DATAWORKS

The Sleeping Giant
PRIVATE PENSION MARKETS IN INDIA

An IIMS Dataworks Research Report

PINBOX SOLUTIONS

FOREWORD

In 2004, Government of India took the first steps towards establishing a self sustaining and broad-based retirement pension system for the country when it moved away from unfunded defined benefit pensions for government employees in favour of a contributory system. Since then, most State Governments have seen the necessity and merit of following suit and 19 States have already adopted a similar approach. With the process of implementation of the new pension system for public servants (NPS) now well advanced, the focus of attention will turn increasingly to the next stage of the reform agenda – which is the old age income security needs of the wider workforce.

The Indian economy is growing rapidly. Increase in the level of income has brought with it many benefits for the Indian population. Job opportunities are expanding and with that household incomes are rising rapidly. As a result, everyday Indians are now enjoying the conveniences of life enjoyed elsewhere in the world. A problem for government and business alike however is that the pace of change has been rather rapid, and much of what needs to be understood clearly to guide good policy and business strategies in the transition from the old to the new Indian economy still lies largely out of view, or is seen only partially.

A case in point has been the debate surrounding the NPS which has lacked any empirical basis for testing the efficacy of the various viewpoints that exist on an optimum design for the NPS. Through this Report, IIMS Dataworks has focused on the task of providing us with that empirical basis. The evidence in this Report clearly demonstrates that there is a high level of anxiety among unorganised sector workers in India about their old age security by reason of increasing uncertainties that they will be supported by their children in old age, with as many as two thirds believing that support from children will not be forthcoming. Whether this proves to be the case of course still lies in the future but the rapid growth in nuclear families that are now the norm in India, an increasingly mobile workforce and expanding urbanisation of the population suggests that their assessment is in all probability accurate. Unlike in the past therefore, Indians increasingly will need to self-provide for their own retirement.

The issue of pension system design has been the subject of intensive research around the world for decades because of the significant social and financial imperatives it involves. In the process, best practice models and approaches have emerged that are now widely supported. The Indian Government's approach to its own pension reform agenda has been to leverage international experience to avert falling into the problems other countries with more mature pension systems have experienced. How everyday Indians would respond to international best practice design however has remained an unanswered question until now. Encouragingly, the IIMS Dataworks research, based on a representative pan-Indian survey, shows an overwhelming level of support for the NPS design with eighty percent and more of Indian workers subscribing to the value of key design features. The IIMS Dataworks research also gives us a better insight into the issue of asset management norms that Indians would support and shows that there is at least willingness on the part of many potential pension contributors to place their savings in securities markets.

Equally encouraging is that the signs are positive on the all important questions of whether Indians would participate in voluntary pension savings in good numbers, and whether the country's financial sector institutional frameworks are adequate for delivering a broad based pension scheme for low income as well as middle and high income individuals at an acceptable cost. The IIMS Dataworks research shows that as many as eighty million workers would be willing to participate in such a scheme. Of this large number, more than two thirds are already connected to the banking system while most of the remainder can be reached through other existing distribution channels such as India Post. Giving these understandings, wider currency should assist in achieving more considered public debate, as well as instilling the necessary level of confidence in the financial sector that there is a highly attractive business opportunity to pursue and that their existing infrastructure is adequate for delivering the necessary results.

Going forward, the importance of succeeding at establishing a vibrant pension sector in the country cannot be underestimated. Doing that, and doing it well, will be one of the determinants of the health and stability of the country's capital markets because of the boost in long term savings that pension contributions bring, and even more importantly for the contribution it can make to reducing the level of old age poverty that continues to plague the country.

D Swarup
Chairman
Pension Fund Regulatory and Development Authority
April 2008

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Overview

In January 2004 the Union Government took the first steps towards establishing a much overdue broad based retirement pensions system in India when it truncated unfunded pensions for the country's civil servants in favour of a contributory scheme in the form of the New Pension System (NPS). In the wings were plans to quickly extend the arrangements on a voluntary basis to India's wider workforce of over 400 million workers who, with few exceptions, have little to fall back on in old age apart from whatever savings they are able to marshal during their active working life and an increasingly fragile family support system.

