

SOCIAL MARKETING - THE NEED OF THE HOUR TO BRIDGE THE COVERAGE GAP IN THE PENSION SECTOR

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Abstract:

The pension schemes and pension products are targeted on two major sectors, the people employed in the formal sector and the people involved in the informal sector. Marketing of pension products to these two sectors would be radically different. This article deals with the varying marketing methods to be used in the two sectors so as to arrest the coverage gap that exists in the Pension Sector.

Keywords: Pension Reforms, Informal sector workers, Micro-pension

I. INTRODUCTION

The new pension system (NPS) introduced by the government of India is South Asia's first DC (defined contribution) pension scheme with individual retirement accounts, product choices, professional fund management by competing private fund managers and portability through centralized record keeping and administration. Participation in this scheme is mandatory for all new employees of the central government. This scheme will be offered to other employers and workers, including state government and informal sector workers. The department of economic affairs (IDEA) under the ministry of finance, has been charged with the responsibility of setting up the pension fund regulatory and development authority (PFRDA) and implementing the legislative, policy, regulatory and institutional framework for the NPS.

So, the pension schemes and pension products are targeted on two major sectors, the people employed in the formal sector and the people involved in the informal sector.

Marketing of pension products to these two sectors would be radically different. This article deals with the varying marketing methods to be used in the two sectors.

First let us deal with the formal sector workers: An analysis was carried out through a questionnaire to find out

- i) factors influencing choice of pension products
- ii) features expected by respondents in pension products

The hypothesis which was set up to analyse the information collected in the study were as follows:

- 1) There is no association between gender and attitude to pension plan policies
- 2) There is no association between nature of employment and attitude to pension plan policies
- 3) There is no association between income of a person and his taking or not taking a pension plan policy
- 4) There is no association between age of a person and his decision to take or not to take a pension policy
- 5) There is no association between the income level of a person' family and his decision to take or not to take a pension plan policy

II. METHODOLOGY

The questionnaire were distributed to 250 respondents (125 questionnaire were distributed to people who have taken pension plan policies and 125 to people who have not). Altogether, 200 respondents were received out of which 175 respondents (70%) were found to be usable, which have been considered for the study. Out of the 175 responses, 75 responses were from respondents who have taken pension plans and 100 responses from people who have not.

Weighted average scores (WAS), percentages, chi-square test and technique of ANOVA have been appointed for the purpose of data analysis.

Chi-square test has been applied (Table 1.) to find out whether there is association between socio-economic factors and decision to take or not to take up a pension plan.

Table 1. Chi-Square Analysis

Sl. No	Socio economic factors	Chi-square value	Level of significance	Table value	Significant / not significant
1	Gender	0.094	5%	3.84	Not significant
2	Age	13.033	5%	9.49	Significant
3	Nature of employment	6.44	5%	5.99	Significant
4	Income of the person	16.44	5%	9.49	Significant
5	Income level of the family	11.95	5%	9.49	Significant

Ten factors that affect the choice of pension plan policy have been considered.(Table 2.) Respondents were asked to rate each factor. For analysis Weighted Average Scores (WAS) have been calculated by providing weights 5,4,3,2 and 1. Very significant (VS), Significant (S), neither significant nor insignificant (NSNIS), insignificant (IS) and very insignificant (VIS)

Table 2. Factors influencing choice of pension products/providers

S.No	Factors	VS	S	NSNIS	IS	VIS	WAS	Ranking
1	Old age security	49	21	5	0	0	4.59	1
2	Customer service of the company	19	35	16	4	1	3.89	6
3	As an investment avenue	26	28	10	7	4	3.87	7
4	Liquidity	10	18	20	14	13	2.97	10
5	Tax incentive	43	19	6	5	2	4.28	3
6	Advertisement	3	22	29	18	3	3.05	9
7	Influence of agents	23	31	6	11	4	3.77	8
8	Favourable terms and conditions	23	32	19	1	0	4.03	5
9	Reputation of the company	34	27	10	3	1	4.2	4
10	Return(pension)	43	24	3	2	3	4.36	2

