Money Buy You Happiness?

How Low Income Individuals View Old Age Savings



By -

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## Table of Contents

List of Tables and Figures .....	3
Acknowledgement.....	4
Abbreviations .....	5
1 Executive Summary.....	6
2 Introduction .....	7
2.1 Old age in India - depending on children .....	7
2.2 Changing social dynamics and longevity .....	7
2.3 Pensions and the structure of the workforce .....	8
2.3.1 Pension reforms - NPS is created.....	9
2.4 Old age provisioning for low income groups .....	9
2.5 Research question – Is there demand for old age savings at the individual level? .....	9
3 Background to the Research.....	10
3.1 Research objective.....	10
3.2 Methodology.....	10
3.3 Target sample.....	10
3.4 Demographics .....	11
3.5 Limitations .....	11
4 Findings.....	11
4.1 Old age is not seen as an ‘event’ and so is not a priority .....	11
4.2 Overview of old age perceptions: people do not trust the traditional joint family structure for income any more.....	12
4.2.1 Many groups hope to live in a joint family structure in old age.....	12
4.2.2 However, few respondents trusted their children to give them a good retirement 13	
4.2.3 Respectful retirement with children depends on income .....	13
4.3 Doubt over ability to secure the income and assets needed in future .....	14
4.3.1 Savings tools viewed as the major income source .....	15
4.3.2 Win-win assets: long term savings with immediate benefits? .....	16
4.3.3 Earned income and other income streams could help .....	17
4.4 What people want in old age savings products: people’s preferences depend on how important they think savings are .....	17

4.4.1	Trust.....	17
4.4.2	Returns .....	18
4.4.3	Liquidity .....	19
4.4.4	Product design and complexity.....	19
4.4.5	Regular income flow when old .....	20
4.4.6	Medical support in old age.....	20
5	Conclusion .....	20
6	Annexures.....	24
6.1	Annexure 1: NPS Architecture .....	24
6.2	Annexure 2: Existing accessible financial tools for long term old age saving .....	25
6.3	Annexure 3: Image Mapping Guide.....	26
6.4	Annexure 4: Focus Group Discussion (FGD) Guide .....	28
6.5	Annexure 5: Relative Preference Ranking (RPR) .....	31
6.6	Annexure 6: Product Attribute Ranking.....	32
6.7	Annexure 7: Respondent Demographics .....	33
6.7.1	Age .....	33
6.7.2	Household Members.....	33
6.7.3	Earning.....	33
6.7.4	Education.....	33

## **List of Tables and Figures**

### **Figures**

Figure 2.1	Households with Members Aged 60+ (2001)
Figure 2.2	By 2045 There Will Be Only About 3 Working Age Indians for Each Old Person
Figure 3.3	States in Which Research Was Conducted
Figure 4.1	Other Needs Trump Old Age
Figure 4.2	How Will Old Age Be?
Figure 4.2.1a	Many Think They Will Not Earn in Old Age
Figure 4.2.1b	Many People See Themselves Living with Their Family
Figure 4.2.3	Who Will Be Responsible for You in Old Age?
Figure 4.3	Activity in Old Age
Figure 4.3.1	Resources Used in Old Age
Figure 4.3.2	Saving Sources for Old Age
Figure 4.3.3	Children's Aid is Still the Main Fall-back Option if There Is No Income or Wealth
Figure 6.7.1	Most Respondents Aged 36-46
Figure 6.7.2a	Number of Children
Figure 6.7.2b	People Aged 60+ in Household
Figure 6.7.4a	Madhya Pradesh - Education
Figure 6.7.4b	Tamil Nadu/Pondicherry

### **Text Boxes**

Text Box 4.2.3a	Children May Not Provide in Old Age...
Text Box 4.2.3b	What Will Happen If You Don't Have a Comfortable Old Age with Children?
Text Box 4.3.3	Income Generating Activities
Text Box 4.4.1	Interest and Use – Demand for Pension Products in Madhya Pradesh

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## **Abbreviations**

BWDA	Bullock Cart Workers' Development Association
CRA	Central Recordkeeping Agency
FD	Fixed Deposit
FGD	Focus Group Discussion
IIMPS	Invest India Micro Pension Services
IIMS	Invest India Market Solutions Private Limited
INR	Indian Rupees
KYC	Know Your Customer
LIC	Life Insurance Company India
MCM	Mahila Chetna Manch
MFI	Microfinance Institution
MP	Madhya Pradesh
NGO	Non Governmental Organisation
NPS	National Pension System
NSDL	National Securities Depository Limited
OASIS	Old Age Social and Income Security Project
PAN	Personal Account Number
PAR	Product Attribute Ranking
PFRDA	Pension Fund Regulatory and Development Authority
PRAN	Personal Retirement Account Number
RD	Recurring Deposit
RPR	Relative Preference Ranking
SWP	Systematic Withdrawal Plan
TN	Tamil Nadu
UNFPA	United Nations Population Fund
UP	Uttar Pradesh
UTI	Unit Trust India
WWB	Women's World Banking

## **1 Executive Summary**

*MicroSave* undertook qualitative market research on old age savings and perceptions of old age in March 2013 in four states/union territories covering northern and southern India. During the research, three teams held 21 group discussions with 156 lower income respondents to understand their perceptions about old age, current savings for old age (via insurance, dedicated pension schemes, assets, etc.), and opinions about old age saving. This report documents the findings of the research.

Respondents' perceptions of old age need to be kept in context. As earlier studies have noted, old age is not a primary concern for low income respondents.<sup>1</sup> When people did imagine old age, their image generally conformed to the traditional joint family structure. They expected to live with their children. However, almost none of the respondents felt that they could depend on their children for care. Income and wealth were a vital way to achieve the desired outcome of a restful retirement within the joint family structure – independent income was not seen as an alternative to the joint family structure but as a part of it. Respondents admitted that this type of peaceful old age might be unrealistic: their low savings rates could force them to depend on neglectful children or live in isolation in old age.

Given the cultural shift away from joint families in India, individuals are generally receptive to the idea of saving in old age schemes. One major constraint that remains is too little income versus too many needs.

Many respondents were saving through a variety of instruments. Savings were not primarily for old age – instead, old age was the residual use. Only after expenses for what respondents perceived to be true life events (e.g. children's marriage, education) would they be used for old age. Some respondents worried about old age while others showed little concern for it. When clients had longer term investments (which were sometimes for old age), these savings provided interim benefits and often conferred more secure ownership of the savings assets on the respondent in comparison with cash.

Respondents believed that to invest in old age savings, the savings model should be trustworthy, government approved, and should guarantee returns. The product should be simple and easy to understand. During old age, respondents generally (but not always) wanted to get a regular income flow and receive assistance in meeting medical needs. Respondents differed in their opinion about ability to withdraw the savings. Some wanted the savings to be locked away until they become old, while others wanted to be able to withdraw the savings as and when they required them to meet other needs.

Overall, respondents did not take their children's support for granted, and they knew the importance of wealth and income in enabling a comfortable old age. However, clients did not consider old age as a life 'event' like marriage or education, and they hesitate to save for it unless products are valuable and fit into their lives. As a result, people are unlikely to make the same level of sacrifice for a specific old age product as they would for more general long term savings products. At the same time, any designated old age savings model can take lessons from other long term savings products. By adding in trust-building features and allowing limited degree of flexibility in product cash flows, old age saving can appeal more to low income audiences.

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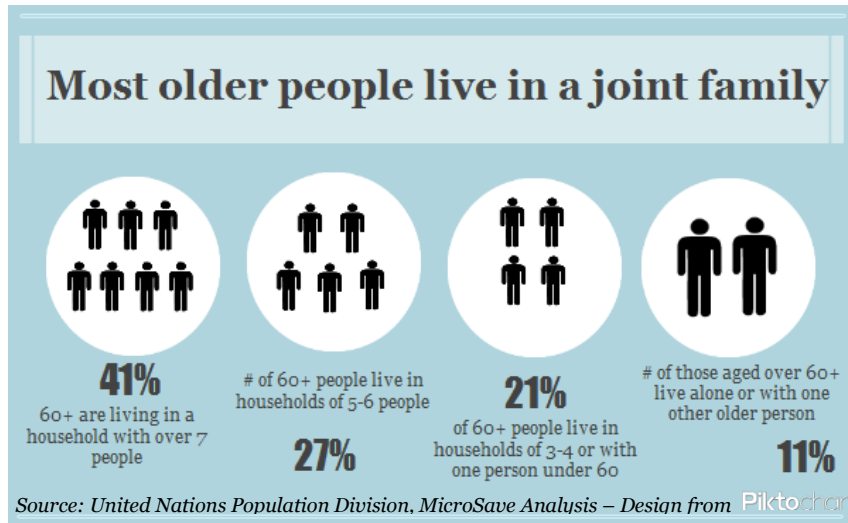
<sup>1</sup> **IIMS Dataworks**, *The Sleeping Giant: Private Pension Markets in India*, IIMS Dataworks, New Delhi, 2008; **WWB**, "Asset Building for Old Age Security," *What Works*, Vol. 1(4), Women's World Banking, 2003.

## 2 Introduction

### 2.1 Old age in India - depending on children

In many societies, children have historically taken responsibility for caring for elderly parents. Often three generations lived under one roof in the so-called joint family structure. While this structure has decayed in many countries, the lifestyle still prevails for the current generation of older people in India. The 2001 Census data showed that over 2/3<sup>rd</sup>s of those aged 60 years and above lived in households of 5 or more people. In previous studies on old age in India,<sup>2</sup> many respondents confirmed an expectation that their children would provide support later in life.