Four years on in one of the sadder ironies of India's commitment to democratic processes is that little progress has been made. At the heart of the inertia are the self-styled advocates of the people in the person of left leaning politicians still struggling to accept the country's march to full market economy status with all the trappings that this involves. While the left inevitably will lose this debate, the damage being caused to the welfare of India's future elderly is palpable for it is blocking interest in participating in a broad based retirement savings system among a significantly large number of Indian workers interested to save for their retirement. In the process domestic capital markets are suffering also as they still lack the mass of stable long term investment that a vibrant private pensions system offers.

In this Report we present evidence from the Invest India Dataworks Income and Saving Survey (IISS 2007) that sizes and segments latent demand for pensions as a guide for government and commercial interests alike in considering pension business opportunities in the country. What this reveals is that at the present time there are over eight crore workers who see the need for, and value of, a voluntary contributory retirement savings system. This compares with an estimated two crore persons only who are presently saving for their retirement in life insurance and other financial products. If latent demand for pensions from these groups were fully harnessed, Indian workers would contribute an estimated Rupees 57,000 crore to the NPS in the first full year of operations. Up to 20 percent of these workers (1.6 crore workers) we believe are prime prospects and likely to start saving for their retirement as soon as appropriate products are offered to them. Lying beyond are 3.7 crore government and private sector workers who are covered by the various long standing mandated pension schemes in the country. What is of interest in this group is that there is a significant number who obviously feel that there mandated entitlements are inadequate and who would be interested to participate in a voluntary retirement savings scheme as well to supplement their work-based pension entitlements.

What is most encouraging about the composition of latent demand is that it is broad based with an even geographical spread, and it encompasses the full span of age, income and occupational cohorts. Just under 70 percent of the latent demand market has an existing bank account and a further 17 percent have savings with India Post. Half also are existing customers of life insurance companies. Sales and distribution indicators to bring a broad based voluntary pension scheme into being therefore are on the whole very positive as existing institutional infrastructure should be capable of being successfully leveraged without the need of significant new infrastructure investment. For the interest of subscribers to this Report we also present the particular bank and insurance brand affiliations of both the larger eight crore and smaller 1.6 crore latent demand groups.

Success with mobilising latent demand will depend on the strength of product design and marketing strategies and the Report presents an evidence based view from IISS 2007 results as a guide for this purpose. In the process of so doing the Report explodes certain myths in relation to the risk profile of Indian investors and the traditional cultural disposition of Indian households to resolve income support needs in retirement through familial networks that in the past have provided a substitute for formal retirement support systems. Like much of the country's past, these cultural dispositions are rapidly receding leaving workers increasingly exposed to the prospect of old age poverty. In the case of the assumed risk appetites of potential pension subscribers, IISS data offers some insights into the actual rather than the assumed risk perceptions of the latent demand group demonstrating that the case made against offering subscribers securities investment options as part of a broad based pension system has been exaggerated.

IIMS Dataworks

Retirement Savings Patterns in India

In 2007 the Indian adult workforce was more than 430 million strong, an estimated 321 million of whom were deriving direct personal incomes against their against their primary occupations. Of the latter number, some 22 million were in public sector employment by virtue of which fact they were covered by mandatory pension arrangements. In addition, there were an estimated 15 million private sector employees covered by the Employees Provident Fund arrangements. In total this meant that only one in nine members of the paid workforce had retirement income guarantees of one kind or another, leaving almost 90 percent, or 284 million workers uncovered.

As part of its pan–India Income and Savings Survey (IISS 2007), Dataworks sought information from respondents on their retirement intentions and expectations in the context of their existing savings preferences, the principal aim of which was to provide a basis for assessing potential demand for voluntary pension arrangements of the kind represented by the NPS. As part of this effort, the first ever information was collected to provide an understanding of who among those uncovered workers are making transparent savings for retirement through life insurance and other savings products. For this purpose respondents were asked to nominate whether building retirement savings was a primary savings objective. As the results in the table below demonstrate, fewer than one in fourteen uncovered workers presently are consciously saving for retirement and the amounts being saved in most cases are patently inadequate as they represent, in the average case, between only one and one and one half times their average annual earnings.

Existing Private Savings for Retirement

	Total group	Formal sector workers*	Informal sector workers
Number saving privately for retirement (Million)	5.6	0.8	4.8
Estimated total savings of the group (Rs. Crore)	22,900	4,950	17,950
Average per capita retirment savings accumulations as a factor of average annual earnings of the group	1.0	0.4	1.3

* The formal sector employees are those in government salaried workers and those who are working in private sector firms with more than 20 employees.

