



INDONESIA PENSION CONFERENCE

25 YEARS OF PENSION SAVINGS

"Way Forward for Next Quarter Century"

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Grand Hyatt Hotel, Jakarta





Digital Solutions for Pension Inclusion: Some examples from India

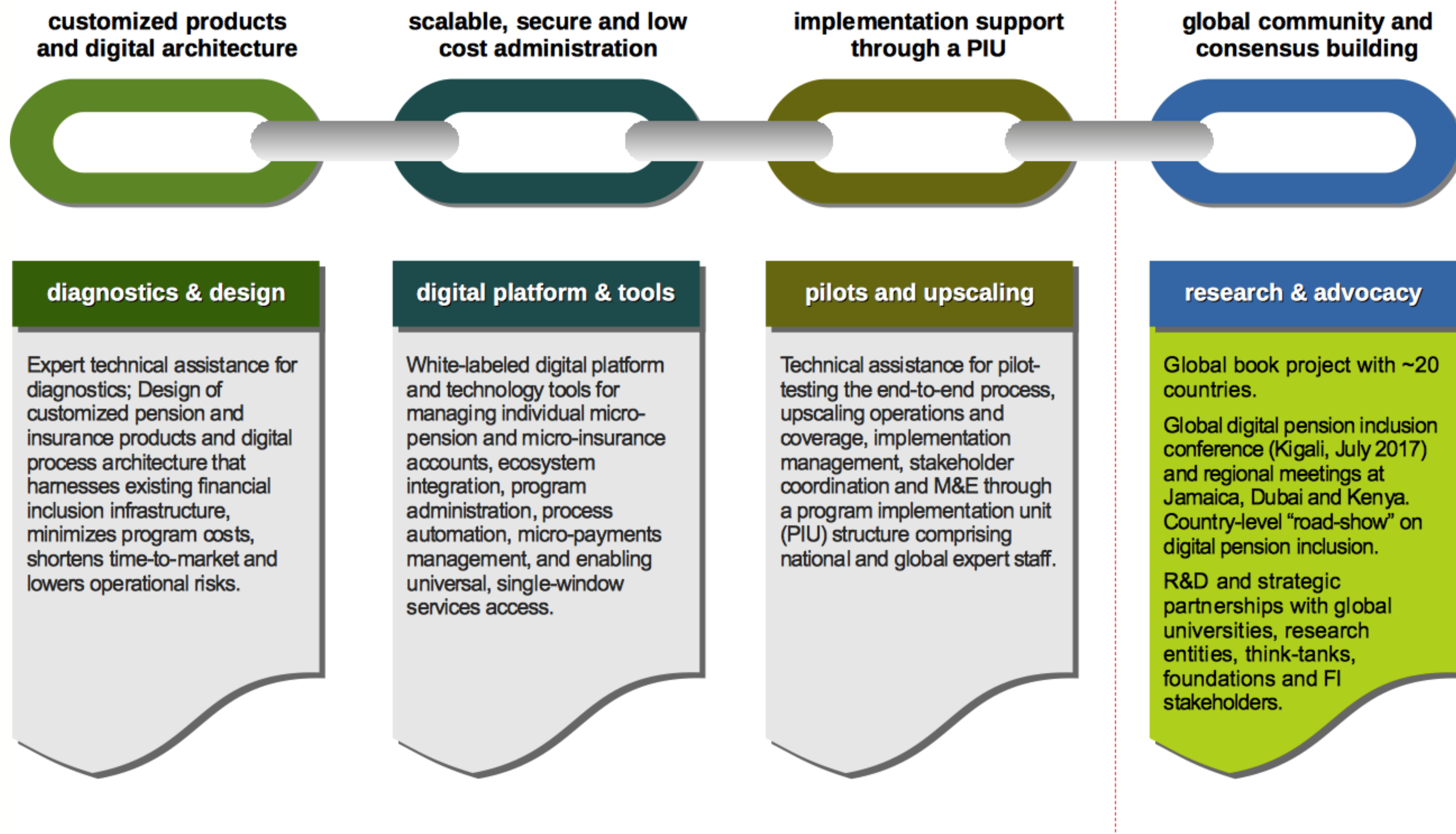




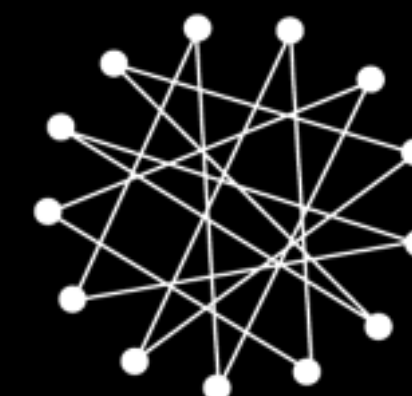
pinBox is a global fintech enterprise committed to digital micro-pension inclusion in Asia and Africa