**Figure 2.1: Households with members aged 60+ (2001)**



### 2.2 Changing social dynamics and longevity

Recently, the sustainability of the joint family as the primary source of financial support for older people has been called into question. India is undergoing a demographic transition. India is still a young country and has a growing working age population. However, increased longevity and decreased birth rates will alter this picture. Since 1990, life expectancy in India increased by over 5 years (from 58.98 years in 1990-95 to

64.19 years in 2005-2010, according to the UN Population Division). At the same time, certain states within India are already below a total fertility rate of 2 children per woman.<sup>3</sup> These changes are expected to lead to a much older population in the next 30 years. When today's thirty-year-olds reach their old age, there may be relatively fewer working age individuals to provide financial support. Solitary living among the elderly is already significant: a recent UNFPA report based on 2011 survey data found that already, almost 1 in 10 older women was living alone.<sup>4</sup>

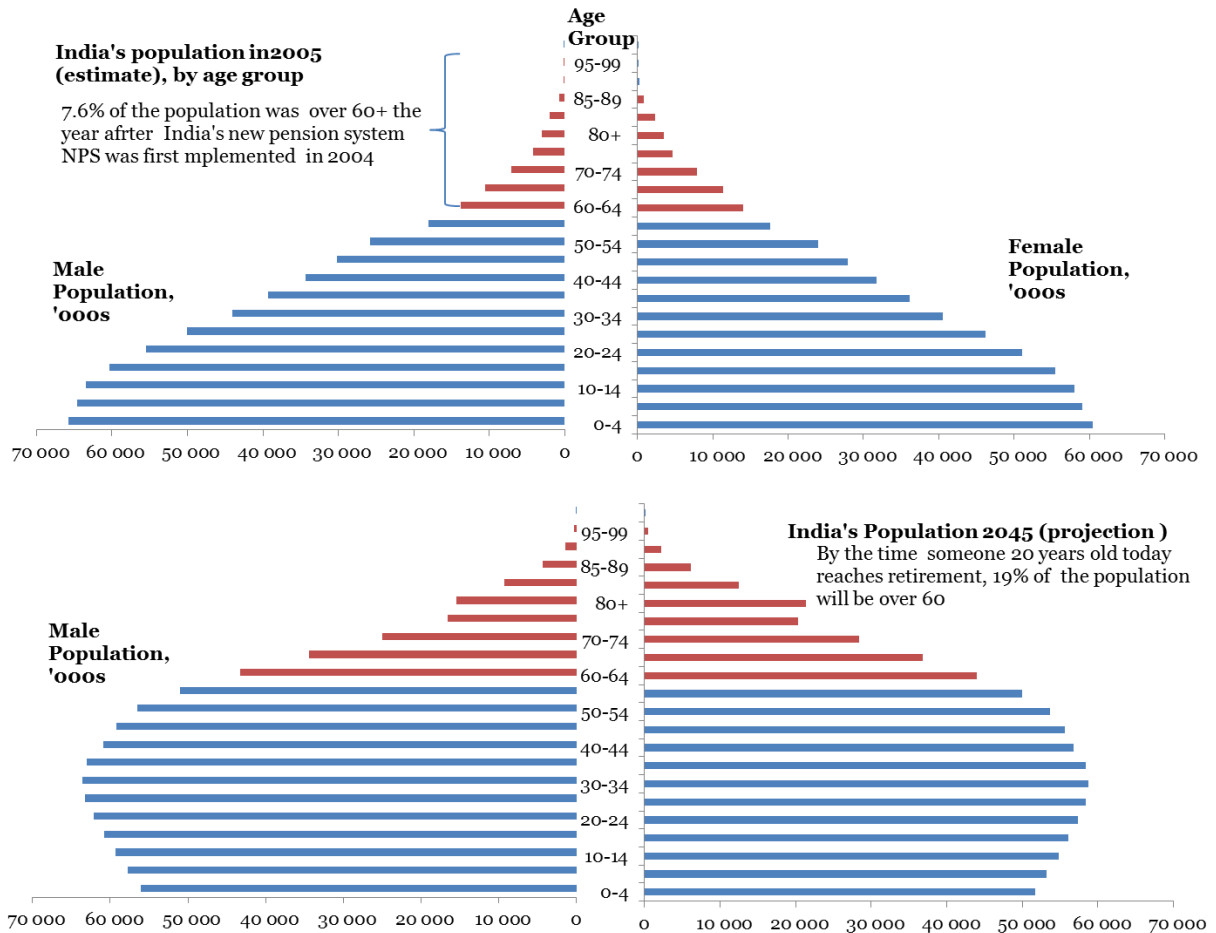
<sup>2</sup> IIMS Databooks (2008); WWB (2003).

<sup>3</sup> James, KS. "India's Demographic Change: Opportunities and Challenges," *Science* 333, 2011, pp. 576-580.

<sup>4</sup> UN Population Fund, *Report on the Status of Elderly in Select States of India, 2011*. United Nations Population Fund, New Delhi, 2012, pp. xxi; 72. These women tended to have both less education and lower income.



**Figure 2.2: By 2045 there will be only about 3 working age Indians for each old person**



### 2.3 Pensions and the structure of the workforce

Understanding the impending challenges of an older population, India began reforming its pension system after liberalisation in 1991. In 2000, the roadmap OASIS (Old Age Social and Income Security Project) Report outlined dramatic changes to the existing pension system. Prior to the report, pension schemes in India were limited mainly to formal sector and government employees, who benefited from defined benefit pension schemes and provident fund accounts. OASIS outlined a pensions system that would be based on a defined contribution model (which transfers the risk of asset growth from the employer to the individual subscribers). Moreover, the plan prioritised extending participation to India's large informal sector workforce (also referred to as the 'unorganised sector'), which includes India's working poor.

**Defined Benefit** – Pension plan where the subscriber is guaranteed a certain amount to be paid to them at retirement.

**Defined Contribution** – Pension plan where the person subscribed to the pension bears the financial risk (no guaranteed pay out).

**Provident Fund** – Contributory old age savings vehicle that offers a fixed rate of return on contributions. Funds can often be withdrawn early.

### **2.3.1 Pension reforms - NPS is created**

Following the OASIS Report, the India's government launched the New Pension System (NPS). From 2004, the prior defined benefit pension scheme for central government civil servants was closed to new members and replaced by NPS. The government created the regulator Pension Fund Regulatory and Development Authority (PFRDA), which established the NPS national architecture by appointing a central recordkeeping agency (CRA), appointing fund managers and pension providers, and defining scheme features (See [Annexure 1](#)). Many state governments now also use NPS for their employees, and with effect from 2009, the system was opened to private sector subscribers on an amended basis.

### **2.4 Old age provisioning for low income groups**

To encourage savings for old age among low income individuals, the government launched NPS-Lite. NPS-Lite shares much of the infrastructure of NPS and has many similar features. To incentivise individuals who earn too little to benefit from tax breaks, the Indian government created the *Swavalamban* incentive structure. Under this scheme, people who contribute between INR1,000 and INR12,000 to their NPS-Lite fund in a tax year will also receive a government co-contribution of INR1,000.<sup>5</sup>

While NPS-Lite is a new, designated pension for the low income workforce, other more established financial savings tools can serve as old age savings for low income individuals. For instance, the asset management company UTI has a "micro" offering as part of its Retirement Benefit Pension (See [Annexure 2](#)). In addition, life insurance in India is often used as a long term savings tool, with clients systematically contributing premiums for 15 or 20 years in return for a lump sum at the end of the term. Fixed Deposits (FDs) and recurring deposits (RD) are other ways for individuals to contribute and lock in savings. Low income households also save money in the post office (the post office also offers FD and RD facilities which are more convenient and are directed at the low income segment). Tools to save over the long-term can potentially be combined with systematic withdrawal plans (SWP) or immediate annuity plans, which give a steady cash flow to the beneficiary at a later date. (See [Annexure 2](#) for more detail on financial old age savings tools).

### **2.5 Research question – Is there demand for old age savings at the individual level?**

As India's old age population grows and the joint family structure loses dominance, at the macro level there appears to be a gap in old age savings that NPS and other savings mechanisms can help fill.

However, it is unclear whether individual decision makers – including low income earners – prioritise old age security enough to make the commitment to continually save. Several existing studies<sup>6</sup> note that many respondents do not think much about saving for old age and expect support from children. The implication is that at the micro level, there is no pension gap because there is no active demand to be filled.

Between the macro view (clear pension gap) and micro view (no interest in old age saving), there is middle ground where people understand the emerging need to plan for old age as society changes. This study investigates whether the awareness of old age needs exists and how it can be used as a starting point to develop easier ways for people to save for old age.

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<sup>5</sup> For the first five years as per the current structure.

<sup>6</sup> **IIMS Dataworks**, *The Sleeping Giant: Private Pension Markets in India*, IIMS Dataworks, New Delhi, 2008; **WWB**, "Asset Building for Old Age Security," *What Works*, Vol. 1(4), Women's World Banking, 2003.

### 3 Background to the Research

#### 3.1 Research objective

The objective of this study is to investigate whether low income individuals see a need to provision for old age and how to improve the applicability of pension marketing and potentially product features. Specifically, the study seeks to:

- Understand how individuals perceive old age
- Understand what provisions people have for old age
- Investigate perceptions of ‘pensions’ and features associated with pensions

The answers to these questions aim to provide a base to help practitioners experiment with new ways of getting individuals to consistently contribute to old age savings. The study focuses on old age savings as opposed to pensions in order to capture a wider range of tools that people use to create wealth in old age. Storing money in physical assets and using non-pension savings may be more common ways that people provision for old age. This is especially true in India where pensions were mainly associated with higher paid formal sector employment.