Probable reasons for voluntary savings for retirement in India being at such low levels include:

• Earnings levels and with that savings capacities in the past have been low. However, this situation has changed dramatically in the past ten years and all but the lowest paid workers are now positioned to make savings, including long-term savings. In the past three years alone for example average annual earnings in India have grown by some 70 percent and further exponential growth in the future can be expected;

• Average life expectancy of earlier generations of workers was low with the result that financial needs in old age were not an issue for most as they did not survive beyond age sixty. IISS 2007 results show that this perception is still widespread with less than one in eight workers believing that they will survive into their seventies. However, demographic studies show that average life expectancy for those aged 60 years has already extended to nearly twenty years, and for the generation of workers now in middle age longevity can be expected to extend further. What this means is that the present generation of workers in India is the first for whom retirement and retirement needs generally will be an issue, and once this is recognised, interest in retirement savings can be expected to increase sharply;

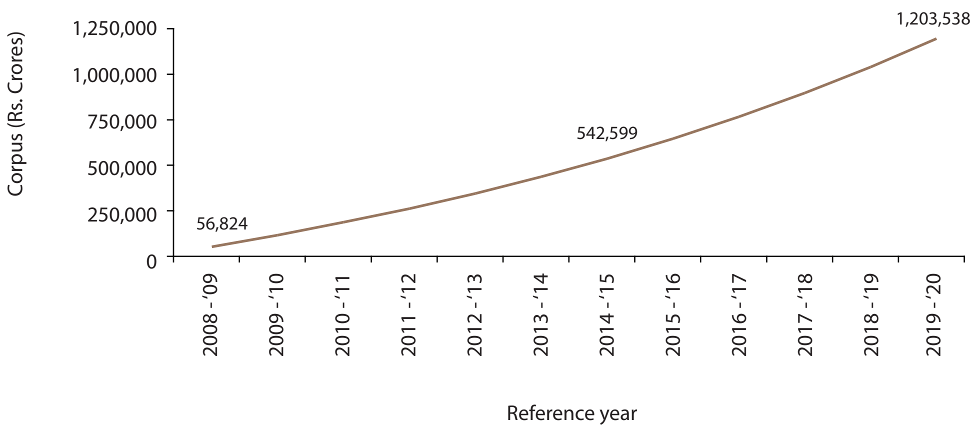
• Traditional family support systems in India in the past have been strong with the result that for many, if not most, workers retirement needs were a non-issue. However, the once predominant extended family living arrangements are fast receding into history as over half of all households in India (56%) are now nuclear family households. This, together with the increasing urbanisation of the workforce means that more workers can be expected to accept the need for self-providing for their own retirement needs in the future. IISS 2007 shows that many workers already recognise that support from family in old age is a fragile proposition with nearly 60 percent expecting to receive little or no financial support from children in their old age;

• By reason of these and other factors financial product providers in India have not sought to market retirement savings schemes aggressively in the past in the belief that a mass market for such products was not present.

These paradigm shifts mean that the market for private pensions in India is poised to grow quickly if the correct savings products and marketing strategies are put in place. The IISS 2007 results show that if this is done the potential market for private, voluntary pensions is immediate with up to an estimated eight crore workers ready to participate in a retirement savings scheme with NPS-type features once it is offered to them.

If this full group could be captured as customers, based on survey responses of regular amounts individuals would be prepared to contribute an annual corpus of Rupees 57,000 crore would eventuate. By way of illustration, a participation rate at this level would produce Rupees 1,203,538 crores in the twelfth year of operations

Illustrative Growth of NPS Corpus



Reference year	2008 - '09	2009 - '10	2010 - '11	2011 - '12	2012 - '13	2013 - '14
Corpus (Rs. Cr.)	56,824	120,578	191,918	266,151	350,112	442,032

Reference year	2014 - '15	2015 - '16	2016 - '17	2017 - '18	2018 - '19	2019 - '20
Corpus (Rs. Cr.)	542,599	652,559	772,721	903,959	1,047,222	1,203,538

Pension Product Design

As a guide for assessing retirement savings product design features for government and private providers alike, IISS 2007 quizzed respondents on a range of possible product features commonly associated with voluntary contributory pension schemes elsewhere (see results in the Table below). What this reveals is an overwhelming level of comfort among potential contributors with the key design features of normative pension savings arrangements. Of interest also is the fact that despite concerns expressed in some quarters that investing savings in securities markets is of concern by reason of risk factors, less than one in four of the eight crore potential contributors in fact share this concern.