Integrated Turnkey Digital Pension Inclusion Solution



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THE INDIA CONTEXT



India's Pension Coverage Gap



India's Policy Compulsions

- ~450 million informal sector workers excluded from formal pension arrangements
- Life expectancy near OECD levels
- ~90% of 120 million current elderly do not get a pension; This population will double by 2030 and triple by 2050
- ~40 million taxpayers: fiscal transfers is not a sustainable policy option
- Without broad-based pension inclusion, poverty among the elderly will emerge as the dominant cause of increased poverty in India
- On the other hand, universal access and mass-market participation in a contributory pension program could generate >\$0.5 trillion in long-term household savings within the next decade



India's Difficult Initial Conditions

~450 million mostly self-employed non-salaried individuals
spread across 3.5 million sq kms

Frequent migration across jobs and locations

Low intermittent incomes, potentially tiny contributions and
modest balances highly sensitive to transaction costs

Low literacy, low retirement literacy; Concepts of 'retirement'
and 'pension' do not resonate

KYC challenges

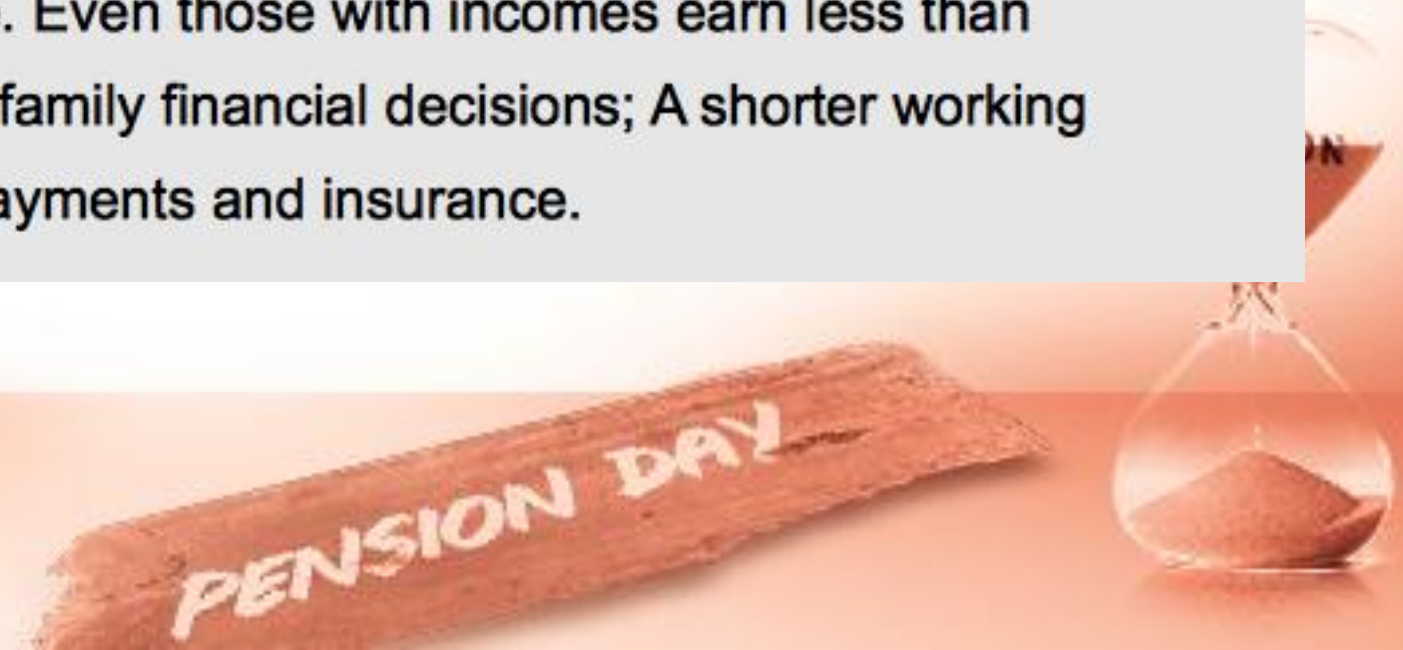
Negligible use of banking or regulated payment systems