#### 3.2 Methodology

MicroSave designed a qualitative research approach using 4 tools: Image Mapping, Focus Group Discussions (FGDs), Relative Preference Ranking (RPR), and Product Attribute Ranking (PAR).

**Image Mapping** - Pictures were given to help understand people's expectations of old age living. Respondents were asked to describe how they imagined their old age, and whether they could describe the lifestyles of any older people who they looked up to. See [Annexure 3](#).

**Focus Group Discussions** - General questions were asked to understand more about existing use of insurance and other assets for old age savings. Followed on from the Image Mapping in some cases. See [Annexure 4](#).

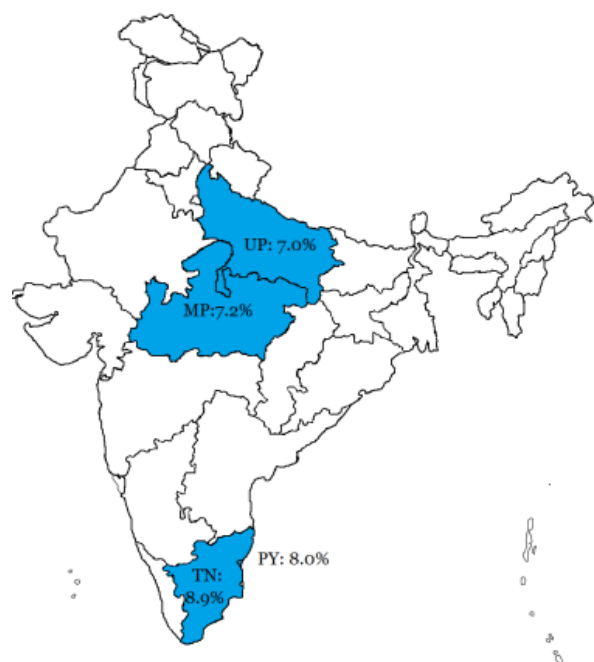
**Relative Preference Ranking (RPR)** – Clients were asked to list what attributes they like about old age savings tools (currently used) and then rank the products based on each attribute. See [Annexure 5](#).

**Product Attribute Ranking (PAR)** – Clients were asked to list attributes of old age savings tools and rank how important these attributes were to them. See [Annexure 6](#).

#### 3.3 Target sample

The research was conducted in March 2013 by three teams in Pondicherry, Tamil Nadu, Madhya Pradesh and Uttar Pradesh. The tools were conducted in group sessions that consisted of individuals who were (a) under the age of 55 years and (b) engaged in livelihoods or otherwise had household income sufficient so as not to be categorised as very poor. These individuals are potential subscribers for old age savings schemes because they are in the prime earning phase of life and have income that can

**Figure 3.3: States in which research was conducted (and the % of 60+ individuals in the population as per the 2001 Census)**



potentially be used for regular old age savings payments.

### 3.4 Demographics

Twenty-one group sessions were carried out with a total of 156 respondents. The sessions were carried out as follows:

- Tamil Nadu/Pondicherry - 9 sessions
- Madhya Pradesh – 9 sessions
- Uttar Pradesh - 6 sessions

Within the sample, the most common age bracket for respondents was age 36-45, and the most common family situation was cohabitation with a spouse, 3-4 children and no people over 60. The sample varied between states: respondents in TN tended to be older, and respondents in UP typically had more children. The level of education of respondents varied from illiterate to graduate level. Income levels also varied, but the most respondents reported monthly household income of INR5,000 to 10,000. (See [Annexure 7](#)).

### 3.5 Limitations

As a qualitative study, the results do not provide any basis for statistical inference and cannot be extrapolated across the population. However, qualitative research is essential to effectively understand the dynamics of complex human financial behaviour: needs, perceptions, aspirations etc. The results then serve as the basis for focusing quantitative studies to test whether these attitudes reflect more widely held beliefs.

The study discussed financial services for old age—which not many people think about. For the RPR and PAR tools, a moderate familiarity with different financial instruments (insurance, deposits) was required for fruitful discussion.<sup>7</sup> Due to the low familiarity of respondents in certain groups about details of the product offered, the tools could only be used effectively in three of the seven groups with which the activity was attempted.

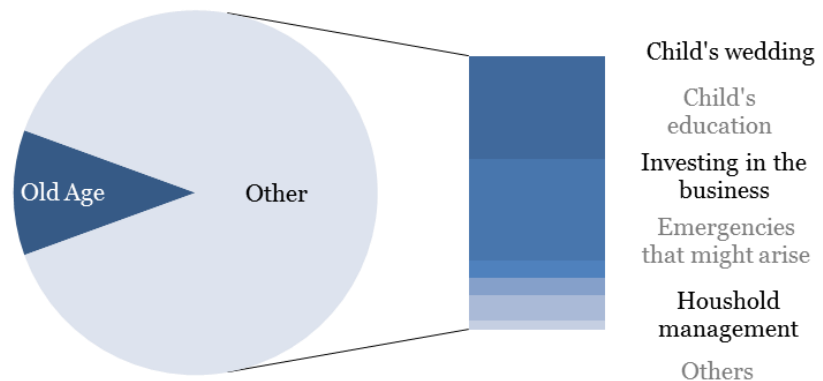
## 4 Findings

### 4.1 Old age is not seen as an ‘event’ and so is not a priority

Like any other household, the typical demands on the income of poor households are a combination of immediate needs and long term needs. Food, children’s education and emergencies such as medical conditions are common immediate needs. The long term needs are the key lifecycle events such as acquisition

**Figure 4.1: Other needs trump old age...**

*What is the purpose of savings you said would be used for old age?*



<sup>7</sup> Familiarity with financial instruments varied by location. In one group in Tamil Nadu, respondents had strong familiarity with different tools, and their discussion was lively. In other groups in Tamil Nadu and Madhya Pradesh, the use of saving tools was more limited. Respondents often had SHG savings, but there was not enough experience with other tools (in particular old age savings) for respondents to discuss in depth.

of assets and marriage. The low and uncertain cash flows of low income households makes immediacy the default criterion to decide which needs are addressed and which are postponed. The families generally end up grappling with the most immediate needs and the longer term needs are postponed.

Of all the longer term needs, expenses related to old age are given the lowest priority. There are two main reasons for that. The first is the lack of immediacy itself, old age related needs being the most distant and least prominent. Even when families manage to build some resources for their longer term needs, the higher priority needs such as acquisition of assets and marriage overtake the needs related to old age.

In addition to lack of immediacy, the family culture of India is also a reason for lack of planning for old age. One group in Lucknow, Uttar Pradesh noted their own responsibilities to their children and older in-laws, and in Madhya Pradesh some groups said it was a child's duty to care for their aging parents.

#### 4.2 Overview of old age perceptions: people do not trust the traditional joint family structure for income any more

With the changing times, there is an increasing shift in thinking away from reliance on children. The research asked respondents to discuss perceptions of their own old age as well as any role models for old age in order to understand:

- how people imagine their own future to be, and
- how they would like their future to be.

Based on the responses to the questions and observations by the research teams during the discussions, a clear preferred old age outcome appeared. Across the sample, living with one's family and receiving good treatment was something people hoped for. However, few had confidence that their children would provide this. As a result, all the groups mentioned alternate living strategies in case children did not provide good support. Alternate living strategies included dependency on children (regardless of how the children treated them), working in old age, and living alone. The strategies varied slightly across the sample, and are discussed below.

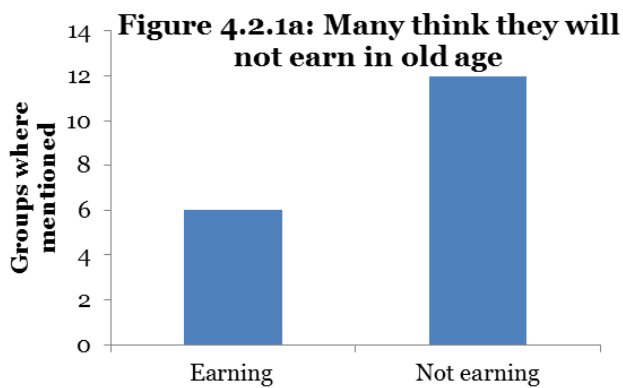
**Figure 4.2: How will old age be?  
Independence in family preferred**

	With Family	Without Family
Financially independent	Resting, caring for grandchildren (optimal) or some income generating if necessary	Working and alone (Tamil Nadu)
Financially Dependant	Possible mistreatment (rural Madhya Pradesh, implied in other locations)	Respondents don't know what they will do

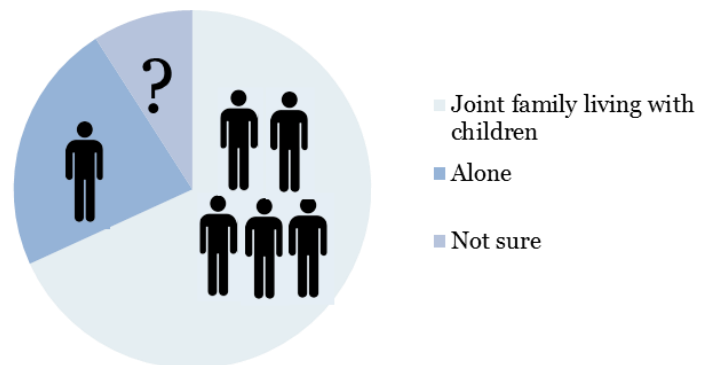
*Living with family and having some financial independence was the optimal old age, especially if income allowed the person to rest (not work). The alternatives (living alone with income or dependent on family) were in people's minds, but seemed not to be preferred. People were aware that the optimal old age was far from certain, and the second-best outcomes in old age differed based on empowerment/region*

##### 4.2.1 Many groups hope to live in a joint family structure in old age

In many of the groups, respondents tended to apply the image of joint family structure to their own old age. The activities that people expected to engage in during old age mainly conformed to this image—caring for grandchildren and household activities were frequently mentioned in sessions. Similarly, most groups mentioned that they expected to be retired or not to work in old age.