The results of the analysis show that as far as the factors which influences choice of pension plans go, the respondents on an average rated

- i) old age security as the first and important factor
- ii) return (pension) as the second factor
- iii) tax incentives as the third factor
- iv) reputation of the company as the fourth factor
- v) favourable terms and conditions as the fifth factor

Marketing strategies of pension product providers should emphasise on these factors, so as to easily reach the people. Analysis of features expected by respondents in pension plan policies; The same procedure has been adopted here too, and the results are shown in Table 3.

As far as the features expected by respondents in the pension products go, the analysis revealed the following results.

Table 3. Factors influencing choice of pension plan policies.

S.No	Factors	VS	S	NSNIS	IS	VIS	WAS	RANKING
1	Flexibility to increase or decrease the sum assured	15	28	15	8	9	3.43	6
2	Flexibility in premium payments and premium holidays	11	37	12	9	6	3.5	5
3	Flexibility in cash withdrawals	11	22	16	14	12	3.08	7
4	Market linked returns	40	24	4	4	3	4.25	1
5	Grievance redressal	18	36	11	5	5	3.76	4
6	Information adequacy of pension plans	25	38	6	4	2	4.07	3
7	Prompt service	31	34	2	7	1	4.16	2

- i) respondents expected market-linked returns, which was given as the highest requirement
- ii) the second rating went to prompt service
- iii) the third required feature was information adequacy
- iv) the fourth requirement was a grievance redressal
- v) the fifth feature expected was flexibility in premium payments and premium holidays
- vi) the sixth was flexibility to increase or decrease the sum assured
- vii) the seventh requirement was flexibility in cash withdrawals

If the pension providers can incorporate and produce products which would satisfy these requirements, the pension products would attract more people into its net and thereby reduce the coverage gap that exists in the pension sector.

The analysis was further put through an f-test (ANOVA) to see if the different income groups and different age groups attached varying importance to the factors influencing choice and features expected shown below in Table 4.

Table 4. ANNOVA for Income & Age

Income Levels	Indicated as
Less than 50000	I-1
50000-100000	I-2
100000-200000	I-3
200000-500000	I-4
More than 500000	I-5

The results of ANVOA are as follows:

Weighted average score and f-test (Technique of ANOVA) were used to find out significant factors influencing the choice of pension plans and features expected in a pension plan both age-wise and income wise.(Table 5 &6)

Table 5. Weighted Average Score (Income wise)

SI.No	Factors	I-1	I-2	I-3	I-4	I-5
1	Old age security	5	4.5	4.69	4.69	4.2
2	Customer service to the company	4	3.92	3.83	4	3.6
3	As an investment avenue	2.33	3.42	3.97	4.04	4.4
4	Liquidity	1.33	3.17	3.45	2.73	1.6
5	Tax incentive	2.67	3.92	4.34	4.73	4.4
6	Advertisement	3.67	2.75	2.97	3.23	3
7	Influence of agents	4.67	3.75	3.41	3.92	4.4
8	Favourable terms and conditions	4.67	4	3.83	4.23	4.2
9	Reputation of the company	5	4.08	4	4.46	4.4
10	Returns(pension)	5	4.3	4.03	4.5	4.2

Table 6. F-test analysis

Source	f-value	Level of significance	Table value	Significant / insignificant
Between columns	0.730	5%	2.26	Insignificant
Between rows	14.14	5%	2.1240	significant

The ANOVA results, thus indicates that as regards WAS, the different income groups attach similar importance to different factors, whereas the importance ratings of different factors do differ significantly.(Table 7&8)

Table 7. Weighted Average Scores for the features expected from a pension plan (income wise)