These understandings should provide policy makers with the necessary confidence in designing and launching the NPS along its intended lines for the wider workforce as well as providing guidance for commercial interests in and outside of India considering pension and superannuation product launches to capture market share of the emerging retirement savings market. Most encouraging for government and commercial interests alike is the high acceptance level of the need for a long-term savings ethic and locking in savings for the future. Of interest also is the degree of comfort with receiving a regular income stream in retirement rather than lump sum payments.

Acceptance Levels of Normative Pension Design Features*

In percent

Features	Accepting	Not accepting	No opinion
Make regular savings for 15 - 20 years	95	5	-
Minimum monthly savings of Rs. 100 required	97	3	-
Savings cannot be withdrawn before age 58	76	21	3
Minimal tax benefits will be available	58	28	14
Contributors will decide how their savings are invested	87	10	3
Contributors will be offered periodic opportunities to alter their chosen investment preferences	80	13	7
Contributors may choose to invest their savings in securities	34	22	44
Savings held in an account that is the sole property of the contributor	87	12	1
Nominees to be paid savings in the event of the premature death of the contributor	93	5	2
Contributor accounts will not be impacted by change of job or address	84	14	2
Benefits will be paid as a regular monthly amount post-retirement	89	8	3

* Percents have been rounded to the nearest whole percent.

In order to assess which are the scheme features that are likely to influence acceptability of NPS among the India's paid workforce, a step wise linear regression model was run using the 11 features as the independent variables and the level of interest in joining a regulated voluntary retirement scheme as the dependant variable. Naturally, this analysis was done for the entire respondent base, irrespective of their willingness or otherwise to join NPS. The findings assume critical importance for product manufacturers for it gives them clear insights as to what features will have to be emphasized while designing and offering for specific client segments, both in case of product architecture as well as headline propositions.

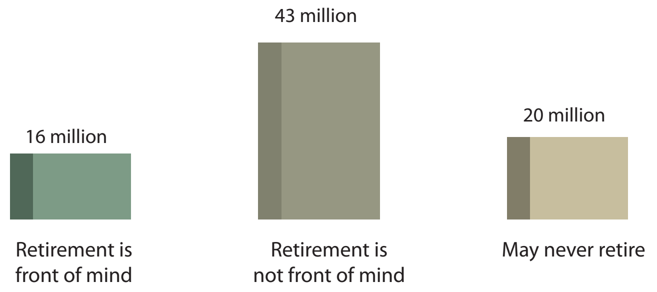
Proposed Model Characteristics for Different Customer Segments

Customer Segment	Model summary (key influencing factors)
Aged below 30 years	· A part of your savings will be paid to you as a regular monthly payment after you retire · You will be given regular opportunities to change your investment choices · The amount you want to save each month is up to you but would need to be at least Rs. 100 per month
Aged 30 – 45 years	· A part of your savings will be paid to you as a regular monthly payment after you retire · You will be given regular opportunities to change your investment choices · You will keep the same account even if you change your job or place of residence
Aged above 45 years	· A part of your savings will be paid to you as a regular monthly payment after you retire · You will be given regular opportunities to change your investment choices
With incomes less than 1 lakh	· A part of your savings will be paid to you as a regular monthly payment after you retire · You will be given regular opportunities to change your investment choices · The amount you want to save each month is up to you but would need to be at least Rs. 100 per month
With incomes 1 - 2.5 lakh	· A part of your savings will be paid to you as a regular monthly payment after you retire · You will be given regular opportunities to change your investment choices
With incomes above 2.5 lakh	· A part of your savings will be paid to you as a regular monthly payment after you retire · You will be able to invest in stock market shares if you want · The amount you want to save each month is up to you but would need to be at least Rs. 100 per month

Profile of the Pension Ready Population

On the basis of IISS 2007 results, we estimate that at the present time there are some eight crore workers in the paid workforce, or approximately one in four paid workers, who are prepared to consider making regular savings for their retirement, if a voluntary regulated pension scheme is launched immediately.