**Figure 4.2.1b: Most people see themselves living with their family**



#### 4.2.2 However, few respondents trusted their children to give them a good retirement

While respondents hoped to live with their children, they expressed doubts about relying on children. Only the level of doubt varied – some groups thought that their children would likely take care of them, while other groups thought it was very unlikely. Financial ability of children to provide care was not the only reason why respondents thought their children were unreliable. Instead, respondents imagined that their children would not be willing to take care of them, would not prioritise them and would settle in other cities.

The prevalent scepticism about children across groups showed that few people find the joint family structure to be a secure retirement option. Peaceful retirement with children was perceived as the *preferred* living arrangement for old age, but few thought their children could be trusted to provide it.

#### Text Box 4.2.3a: Children may not provide in old age...

**Societal changes.** One group mentioned that while they themselves felt a sense of responsibility to their elders, the new generation could not be trusted. Another group noted that if their children were successful, they might move away because of their jobs. This would make it hard to depend on children.

**Luck.** While respondents hoped their children would turn out well and take care of them, they admitted that this might not happen. For example, after marriage, their children could change their priorities, leading to neglect. Respondents said it was their responsibility to invest in their children, and hoped they would share their children’s success. However, there was no guarantee.

One respondent thought that, because she had many children, at least one would support her. However, other individuals with large families did not express the same confidence.

#### 4.2.3 Respectful retirement with children depends on income

Given the scepticism respondents felt about their children, a good personal financial situation was seen as the way for old people to secure a good retirement with their children. Respondents in Tamil Nadu expressed that the ideal old age was to have enough money or assets which will ensure that they will be respected by the family, looked after by their children, and able to watch serials during the day. Similarly, respondents in Madhya Pradesh mentioned that the happiest elderly people have pensions, which make

them more independent and lead their children to take care of them. Across geographies, respondents saw the social value of money in old age: children would care for elders that had money because they would not ask their children to pay medical expenses. Old people with money also had small dignities like choosing what they would eat. Having a separate income stream or secure assets was viewed more as a complement to joint family living rather and less as a substitute for it.

The most affluent respondents in Tamil Nadu responded with more certainty about old age. Respondents who lived in urban areas and whose spouses would receive pensions in old age had more confidence in their children. Though they had a clear understanding that their children may settle down in other parts of the country they were sure that they would get the required support. It was also observed that respondents with sufficient income and comparatively secure plans for the future were more concerned about emotional support from children as they were worried about loneliness in old age.

**Text Box 4.2.3b: What will happen if you don't have a comfortable old age with children?**

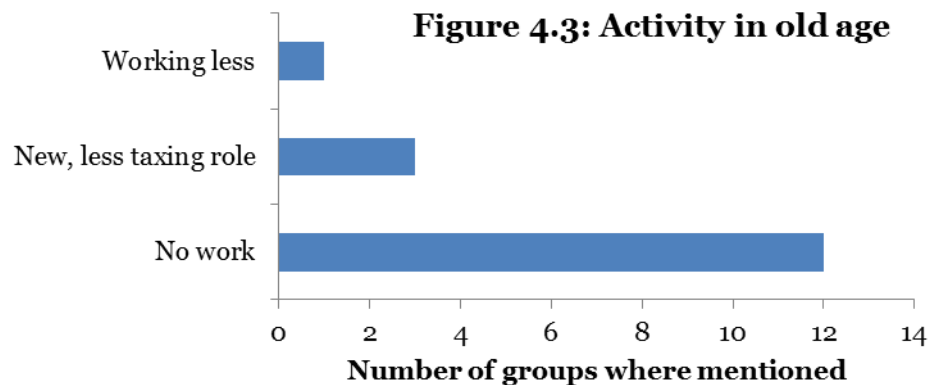
Some respondents were certain that they would depend on their children in old age. However, this was said out of vulnerability rather than out of optimism. Some respondents in Madhya Pradesh spent all their current income on daily needs and on their children. In old age, they would have no savings and would need to rely on their children even if they were mistreated by them.

While people typically preferred to live with their children, they saw that in reality they may be left alone either at home, or (in Tamil Nadu) in an old age home where their children left them. More groups could imagine living without their family in Tamil Nadu, which may reflect current old age demographics in the state.

### 4.3 Doubt over ability to secure the income and assets needed in future

Having money from external sources was viewed as essential to quality of life in old age. However, many respondents did not think they would have enough money in old age, mainly because old age saving was not a priority. In fitting with the ideal of

resting in old age, few respondents mentioned earned income as a resource used in old age (even though many similar respondents had mentioned part time work earlier during the discussion).

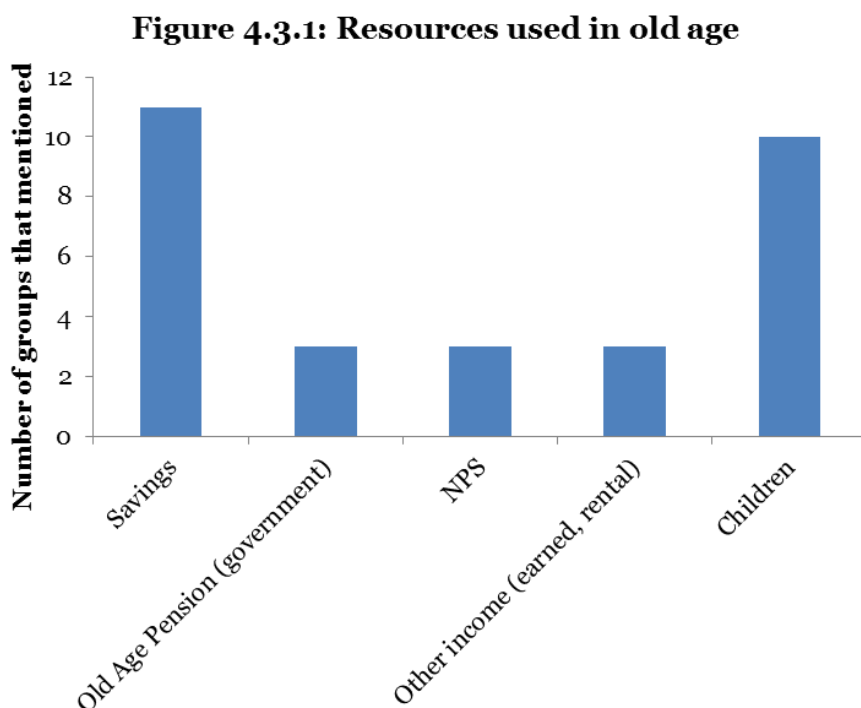


<sup>8</sup> In the UN Population Fund's 2011 survey (UN Population Fund (2012), p. 73), Tamil Nadu was an outlier among the 7 states surveyed. Over 16% of the elderly who responded in the survey. The state with the next highest percentage of single living arrangements was West Bengal at 6.3%.

### 4.3.1 Savings tools viewed as the major income source

Savings (in particular liquid savings in the bank, SHG, or at home) came out as a key resource for old age. Other old age income sources such as earned income and rental income were mentioned, but less frequently.

The different geographies sampled had varying exposure to products. In Tamil Nadu, NPS-Lite and government old age pension were mentioned as sources of support. Some respondents were participating in NPS-Lite, and they knew of cases where old people received government pension. Insurance was also widely used by respondents. In northern India, meanwhile, savings were mentioned as the main non-child source of income in old age.



Especially for those groups that mentioned relying on more liquid savings, there were serious doubts about whether savings would be sufficient in old age because they would be depleted before. Groups usually noted that savings would be directed towards old age after all other expenses were met. These other expenses included major life events (e.g. children’s marriage) as well as ever growing needs (purchase of assets such as motorcycles).<sup>9</sup> However, in some cases, respondents were serious about using savings tools to accumulate separate

funds specifically for old age. They stated that they should not wait to save until after other life events were paid for, but should save a little bit specifically for themselves concurrently to saving for other goals.

Because of the low prioritisation given to savings for old age, reliance on savings in later life could be seen as more aspirational than realistic. Most groups that mentioned savings as a means of support in old age also noted that

Respondents had saved with insurers (Bajaj Allianz, LIC, Sahara), bank savings, fixed deposits, recurring deposits, the post office, grass roots organisations (e.g. SHGs), NPS-Lite, rotating savings associations and real assets. Savings usually had purposes other than old age (old age being the residual use).

they would rely on children if savings were not enough. Financial reliance on children was the more likely outcome given low savings. It is also likely that respondents mentioned savings because they had earlier expressed a lack of confidence in children’s financial support. To make their story consistent, they needed

<sup>9</sup> For more on money management: *MicroSave* and Ignacio Mas, “Musings on Money: the what and why of the billions.” May 2013.



to cite some alternative source of funds for old age. As a result, they mentioned savings as a default source of money without it being part of any plan.

Even respondents who were confident that they would have enough saving for their old age felt that they may have to use the money they saved to support their children and grandchildren when they are old.

#### 4.3.2 Win-win assets: long term savings with immediate benefits?

People preferred old age savings that could be used to meet more immediate or interim needs in addition to providing for old age. In some cases, this dual purpose can be an obstacle to creating a meaningful old age fund. One example is the strategy of using 'left over' deposit account savings after earlier lifecycle events are paid for. However, with some savings tools, old age savings and other goals can be accomplished simultaneously. To the extent that synergies between immediate and long term goals, these were valued.