SI.No	Factors	I-1	I-2	I-3	I-4	I-5
1	Flexibility to increase or decrease the sum assured	2.67	3.92	3.38	3.5	2.6
2	Flexibility in premium payments and premium holidays	3.67	4.08	3.59	3.31	2.6
3	Flexibility in cash withdrawals	1.33	3.67	3.14	3.04	2.6
4	Market linked returns	5	4.25	4.13	4.11	4.8
5	Grievance redressal	3	4.17	3.69	3.58	4.4
6	Information adequacy of pension plans	4.67	3.75	4.31	4.15	4.6
7	Prompt service	4.67	4.42	3.72	4.35	4.8

Table 8. F-test analysis

Source	f-value	Level of significance	Table value	Significant / insignificant
Between columns	6.79	5%	2.6060	Significant
Between rows	12.73	5%	2.1240	Significant

ANOVA tests reveals that 5% level of significance as regards the WAS of factors that influenced the pension plan holders, choice of pension plans of different age groups gave different importance to different factors. Also the importance rating of different factors differs significantly. A similar analysis was done for age wise calculation(Table 9.)

Table 9. Age wise Calculation

Age levels of respondents	Indicated as
21-30	A-1
31-40	A-2
41-50	A-3
51-60	A-4
MORE THAN 60	A-5

Table 10 & 11 showing the WAS for the features expected fro a pension plan (age wise), f-test.

Table 10. WAS for the features

SI.No	Features	A-1	A-2	A-3	A-4	A-5
1	Flexibility to increase or decrease the sum assured	4.2	3.69	3.08	2.94	5
2	Flexibility in premium payments and premium holidays	4.07	3.06	3.16	2.94	5
3	Flexibility in cash withdrawals	3.53	3.37	2.88	2.61	5
4	Market linked returns	4.47	4.19	4.2	4.17	5
5	Grievance redressal	4.53	4	3.48	3.28	4
6	Information adequacy of pension plans	4.27	4.06	3.8	4.28	4
7	Prompt service	4.4	4.12	3.72	4.56	5

Table 11. F-Test analysis

Source	f-value	Level of significance	Table value	Significant / Insignificant
Between columns	0.616	5%	2.7763	Significant
Between rows	6.49	5%	2.5082	Insignificant

The ANOVA results thus indicates that as regards WAS, the different income groups attach similar importance to different factors(features) whereas the importance rating of different factors (features) do differ significantly.

A similar exercise was performed on the age wise distribution and the results are as follows in Table 12 & 13)

Table 12. Age wise Distribution

Sl. No	Factors	A-1	A-2	A-3	A-4	A-5
1	Old age security	4.6	4.8	4.44	4.56	5
2	Customer service to the company	4.13	4.4	3.68	3.89	4
3	As an investment avenue	3.6	3.4	4.2	4.06	4
4	Liquidity	3.07	3.44	2.84	2.61	4
5	Tax incentive	3.93	3.88	4.52	4.56	5
6	Advertisement	3.07	2.62	3	3.56	3
7	Influence of agents	3.47	3.44	3.76	4.39	5
8	Favourable terms and conditions	3.67	4.06	3.92	4.39	5
9	Reputation of the company	4.2	4.12	3.92	4.61	5
10	Returns(pension)	4.6	4.75	4.08	4.17	5

Table 13. F-Test Analysis

Source	f-value	Level of significance	Table value	Significant / Insignificant
Between columns	10.17	5%	2.7763	Significant
Between rows	3.06	5%	2.5082	Significant

As regards WAS of features different age group gave different importance to different features expected. Also the difference rating of different features differs significantly.

The results of the above analysis thus indicate that Pension product providers must devise different types of products according to the age group of people, as their expectations are different. The same results were evident in the f-test run for features expected.

Marketing strategies should thus be in such a way that pension providers treat each Customer as a separate entity and provide him with tailored advice thus pushing the right customer to the right channel.

Customers need for advice and choice is a major issue that players must address. Sophisticated Internet functionality, CRM programmes and focused sales force training will help deliver personalized advice at low cost. To offer more choice, players should consider the benefits of offering competing products and moving towards an open architecture.