Mandatory coverage will not work. Neither will tax incentives



Women are even more vulnerable to old age poverty than men

Relatively higher life expectancy; Majority form the large unpaid workforce. Even those with incomes earn less than men in comparable occupations; Lower control on their own incomes and family financial decisions; A shorter working age; Frequent employment interruptions, and Lower access to banking, payments and insurance.



But Most Elements for Pension Inclusion Already Exist

- Strong, political commitment
- Large latent demand
- Near universal National ID penetration
- Near universal mobile penetration
- Broad-based access to well regulated banking and third-party distribution outreach
- Rapidly expanding digital payments infrastructure
- Well functioning securities markets capable of delivering high real returns
- Mature and well regulated fund management and insurance industry
- Over 500 million customers of banking, insurance and other financial services
- Experience with achieving mass-scale FI coverage in a “mission mode”

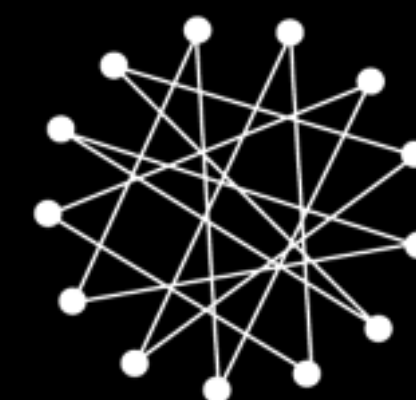


Harness NID and Financial Inclusion Infrastructure to Implement an Inclusive and Secure Digital Pension System



- 1** Build a scalable, digital (cashless and paperless) process and architecture that provides secure and convenient access to simple and affordable pension and insurance solutions to low income excluded citizens.
- 2** Harness modern developments in ID, digital payments, IT, insurance, behavioral economics and the deep interlinkages with financial inclusion initiatives. Implement a “no-white-spaces” access strategy.
- 3** Put sustained energy and focus into encouraging thrift and self-help for old age income security by excluded young workers.

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Digital microPension Inclusion: Some Examples from India