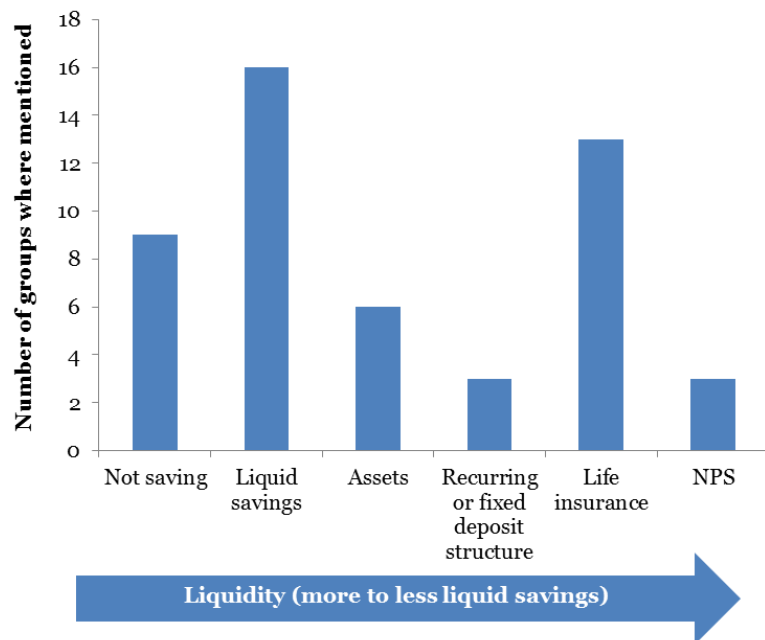
Respondents that saved in real assets highlighted the dual purpose of these assets. Some respondents noted that they could either sell or rent out the home they currently lived in later in life. Similarly, jewellery and gold could be worn throughout one's life. In old age, it could have two uses, one woman noted. It could either be gifted to children who looked after you well or alternatively sold for cash.

Some respondents were saving for various long term goals with longer term life insurance policies and in SHGs that provided liquidity in the immediate term. In the case of SHGs,

In Lucknow, Uttar Pradesh two groups were asked what they would do with INR5,000 if they got this at age 60 years. In one group, the women said they would invest it in a shop. In another group, responses included taking the interest and keeping the principal in a bank, using it for children's marriage, or maybe donating it since there was no clear future plan.

clients build trust in the money manager.

Figure 4.3.2: Saving sources for old age



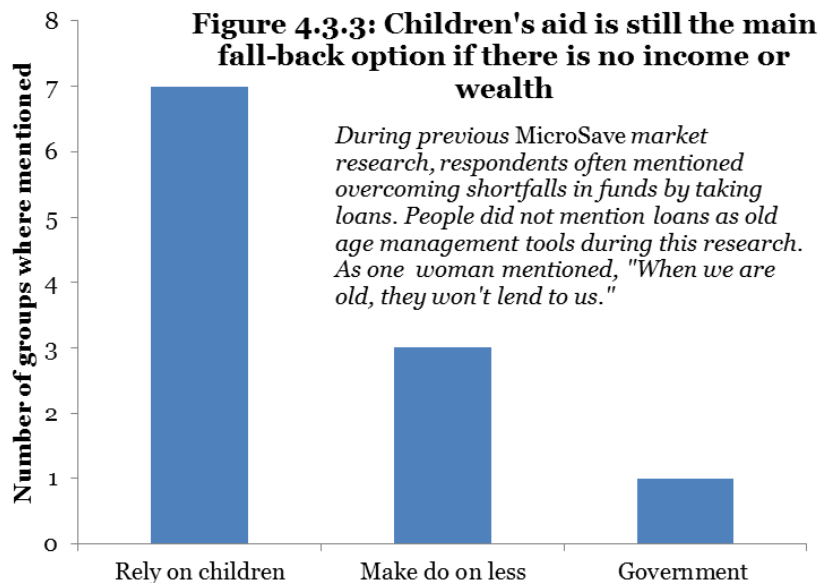
loans were available in tough times. In the case of insurance, respondents mentioned that 'money back' features, which gave clients part of their return at periodic intervals before the maturity date, were helpful for meeting common expenses. These features typically lead to a reduced maturity amount, but they help

### 4.3.3 Earned income and other income streams could help

Few respondents cited income from business or rent among resources they would use in old age.<sup>10</sup> However, many respondents thought that they might be engaged in non-strenuous income generating activity during old age, perhaps on a part time basis. In one case, income from renting out parts of one’s house was mentioned too.

#### Text Box 4.3.3 Income Generating Activities

- Selling flowers (Tamil Nadu)
- Herding goats/sheep (Tamil Nadu)
- Engaged in a business such as a store (UP)
- Rental income from property (UP)



There could be multiple reasons that so few people explicitly cited earnings from work as a resource. Working may not be the preferred way to spend old age. As noted above, respondents in Tamil Nadu expressed that the ideal old age was to have enough money and be looked after by your children. Health and stamina constraints would increase the strain of working later in life, and so work was associated with a less than ideal (and possibly lonely) old age.

## 4.4 What people want in old age savings products: people’s preferences depend on how important they think savings are

Groups in the sample mostly had some experience with deposit products such as insurance, bank deposits etc. The features they have witnessed with other savings products help shape expectations for old age saving products. Though the risk of losing one’s savings or investment is what everyone hopes to avoid, “security” is not the only attribute that matters to respondents. There are other attributes that the respondents consider before making an investment decision for old age savings. This section explores the attributes low income households look for in old age savings products and how various savings choices differ based on these attributes. The attributes are discussed in order of importance.

### 4.4.1 Trust

Similar to most findings about long term savings, trust is the key. Respondents were not interested in investing their hard earned money in any avenue that they did not trust. Respondents’ perceptions regarding trust were based largely on community opinion and anecdotal evidence, and their consensus was that the government-backed or approved financial institutions are safe and secure. Trust is synonymous with government recognition. Trust and government recognition translate into safety and security of the investment. Similar to findings in other studies, savings avenues associated with the

<sup>10</sup> There may be a difference between what people *think* when they are younger, and what they *do* when older. The respondents who mentioned rent or business tended to be closer to old age. (Outside India, rent as old age support is common. See: [Mouilick, Madhurantika, et. al., Cash, Children or Kind: Developing Security for Low-Income People in Old Age in Africa, MicroSave, June 2005.](#)) Similarly, respondents did not mention using loans in old age, although research on the old age poor shows loans as a source of funds (Cordaid and HelpAge, “A Study of Older People’s Livelihoods in India,” 2011).

government such as banks, post office, and LIC policies enjoyed high levels of trust in most low-income communities.<sup>11</sup>

Respondents felt that of the savings avenues available for old age, bank savings, NPS-Lite, insurance and saving in self-help groups (SHGs) were

safe. Respondents found NPS-Lite safe as it is a government scheme. SHGs are a trustworthy channel because they have been functioning for a long time, and they are self-managed and transparent. Insurance institutions and banks are either controlled by the government or are under the close scrutiny of government.

However, respondents mentioned that their trust in insurance service providers is reducing as they do not get what they are promised. In an FGD in TN respondents quoted, ***“Munnadi ellam insurance ah nambunom, ana eppo potta kasu kedaika matinguthu athunala nambikai koranchirichu -We used to believe insurance before but now we don’t get our money back so we don’t trust it.”*** In certain cases, agents have betrayed the trust of villagers by either failing to deposit premiums or mis-selling the product (more below). Respondents noted this problem with respect to savings options mediated by private agents/institutions. Many respondents preferred to pay the premium amount through banks or the post office instead of agents or other facilitating organisations as they trust that their premium would be deposited in the scheme. The time horizon is long for some products, and the respondents feel that relying on facilitating organisations for a long time is not advisable.

Respondents also attributed a high level of importance to physical evidence. Receipts for premium payments were considered important. As NPS-Lite is a new scheme many respondents were sceptical to invest and waited until others received a clear receipt with details of the money they deposited and the amount that the government deposited. Respondents also insisted that routing premium payments through the bank or post office also gives them the option to return in between to check scheme is working and to track the status of their savings.

#### 4.4.2 Returns

Second only to safety of the investment, the respondents attributed high importance to risk free and high returns. Respondents preferred avenues that had assured returns/interest. Respondents preferred investing in schemes which offer some guaranteed minimum returns. Most respondents did not comprehend market returns or the stock market.

In some cases, respondents or their acquaintances had invested in schemes where they understood the lump-sum

#### Text Box 4.4.1: Interest and Use - Demand for Pension Products in Madhya Pradesh

During the field research, the team came across one group of respondents who were particularly receptive to the idea of old age pension. The group already had been approached by one of the local MFIs to start saving in such a scheme. One of the members had opened an account one year ago and has been saving regularly since then. The group was excited about the scheme and the security that it offered. Lack of trust in the intermediating agency was the reason many members had not enrolled. Most of the members preferred to deposit with a government agency due to the long term nature of the savings. However, the affordability of the product was a big hit with the group. Everyone agreed that if trust and security of deposit related concerns are addressed then many would like to enrol for the programme.

A chikan cloth distributor in Lucknow knew about the stock market. Her brother had lost some money. “We know how the stock market works. We can gain or lose money. My brother has a computer and we know. But, we don’t like the possibility that we can lose money.”