But all this is possible only in the case of formal sector

worker. But the financial literacy of informal sector workers is very poor. We cannot expect the informal sector workers to take such well informed decisions regarding their future.

III. FINANCIAL LITERACY SURVEY

An analysis was done to understand the level of financial literacy of the formal sector workers. The results of the questionnaire show that:

- a) People had not given much thought to retirement savings
- b) People were not able to estimate the lump sum required
- c) People still rated investment in Government bonds to be the most preferred mode of investment
- d) They were not aware of their current value investment portfolio and they rarely bothered to calculate it
- e) People were not much aware of the functioning of mutual funds
- f) People hardly make use of the facilities of modern financial markets
- g) Very few people took the advice of financial agents to make investment decisions
- h) Very few people were aware of the previous year's and current year's inflation rate
- i) Many people were willing to learn about financial planning but were not willing to pay for it

The results of the financial literacy survey which was a part of the questionnaire have been diagrammatically represented as follows: (Figure 1 to 5)

Do you think your children will take care of you after retirement ?

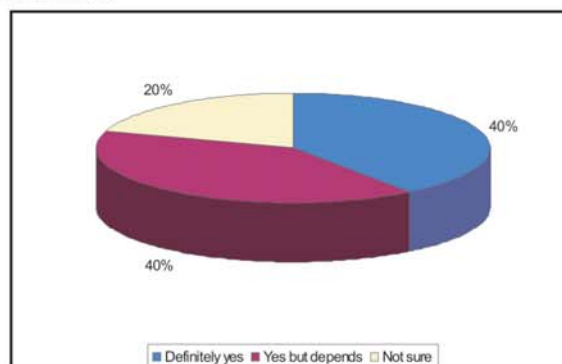


Fig. 1. Financial literacy survey 1

Can you estimate the lump sum accumulation required to meet your post retirement period?

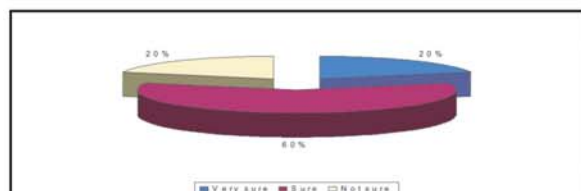


Fig. 2. Financial literacy survey 2

How do you take financial decision?

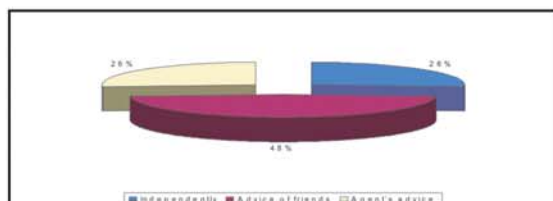


Fig. 3. Financial literacy survey 3

Most trusted source for financial advice and information?

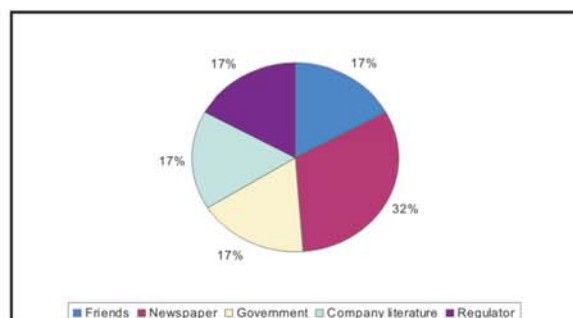


Fig. 4. Financial literacy survey 4

Do you want your children to learn about financial planning in schools and colleges?

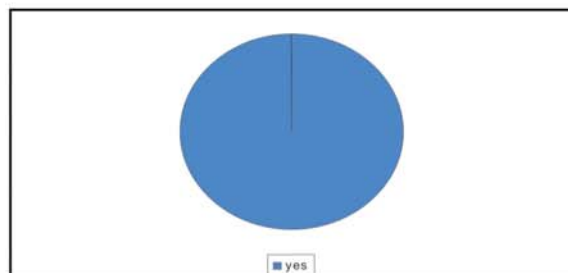


Fig. 5. Financial literacy survey 5

So we can very easily come to the conclusion that in a country like ours, where the level of financial literacy is not up to the desired level among formal sector workers, we can well imagine the level of the informal sector workers.