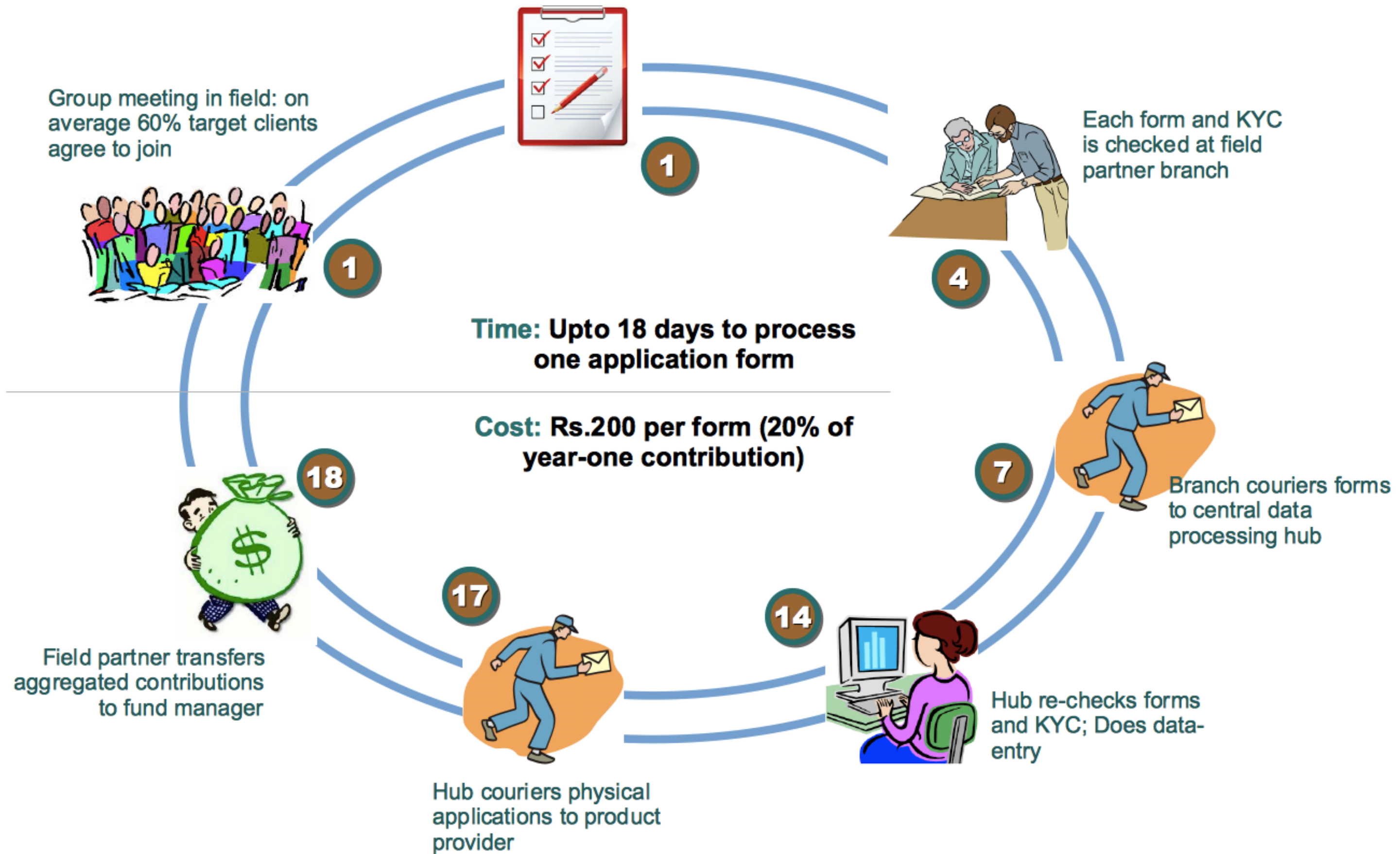
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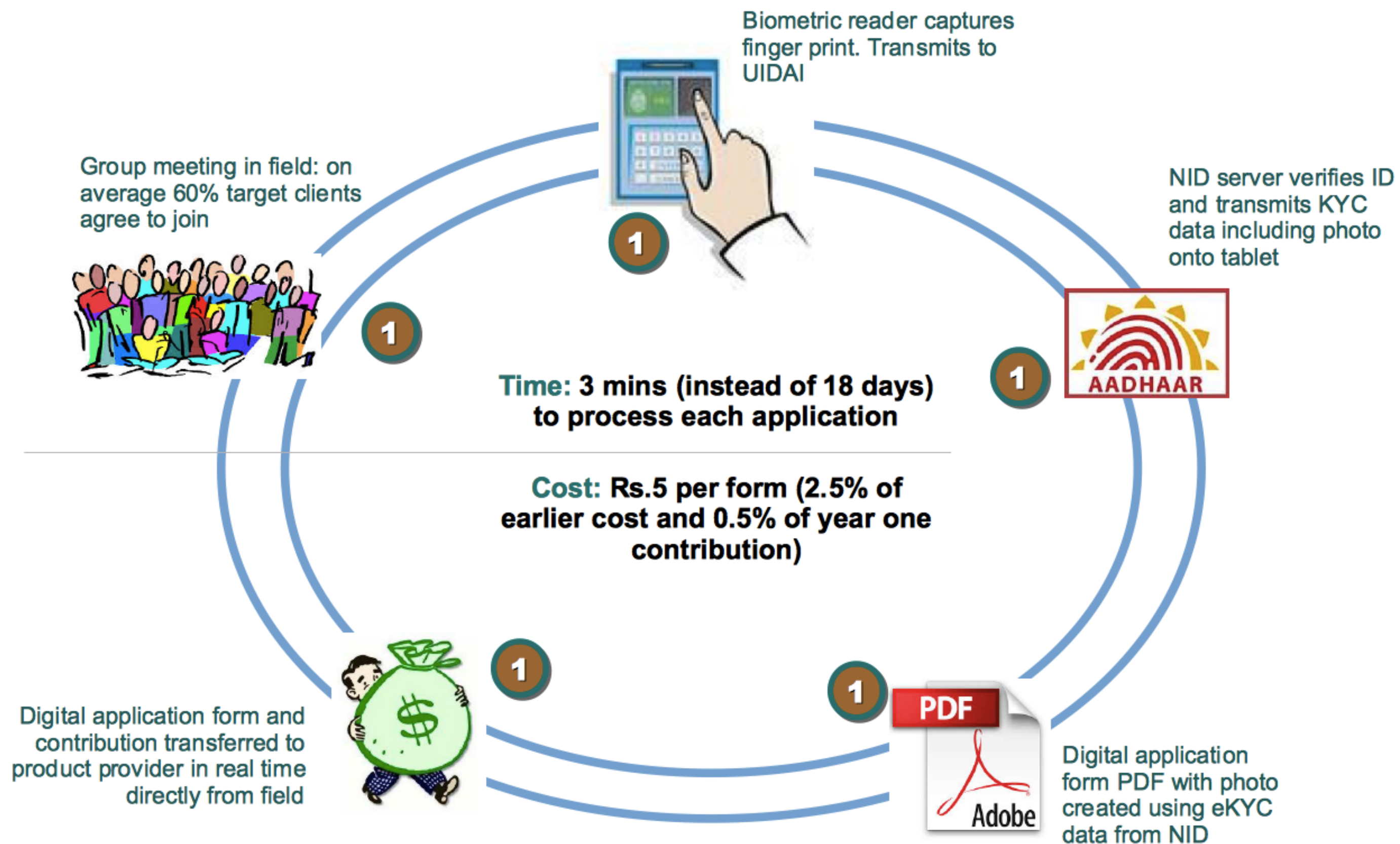
Paperless, NID-based Digital microPension Accounts