<sup>11</sup> Tiwari, A., A. Jos and A. Giri et. al., “Relative Risk to the Savings of the Poor (in Uttar Pradesh, Rajasthan, and Tamil Nadu),” *MicroSave*, India, 2011.

figures quoted by service providers or agents to be guaranteed returns. When returns later turned out to be lower than the quoted amount, agents explained that returns were variable. A respondent quoted, **“Nan 50,000 kattunan, 22,000 than kidachithu. Ketta ennamo kezha poiduchinu solranga. Mudala onnu sonnanga ana kidaikala - I paid 50,000 and only got 22,000. If we ask they say something is going down. Initially he said some amount but we did not get it.”** Respondents felt misled.

Although the aversion to variable returns is prevalent, some respondents were interested in taking a chance on variable returns if the returns are very high and the policy lasted only a short period of time.

High returns were also desired by respondents. Many respondents felt that saving in SHGs had good returns as, in addition to the bank interest, they also get interest from internal lending. NPS is also considered to have good returns.

#### 4.4.3 Liquidity

Respondents were unable to reach a consensus regarding accessibility and liquidity of their old age savings. Some respondents stated that the savings for old age should be accessible and they should be able to withdraw the money in case of an emergency.

Safety of the assets from one's self as well as one's family was another feature of savings tools used for old age. In terms of safety from one's self, respondents knew that liquid savings would be depleted well before old age. The respondents were split around their feelings towards this. Some said that was just the way it was – child's expenses came first, and they would have to make do with the rest. They feel that it is inappropriate for them to hoard money for their old age when there are more important needs in the present. If there are needs in the family, the family members do not support saving for old age. In Tamil Nadu, one lady explained how families disapproved of old age savings in the family context: **“Even if we save, they say “she hid the money somewhere.” My husband fought, and [he] got the money I saved in the post office.”**

Some respondents felt concerned about drawing down savings too early. While they knew saving was important, they also knew that they would face hardships in the short term. In such a case, drawing down on old age savings would be the most logical choice. If the money is accessible they will definitely spend it for some other purpose and will face difficulties when old.

To deal with this, respondents mentioned that the lock-in feature of NPS-Lite and life insurance policies were helpful in protecting their goals from intermediate needs and from others.

Generally, cash conferred the lowest level of security from self and others. Real assets, in contrast, were slightly better protected from intra household expropriation. In Uttar Pradesh, one woman highlighted that, because the house was in her name, it could not be taken away from her. Similarly, the ownership of jewellery was not in doubt – it was the owner's choice whether to gift it to her children or to liquidate it. The importance of intra-household security conforms to findings from in-depth studies elsewhere.<sup>12</sup> Whether the liquidity restrictions on designated old age products can give the same security as social convention does for real assets may need to be explored.

#### 4.4.4 Product design and complexity

Respondents mentioned that the product features should be easy to understand. Uncertainty and lack of clarity in the product details results in lapsed policies which is a loss for customers: respondents

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<sup>12</sup> E.g. Udry, Christopher, “Gender, Agricultural Production, and the Theory of the Household,” *The Journal of Political Economy*, Vol. 104 (5), October 1996, pp. 1010-1046. regarding land use patterns to keep assets secure within the family.

In Uttar Pradesh, one group mentioned that INR100 was an acceptable monthly payment for pension but, INR250 was far too high).

mentioned that they discontinued their insurance cover as the policy lapsed because they were unable to pay it on time and did not know the details of the policy.

Respondents appreciated flexibility in product features in addition to having clear terms and conditions. In TN, respondents mentioned that NPS was suitable for their needs because they could pay the amount anytime of the year, which helped them to save over a period of time to make the payment or pay when they have sufficient money (in case of seasonal income pattern).

#### 4.4.5 Regular income flow when old

Many respondents felt that any old age saving option should give them a regular flow of income when they are old. Respondents quoted, “***It is important that we get income support when we are old.***” This becomes essential as they feel most of them will be unable to work and cannot count on their children to support them. Respondents felt that of the avenues available, NPS is best suited for old age as they get money every month after they are 60.

However, while some respondents liked the idea of getting a regular income flow to meet their everyday needs later in life, others preferred a bullet payment at age 60. Some respondents who preferred bullet payments noted that they could be used for other large expenditures such as investing in business assets or funding marriages in the family. Responses such as marriage sometimes showed that people have a hard time imagining old age: one respondent repeatedly said she would use the bullet payment to fund her child’s marriage, even when group members reminded her that, at age 60, her child would already be married.

#### 4.4.6 Medical support in old age

Respondents believed that medical needs will form a major percentage of their expenses. Savings products for old age should also provide some type of medical assistance. They noted that some types of insurance offer medical cover, which will be extremely useful for them. Some respondents mentioned that the money that they receive from products like NPS-Lite will be very limited and insufficient to meet large medical expenses. If they have sufficient savings, these can be used to meet medical expenses.

## 5 Conclusion

Overall, respondents thought relatively little about old age. Their ideas about where they would be in old age generally conformed to the image of the joint family structure, and they were fairly close to the generic idea of ‘retirement’: in old age, many respondents expected not to be working even though they recognised additional costs such as health expenditure.

The prevalence of the joint family structure does not mean that people see little need for old age savings. To the contrary, some level of financial independence in old age can ensure that children will care for their aging parents. Because many people are sceptical that the current generation will fulfil their duty of care towards them, money can also help if one ends up alone.

Based on these responses, the individual decision makers surveyed in this study do recognise a need to save for their futures: *there is a ‘gap’* in pension supply at the micro level. Awareness of old age needs can serve as a basis for providing individuals with designated old age savings, such as pensions.

However, old age savings cannot be treated in the same way as other long term schemes, even though there are similarities with other long term savings. To help make old age saving more realistic for low income groups, old age savings providers should consider the following take aways:

1. **Because old age is so far away and such a low priority, it is unrealistic to expect people to make big sacrifices to save for old age.** Even though people give some importance to old age savings, old age was rarely the primary purpose of savings tools (pensions being an exception). Many other long term events (child’s education, marriage, etc.) were worthy of being savings goals for which people took out specific policies. Almost by design, saving for old age was ineffective because many people expected to rely only on money ‘left over’ from other savings events. In this sense, it can be viewed as an ‘aspirational’ goal – one which would be nice to have, but for which most people will not actively plan. (See **MicroSave** and Ignacio Mas, [“Musings on Money: the what and why of the billions.”](#) May 2013.)

If people don’t think old age saving is worth spending much on, it is unlikely that they will make any sacrifice for it. Sacrifice can relate to the quantum of regular contributions. While people might manage to forgo small luxuries to save e.g. INR200 for other long term goals like marriages, they might be unwilling to lock up that same INR200 in a scheme they can only use after age 60. It is unlikely that the minimum ticket size for other long term savings products can be applied to old-age specific products including pensions because old age is just not as important and funds are limited.

#### **Sacrificing in the formal sector**

In formal sector schemes, automatic debits from salary make sacrifice the norm: since people don’t have to take any initiative to contribute to the pension, they don’t have to think about what they are giving up now as often. Another way to reduce the feeling of sacrifice is to provide a reward. For the affluent, this could mean winning your money back from the taxman or getting more money from your employer.

There are ways to reduce the feeling of sacrifice besides making the payment smaller. In India, the NPS-Lite *Swavalamban* co-contribution could tap cash-in/cash-out points for auto-debits. This would entail committed product design research. Similar approaches are being tested for other financial products whose value people struggle to appreciate (such as insurance).<sup>13</sup>

Overall, any process that aims to increase old age savings for low income individuals should accept that old age is a low priority and remove sacrifice from the process. People need to meet their very long term old age needs, but they also have to

meet many shorter term needs.

2. **Trust is a major issue in all low income long term savings, and old age savings is not different.** If anything, the trust deficit may be even greater for pensions because these can lock money away for a longer term. The trust encourages clients to continue with systematic investments instead of letting their plan lapse.

Insurers and other promoters of long term policies have already worked out solutions that help make people more satisfied with long term savings. As mentioned by respondents in this study, people like it when they can go to the bank to verify that their money is in the account. In other studies, respondents have mentioned that they like money-back features because they prove that

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<sup>13</sup> E.g. EasyPaisa Khushaal Sheme in Pakistan, which provides insurance cover based on the monthly mobile balance. **Qureshi**, Muhammad Khalid and Jehanzeb Zafar, “Mobile Life Insurance: Innovations from Pakistan,” CGAP Blog, 02 May 2013.

the scheme is working. Being able to see some money (or to see it growing in your account) is not just about liquidity but about trust. Pension products that do not meet subscribers' need for proof that the scheme is working will struggle as confidence wanes.

An emerging insight from this study was that earlier mis-selling in the savings and insurance industries has damaged the reputation of insurance among some groups. As a result, insurance might not be as good an old age saving tool as it once was because of lack of trust. This makes schemes like NPS-Lite more relevant: the scheme is government promoted (which makes it more trustworthy) and has not yet been associated with mis-selling.

At the same time, promoters need to be confident that pensions will provide real value to clients in old age in order to avoid mis-selling. In *MicroSave* research in Africa, respondents noted that erosion of financial savings due to the high inflation rate led them to save for old age in assets rather than in banks.<sup>14</sup> At present, only some Indian retirement funds' returns beat inflation. The IMF shows two common measures of inflation – the consumer price index (industrial workers) and the wholesale price index – at an average 9.24% and 7.24% annually over the five years to March 2012. In comparison, UTI RBP (a fund with a low income targeted plan) returned 8.43% annually for the 5 years to 31 March 2012. Similarly, the various funds in the NPS scheme returned as much as 17% annually between May 2009 and March 2011 (under the share equity weighted plan), or as little as 5% over the same period (under the government bond weighted plan).<sup>15</sup> While financial markets should theoretically allow savers to share the 8% average real GDP growth that India has recently experienced,<sup>16</sup> not all schemes live up to this promise yet. Although respondents did not list this as a prime concern, schemes with questionable real value will hurt rather than help old age security for low income individuals in India.