Marketing of pension products to the informal sector workers must be on a totally different perspective. One has to keep in mind that we are talking of almost 300 million workers in a situation of low literacy, low financial literacy, small contributions and a negligible impact of tax incentives. If the new pension reforms have to work, a lot of input is required in this area.

The concept of "Regular Monthly Salary" is alien to most of India's population. Apart from this, problem of regular saving is aggravated in the unorganized sector like agriculture, construction workers, beedi-factory workers, artisans, craftsmen etc, due to

- 1) frequent change in jobs
- 2) many are self-employed
- 3) frequent shifting from place to place
- 4) temporary unemployment periods

To tap the unorganized sector, special marketing efforts should be undertaken, on the following grounds:

- 1) market research for identifying more potential business pockets
- 2) more products with various choices should be developed to attract more customers
- 3) more efficient marketing force to tap the emerging markets
- 4) awareness campaigns on a mass scale to target public education
- 5) awareness campaigns in schools and colleges to inculcate the spirit of saving
- 6) simple advertisements which will reach the mass, information literature and films can be prepared
- 7) web facility to give knowledge on retirement savings
- 8) small amounts can be saved and schemes to tap these savings can be developed.

To succeed in the future, players must develop an integrated multi-channel strategy. An expected demographic shift leading to an exponentially larger elderly population coupled with poor people's willingness and ability to save for old age indicates that it is time for the pension sector to build efficient and effective instruments

to help the informal sector save for old age. This is where the concept of MICROPENSIONS comes in.

What is micropensions all about?

Micro pensions is a concept whereby the poor people are sensitized towards the need to accumulate a corpus which will help them to take care of themselves in old age ,by saving small amounts during their working lives. The process of creating awareness for the poor towards this aspect can be effectively taken over by the NGOs, SHGs, MFIs and Development Banks. Some of these institutions have already taken initiatives in this regard.

For instance Activists For Social Alternatives [ASA] an MFI based in Trichirapalli ,Tamilnadu has initiated a micro pension plan for the poor people who are its members. Another institution which has taken a step forward in this direction is SHEPERD, a NGO again based in the same place. Both these institutions have found that their venture has found the favour of many of its members. We also have SEWA Bank offering a micro pension plan to its members in conjunction with UTI

Grammen Bank had started the Grammen Pension Savings [GPS] six years back and has found that the total number of members and the total contribution to the GPS have almost trebled over the six years. Such is the might of this concept. If SHGs, NGOs, MFIs and Banks can partner themselves with the right service providers, the concept of micro pensions is sure to pave the way for a fairly comfortable old age for the poor people in the informal sector.

IV. THE FUTURE OF MICROPENSION PRODUCTS

The future of Micro pension funds depends on how effectively we can specifically cater to the hard-to-reach informal sector. Microfinance institutions must overcome any weak information systems regarding collection functions and record keeping. Microfinance institutions and non-governmental organizations must alter their perception of pension funds as sources of long-term capital for institutional use because this puts elderly client benefits at risk. If along with this, the skills necessary for asset management and investment functions, which differ for microfinance products and services can be enhanced, definitely the poor people can benefit from this concept.

Above all this, the future of micro pensions lies in the hands of the staff of the MFIs, NGOs, Banks and the team leaders of the Self help groups, who must be able to

explain ideas of financial planning, risk, and yield to poor clients.

With the development of Hybrid schemes that have similarities to savings products will be more likely to attract clients lacking complete financial literacy in comparison to pure pension plans, the micro pensions concept can reach out to a largely untapped market and successfully create safety nets for elderly poor people.

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