Before



After



Why Did this Work?

- 1 Simple, easy, low-cost process for target customers.** Nearly 100% of target low income customers in remote villages have an Aadhaar (NID). Most do not have other forms of valid KYC. With eKYC, they do not need a wet signature, a physical application form, copies of KYC documents or coloured photos. They just need their thumb.
- 2 Simple, low-cost process for field agents.** Field agents do not need to spend 45 minutes to fill-out each set of physical applications. As commissions are based on the number of enrolments and persistency, an agent had an incentive and more time for pre-enrolment education group meetings.
- 3 Digital application forms.** Zero risk of data entry errors or forms being rejected.
- 4 Multiple products with the same transaction.** Zero additional time and effort for enrolment for an integrated social security basket including insurance.
- 5 Zero middle and back-office role/ costs.** Field branches or central back-office do not need to verify applications against KYC as eKYC data is directly poured into each digital form. Straight-through digital process for enrolments and payments: Applications move directly from field to the administrator; Reconciled contributions and information move directly from field to the Trust Bank. In real-time. At a near zero cost.



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Digital P2P Platform for Domestic Help and Workers in Micro-enterprises



Before



- ~40 million individuals work as home help (cooks, security guards, maids, drivers)
- Most, especially women, will stop working in their early 50s. But will live till ~80
- Frequent migration across jobs and cities
- Demand aggregation could produce lower costs. But home help are traditionally not members of any union or group
- Low literacy, low financial literacy and negligible experience with modern finance
- Disaggregated, “invisible workforce”; Difficult to locate, reach, educate and enrol for pension and insurance programs using traditional finance sales models at an affordable transaction cost