- 3. Products that provide regular cash flows in old age are a good option for many. However, people don't yet have a clear idea of what their needs will be in the future and so flexibility is helpful.** No one can foresee every event that will happen between now and the end of their lives. Consequently, it makes sense to allow some flexibility so people can adapt to uncertainty.

When individuals reach old age, the option to take some money as a lump sum was useful because people are unable to define what their needs will be so far in the future. Some expect that a lump sum can be used to create new income generating opportunities in old age (e.g. by investing in a business). Many more had no idea what they would want to do with pension money because they could not imagine their situation then.

Before retirement, options such as the ability to deposit funds at any point during the year were appreciated. Also, while NPS-Lite does not provide loans against an individual's contributions, it is common for insurance products in India to allow individuals to take a certain percentage of their paid premiums as a loan.

At the same time, limits on flexibility can be a good thing. Many respondents who used the government low income pension NPS-Lite liked the fact that their money was locked in until age

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<sup>14</sup> **Moulick**, Madhurantika, et. al., "[Cash, Children or Kind? Developing Security for Low-Income People in Old Age in Africa](#)," *MicroSave* Briefing Note #42.

<sup>15</sup> Figures only available for the period May 2009 to March 2011 (*Source*: <http://financialservices.gov.in>)

<sup>16</sup> Average taken over the five years to March 2012, based in IMF data.

60 years and provided income after then. Many realised that money would be used for other purposes if they had ready access to it.

Almost fifteen years after India began its pension reforms, old age saving is still a fairly new concept for low income and higher income groups alike. Only a few players have taken specific action to address the old age financial needs of India's low income households, and these initiatives are less than a decade old. As these initiatives develop and as general awareness about old age saving in India grows, both new and current promoters of old age savings for low income groups should ensure that their offerings address the three take aways mentioned above. Research and experimentation is needed to determine how they can be addressed in each model. However, failure to take these market based principles into consideration will likely prevent any given model from attracting contributions from low income subscribers on a continuing basis.



## **6 Annexures**

### **6.1 Annexure 1: NPS Architecture**

NPS is a contributory defined contribution pension scheme that is open to central government civil servants, some state level civil servants, and private individuals. The scheme relies on (a) regular contributions by a working age individual into his/her personal fund and (b) employer co-contributions (for civil servants). Upon exit from the scheme at age 60, the individual can claim up to 60% of the value of his/her fund as a lump sum (subject to certain minimum annuity requirements). The remainder is taken as an annuity.

As part of the NPS architecture, the government selected a single central record keeping agency (CRA), NSDL. The CRA registers all subscribers to the NPS scheme, and issues them with a Personal Retirement Account Number (PRAN). Subscribers receive a PRAN card. The PRAN system allows the individual's account to be portable.

As compared to government employees, NPS gives greater flexibility to private individuals who invest in the scheme. For civil servants, the government has selected fund managers to manage their employees' pension funds. For private individuals –for whom the scheme is voluntary– there are several approved fund managers from which subscribers can choose. Under the NPS scheme for private individuals, people can enrol by going to a point of purchase (e.g. a bank branch). Under the scheme, subscribers can choose between investment strategies as well as fund managers.

Under NPS-Lite, which is targeted at lower income individuals, subscribers enrol via aggregators instead of using the point of purchase structure. In NPS-Lite, the aggregator rather than the subscriber selects one of the fund managers and the investment strategy, or the aggregator can opt for funds to be invested in the same manner used for civil servants.

## 6.2 Annexure 2: Existing accessible financial tools for long term old age saving

Examples of savings options that can be used in old age		
NPS -Lite	UTI RBP	Life Insurance
<p>NPS Lite builds on the overall NPS architecture to offer old age saving for lower income groups. Features include:</p> <ul style="list-style-type: none"> <li>• Subscribers to NPS-Lite enrol in the scheme through aggregators</li> <li>• KYC procedures are slightly relaxed: forms of ID proof other than India's PAN card are accepted</li> <li>• The aggregator chooses the fund manager and asset allocation scheme for its subscribers</li> <li>• The individual can take pension at the age of 60, or at 50 if contributions were made for 20 years</li> <li>• At exit, the individual must take at least 40% of the fund to buy an annuity; the rest can be taken as a lump sum</li> <li>• If funds are withdrawn before the prescribed age, the individual can take only 20% as a lump sum and must take 80% as an annuity</li> <li>• Subscribers pay a yearly charge of INR35 and a INR70 one time fee</li> <li>• Subscribers receive a Personal Retirement Account Number (PRAN) card, which is portable across aggregators</li> <li>• Under the <i>Swavalamban</i> scheme, the government contributes INR1,000 to accounts for 5 years when the subscriber invests INR1,000 -INR12,000 in the year</li> </ul>	<p>While the minimum investment in asset management company UTI's Retirement Benefit Pension (UTI RBP) is INR500, from 2006 it has worked with Invest India Mirco Pension Services (IIMPS) and partnered with ground level institutions to allow smaller investments and flexible premium collection to better serve the needs of low income individuals. Subscribers can access the fund at age 58, with the ability to make withdrawals earlier. The exact scheme features are partnership specific, with minimum contributions of INR100 allowed in some cases. Ground level providers include the Government of Bihar (for contract school teachers), SEWA Bharat, and others.</p>	<p>Life insurance is a long standing savings vehicle for many rural and low income groups. Using a large network of agents, India's Life Insurance Corporation India (LIC) historically collected regular premiums from remote areas. In addition to life cover, LIC policies often included the return of a lump sum to the individual on maturity in the case of survival. LIC is very well known across rural India. Other commercial insurers have entered the space more recently. Policies can last upwards of 20 years, and many life insurers now offer immediate annuities whereby the maturity amount could be used to create a regular cash flow in old age.</p>

### 6.3 Annexure 3: Image Mapping Guide

Date (MMDD)		State (B/R)		Name of Organisation	
Moderator		Asst. Moderator			
Venue/Branch/Centre		Area (semi urban/rural)		No. of Participants	

#### Session Responses

Issues	Probe questions	Response
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#### Image Mapping

- After introduction, introduce the pictures of old people
- Imagine for 15 seconds that this is you
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<p><b>Warm up: Life in Old Age</b></p> <div style="border: 1px solid blue; border-radius: 15px; padding: 10px; background-color: #e6f2ff;"> <p><b>Purpose</b> – to get people into mental framework of old age</p> </div>	<ol style="list-style-type: none"> <li>1) How old do you think you are in this picture</li> <li>2) How many years away is this? Does this age seem far away to you or nearby</li> </ol>	
<p><b>I. Image of Your Old Age</b></p> <div style="border: 1px solid blue; border-radius: 15px; padding: 10px; background-color: #e6f2ff;"> <p><b>Purpose:</b> To understand how people visualise old age</p> </div>	<ol style="list-style-type: none"> <li>1. Please describe what a day in your life will be like when you are this old.                     <ul style="list-style-type: none"> <li>• Where will you live? (here, somewhere else, city etc.)</li> <li>• Who will you live with?</li> <li>• Where will each of your children be? (ask for specifics including occupation, support they can provide to you, how often they would meet you)</li> <li>• What activities do you think you will be engaged in when you reach this age?                             <ul style="list-style-type: none"> <li>○ What will you be doing in the household</li> <li>○ What income-generating activity will you do, if any?</li> </ul> </li> <li>• What things that you will be doing are different from the things you do</li> </ul> </li> </ol>	

	<p><i>today? How will these be different?</i></p> <ul style="list-style-type: none"> <li>○ <i>How much time will you spend at home/at work/ doing other activities</i></li> <li>○ <i>How do you think your income generating activities will be different from today?</i></li> <li>○ <i>How do you think your physical ability will be different from today?</i></li> <li>• <i>What do you think your needs will be at this age?</i> <ul style="list-style-type: none"> <li>○ <i>How will they be different than today?</i></li> </ul> </li> </ul>	
<p><b>II. Image of old people that you know</b></p> <div style="border: 1px solid black; border-radius: 15px; background-color: #e1eef6; padding: 10px; margin: 10px 0;"> <p><b>Purpose:</b> To understand if people have unrealistic ideas about their future in comparison with old people today</p> </div>	<p><i>Think about an old person whom you know and how they live now and how they used to be before becoming old.</i></p> <ul style="list-style-type: none"> <li>• <i>Why or why don't you think your life will be like that of the role models described? Probe:</i> <ul style="list-style-type: none"> <li>○ <i>What is this person doing now (daily activities, family support)?</i></li> <li>○ <i>what do you think the person did earlier to reach this stage?</i></li> </ul> </li> <li>• <i>Based on this, how will life will be easier/harder than it is now?</i> <ul style="list-style-type: none"> <li>○ <i>What things will make life harder/easier? (Probe around elements such as social-life, financial resources, physical abilities)</i></li> </ul> </li> </ul>	

### 6.4 Annexure 4: Focus Group Discussion (FGD) Guide

#### Session Details

Date (MMDD)		State (B/R)		Name of Organisation	
Moderator		Asst. Moderator			
Venue/Branch/Centre		Area (semi urban/rural)		No. of Participants	

#### Session Responses

Issues	Probe questions	Response
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#### Warm Up (Brief Image Mapping)

- After introduction, introduce the pictures of old people
- Imagine for 15 seconds that this is you