After

Gift Pension

Concept: <https://goo.gl/yokNrU>
How it works: <https://goo.gl/Zulpfz>



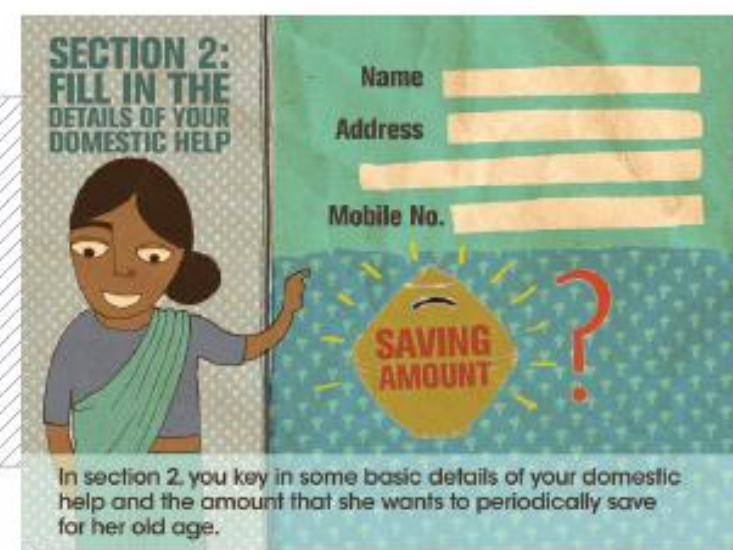
Instant Outreach and High Quality Retirement Literacy



Non-linear outreach and distribution model. *Instantly* reaches millions of individual home help across India through their employers without incurring the traditional finance sales and distribution costs.



Financial literacy and knowledge delivery by educated employers using web-based tools. Zero incentives to miss-sell. Financial literacy process is neither time-bound nor “transaction” related.



Digital application forms for an integrated social security solution impose near zero overhead on employers. Digital applications also mitigate the risk of data entry errors. Employers undertake data entry and KYC verification for their home help.



Non-linear Distribution Costs and Portable Accounts



Low non-linear costs through web-based outreach, product bundling, negotiated contracts with product partners, client aggregation and risk pooling. Employers bear courier and front-end enrolment processing cost (<\$5/ home help - one-time). Periodic and on-demand account statements emailed directly to employers.



Unique, portable, *client-centric* individual accounts issued and administered by a central IT platform. This platform integrates and manages the full ecosystem (products, payments, helpline, services), produces persistency MIS and stores individual client-level static, transactional and financial data over time across all products.



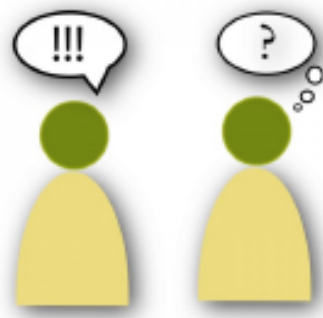
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Using IT for Customer Protection and Uninterrupted, Single-window Uniform Quality Services



Before



Zero visibility on the sales process; Potential for miss-sales leading to poor persistency and dormant accounts



Client relationship with field partner will be shorter than tenure of their relationship with the pension system; Risk of services interruption



Low visibility on complaints; Potential gaps in customer protection



Non-uniform service quality; Potential for delayed claims settlement



After



Concurrent audit of client knowledge/ sales process compliance

HelpLine calls back new clients to verify knowledge and understanding of concepts, product features, benefits, rights and processes; Also verifies field process compliance



Direct two-way client connect; No clients are ever “orphaned”

Clients simply call the HelpLine even if they change their location or stop interacting with the field partner; Reminders for upcoming contributions especially to irregular savers



Simple, central complaints filing and redressal process

Complaints and special client requests are centrally received, diligently monitored and automatically escalated on the basis of pre-agreed TATs / SLAs with partners