<p>Warm up: Life in Old Age</p> <div style="border: 1px solid black; border-radius: 15px; padding: 10px; background-color: #e6f2ff; width: fit-content;"> <p><b>Purpose</b> – to get people into mental framework of old age</p> </div>	<p>How old do you think you are in this picture What will your life be like then? Probe:</p> <ul style="list-style-type: none"> <li>• <i>Where will you be living?</i></li> <li>• <i>Who will you live with?</i></li> <li>• <i>What activities do you think you will be engaged in?</i></li> <li>• <i>Will you be earning?</i></li> </ul>	
<p>I. Needs in Old Age</p> <div style="border: 1px solid black; border-radius: 15px; padding: 10px; background-color: #e6f2ff; width: fit-content;"> <p><b>Purpose:</b> To understand what people think about old age &amp; to visualise needs as a warm up to Part II</p> </div>	<p>What do you think your needs will be in old age?</p> <ul style="list-style-type: none"> <li>• <i>What will your expenses be?</i></li> <li>• <i>What additional expenses might you have because of your age?</i></li> <li>• <i>What resources will you be using to meet those expenses? (children, work, savings, government pension)</i></li> <li>• <i>Who will be responsible in your household for making sure needs are met?</i></li> </ul>	

	<ul style="list-style-type: none"> <li>• <i>Do you think you will be having enough money for your expenses? Why?</i></li> <li>• <i>If you don't have enough money, how will you manage?</i></li> </ul>	
<p>II. Savings Today</p> <div data-bbox="191 386 548 743" style="border: 1px solid black; border-radius: 15px; padding: 10px; background-color: #e6f2ff;"> <p><b>Purpose:</b> To understand 1) what tools compete with pension and 2) how old age savings fits into household decision making structure</p> </div>	<p>What ways are you saving today to prepare to meet your needs in old age?</p> <ul style="list-style-type: none"> <li>• <i>Where are you putting your money right now so you can have money in old age? (e.g. LIC, Jewellery, house). Probe based on their responses:</i> <ul style="list-style-type: none"> <li>○ <i>Why are you using this for old age?</i></li> <li>○ <i>What is good about this way?</i></li> </ul> </li> <li>• <i>Of those methods for saving that you mentioned, is old savings the main purpose, or are there other purposes (e.g. child's marriage, education, etc.)</i> <ul style="list-style-type: none"> <li>○ <i>If no, list other purposes</i></li> <li>○ <i>If yes, might you use any of the saving for other purposes – what purposes?</i></li> </ul> </li> <li>• <i>Do you discuss saving for old age with your family/household?</i> <ul style="list-style-type: none"> <li>○ <i>What does the family think? (e.g. is it seen as selfish? Do they encourage it?)</i></li> <li>○ <i>Who thinks this way - why? Does their opinion matter?</i></li> </ul> </li> </ul>	
<p>III Pensions for Old Age</p> <div data-bbox="191 964 548 1159" style="border: 1px solid black; border-radius: 15px; padding: 10px; background-color: #e6f2ff;"> <p><b>Purpose:</b> Understand any biases associated with the word "pension"</p> </div>	<p>Have you heard of "pensions"? Record response. (If they have never heard the word pensions, skip to Part I V)</p> <p>What do you know of pensions</p> <ul style="list-style-type: none"> <li>• <i>Who/What are they for?</i></li> <li>• <i>How do they work (e.g. are they free, provided by government only, etc.)</i></li> </ul>	
<p>IV Place of Old age Savings</p> <div data-bbox="191 1256 548 1451" style="border: 1px solid black; border-radius: 15px; padding: 10px; background-color: #e6f2ff;"> <p><b>Purpose:</b> Is the NGO/microcredit provider would be an appropriate distributor</p> </div>	<p>Explain that pensions are regular payment plans, but you only get the money when you are e.g. 60 years</p> <p>If you are saving regularly over a long period (several years) for old age, what do you think is the best place to make regular payments (e.g. via the MFI, when making a mobile top-up, at the local store? etc. )</p>	

	<ul style="list-style-type: none"> <li>• <i>What would be good about this method/place (convenience, trust, long relationship)</i></li> </ul>	
<p>V Variable Returns</p> <div data-bbox="186 371 514 607" style="border: 1px solid black; border-radius: 15px; padding: 10px; background-color: #e6f2ff; width: fit-content;"> <p><b>Purpose:</b> Understand awareness and preconceptions of variable returns</p> </div>	<p>Explain that in some long term savings schemes, you give the money for savings, but they do not tell you how much you will get at age 60. They do this because there is a chance that you will get a bigger bonus at the end, but there is also a risk that the money will be less</p> <p>What do you know about such a variable bonus or 'stock market' type product?</p> <ul style="list-style-type: none"> <li>• <i>What experience do you have with such (e.g. LIC, Sahara)</i> <ul style="list-style-type: none"> <li>○ <i>What was your experience with this product? (e.g. did the person lose money, did you feel tricked)</i></li> <li>○ <i>Is there anything that would make you more happy to invest in such a product (e.g. some guaranteed minimum of e.g. 3% return; the terms are properly explained)</i></li> </ul> </li> </ul>	

## 6.5 Annexure 5: Relative Preference Ranking (RPR)

**Purpose:** RPR will allow us to see what financial resources (including old age savings) clients expect to use in old age and what are the critical features that make these old age provisioning strategies attractive.

### Procedure:

1. As a warm up, show people some images of old people. Ask them to think about people in the community who are this age. Then ask them to think about what types of things they need money for and where that money comes from (10 minutes).
2. Introduce the concept of provisioning for these future needs now. Ask them how they are planning to get money for old age.
3. Get the participants to describe if/how they are planning for old age (e.g. children, savings, real estate).
4. Put this list along the top of the relative preference ranking matrix.
5. Get the participants to list the most important elements of the strategies that are being ranked. Probe for further criteria/components. Follow up with points of interest and encourage participation by different people.
6. Get participants to list all the aspects generated in this way. Remember to make negative ones positive/neutral (e.g. "cannot access easily" becomes "ease of access" or "don't trust the bank/insurance company" becomes "reliability of the insurer/bank").
7. Ask participants to rank the strategies for each aspect they provide by putting bottle-tops/stones/seeds in each box.
8. Probe - ask participants questions like the following:  
 Why is this strategy better at meeting this component/criteria?  
  
 Why is this better than that one? etc.
9. Listen and learn from the participants – particularly as they discuss the merits of each criteria.
10. You should then write down something in your notebook that looks like:

	<b>Children</b>	<b>Savings at Bank</b>	<b>LIC</b>	<b>Land</b>
Emotional/physical support	1	2	3	4
Can be sure it will be there (risk of capital loss)	4	2	1	3
Security from other claims on resources	2	1	3	4
Risk of capital erosion	2	1	3	4



## 6.6 Annexure 6: Product Attribute Ranking (PAR)

**Purpose:** PAR will allow us to see what clients would like if they were to invest in a pension product.

### Procedure:

1. As a warm up, show people some images of old people. Ask them to think about people in the community who are this age. Then ask them to think about what types of things they need money for and where that money comes from (10 minutes).
2. Introduce the concept of provisioning for these future needs now. If there was something where they would pay money now and get it later, what types of features would they want in it. Ask what types of things might happen in between now and then which might make it harder to get money at the end. This is to put people more in the mind set.
3. Introduce the cards of product features. These cards will be populated based on data from the image mapping/FGD research conducted on prior days, as well as some with key attributes common to pension products.
4. Ask participants to rank the cards arranging them with the most important aspect at the top, going down to the least important at the bottom. (Note: in some cases participants prefer to put the cards in order of the aspect that is least important down to the aspect that is most important. This approach also works, but loses important information in terms of which aspects are the most important for clients when they make decisions).
5. Ask participants probing questions like the following: Why is this so important? Why is this more important than that one? What makes that a relatively small issue for you? etc.
6. Listen and learn from the participants – particularly as they discuss the merits of each criteria.
7. You should then write down something in your notebook that looks like:

Criteria/component	Rank	Comments
Risk of monetary loss	1	The money received should be guaranteed (no capital at risk).
Physical access to the asset	2	Even though may be monetary loss on land/jewelry this is preferred because they still have the benefit of asset.
Social acceptance	5	It is normal practice to rely on children, for example. The family can think that pensions savings is selfish. Not that important because people can save in secret or give contributions to trusted person to remit.
[Criteria to be determined in FGD]	x	

## 6.7 Annexure 7: Respondent Demographics

### 6.7.1 Age

Overall, the respondents were predominantly aged between 36 and 45 (around 40% of

respondents who provided their age). However, the age profile of respondents differed across regions. Groups in Madhya Pradesh tended to be younger (26-35), and in Tamil Nadu/Pondicherry respondents were older (the 36-45 and 46-55 groups were equally large). Uttar Pradesh had an equal number of respondents in the age brackets 26-35 and 36-45.

### 6.7.2 Household Members

While the most prevalent family size was 5-6 (2 parents + 3 to 4 children), this differed between states. In Tamil Nadu, nearly 70% of the respondents had only 1 or 2 children; in Uttar Pradesh and Madhya Pradesh the figures were reversed (60-70% had 3-4 children). Most families with 5+ children were in Uttar Pradesh. In terms of number of elderly people who resided with the respondent, the most common response was zero across the geographies. 60+ household members could include in-laws, parents, and older spouses.

### 6.7.3 Earning

Most respondents that reported income reported a monthly household income of INR5,000-10,000. However, many rural respondents in Madhya Pradesh did not disclose their income. While about 1/3<sup>rd</sup> of respondents reported seasonal income, the remainder had regular income (including daily, monthly income).

### 6.7.4 Education

Education varied between states. Looking at the distribution of respondent education in Madhya Pradesh and in Tamil Nadu/Pondicherry, the large difference in education level by location can be seen.