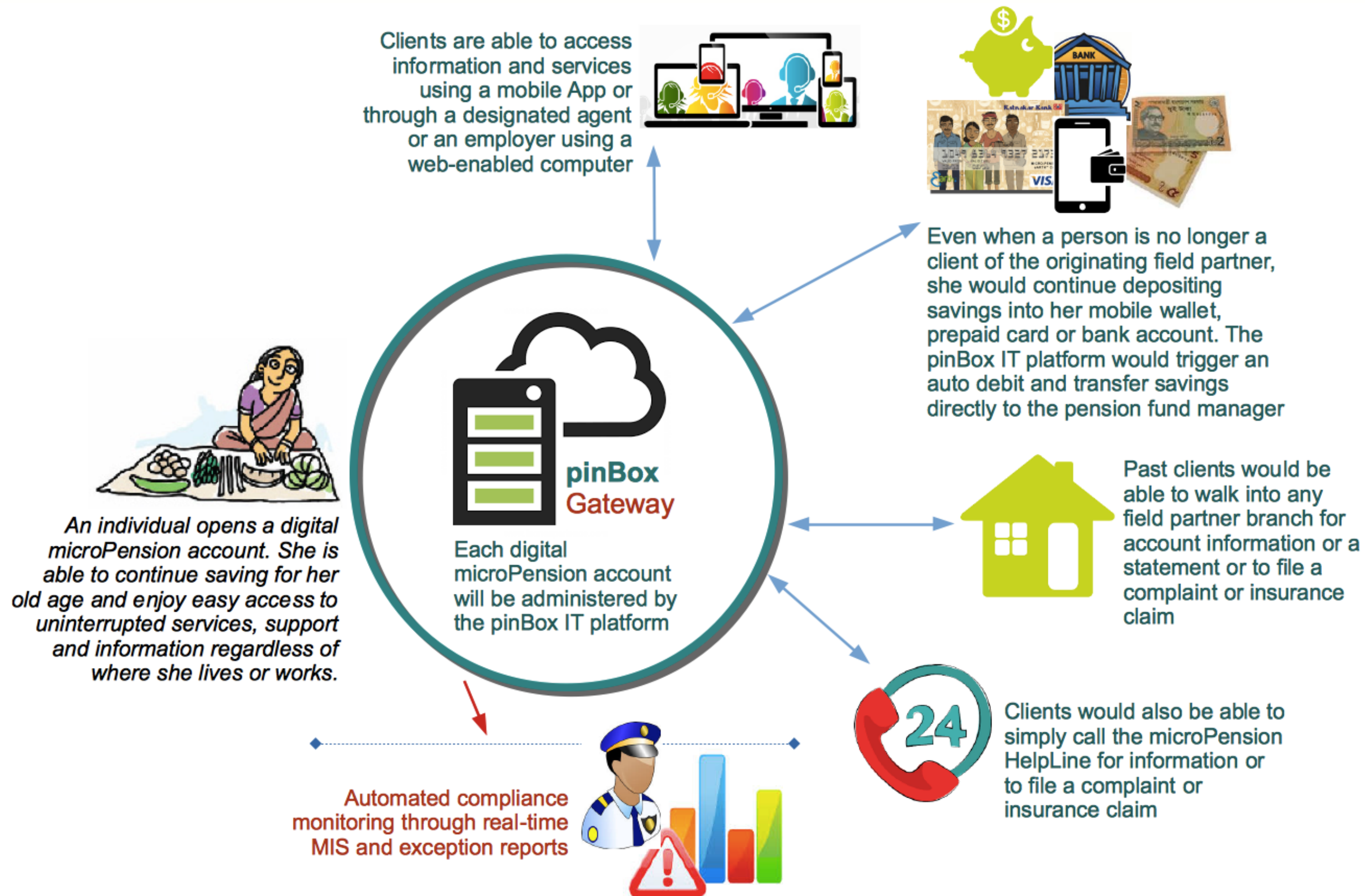


Single port for filing insurance claims; Uniform services quality

HelpLine records claim requests and initiates claims settlement; Verifies receipt of pension benefits and insurance claims settlement



Unbundle Enrolment and Payments for microPension Account and Services Portability



Ideal microPensions Model for Informal Sector

- Government pre-opens an integrated pension and insurance account linked to each working-age Indian's NID-seeded bank account.
- Comprehensive media campaign to promote retirement savings and publicize the initiative.
- A citizen would need to only “activate” her social security account by submitting an auto-debit mandate to her bank. Thereafter, she would need to only deposit money into her own bank account in line with her own unique cash-flow.
- Her bank would automatically transfer her pension savings periodically to a designated pension fund as per her auto-debit mandate. Her savings would be invested in her name and would grow over time.
- She would have secure and convenient single-window access to information and transactional services from multiple locations – even if she changed her location or job. Service quality would be uniform across locations.
- She would be protected against miss-selling, fraud, high fees and charges and from delayed claims by a transparent, digital process and an effective complaints redressal mechanism.
- When she becomes old, a part of her savings would be automatically paid back as a lump-sum into her account. Her remaining savings would flow back as an indexed pension for life.



This is beginning to work in India....



But we need to work faster to meet the growing demand



THANK YOU FOR YOUR TIME

*pinBox is a global fintech enterprise committed to
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