Retirement Intentions of the Latent Demand



What is most encouraging about the nature of this latent demand is that it is broad based, with interest spread reasonably evenly across States and across age, income and occupational cohorts. Latent demand is also overrepresented in urban areas lessening the potential logistical obstructions of rural marketing requirements.

Equally encouraging is the degree of interest among younger workers to commence retirement savings early which will impact positively on the medium-to-long-term stability of savings corpuses and associated asset management possibilities and options. Similarly, interest in retirement savings among middle and higher income groups is strong inferring that retirement savings values will be commercially attractive

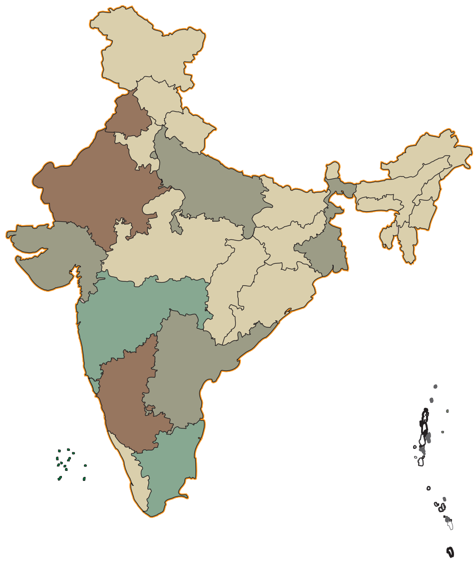
These features indicate that product promotion and marketing requirements will be more generic than niche in nature which has positive implications for associated overheads and the human resource skills sets that will be required to succeed. It also implies that existing institutional sales and distribution channels should be capable of being successfully leveraged to accommodate long term retirement savings products without the need of significant additional infrastructure investment.

State Distribution of Latent Demand for Retirement Savings Schemes*

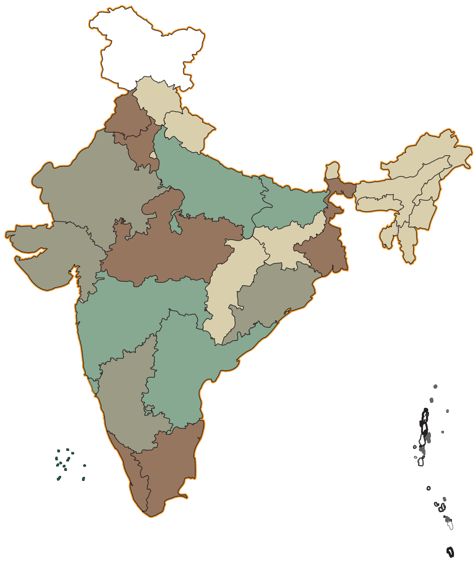
In percent

State	Share of national population	Share of latent pension demand
Uttar Pradesh	12	13
Maharashtra & Goa	10	14
Andhra Pradesh	10	8
Tamil Nadu	9	6
West Bengal	8	5
Bihar	7	7
Madhya Pradesh	6	3
Rajasthan	5	5
Karnataka	6	5
Gujarat	5	7
Orissa	5	4
Kerala	3	3
Jharkhand	2	2
Assam	2	2
Punjab & Chandigarh	2	4
Haryana	2	3
Chhattisgarh	2	1
Delhi	2	3
Other States	2	5

Distribution of Latent Demand in Urban Areas



Distribution of Latent Demand in Rural Areas



less than 1 million

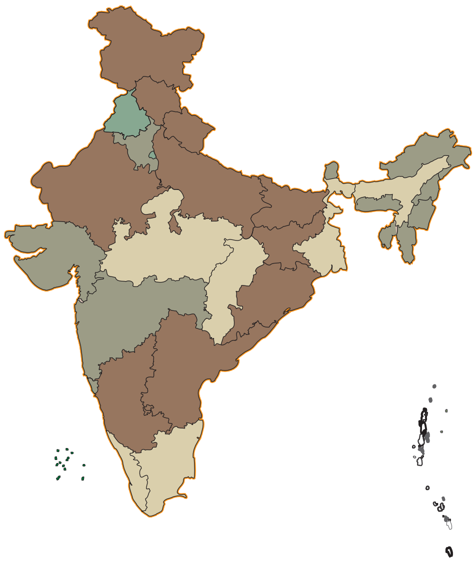
1 - 2 million

2 - 3 million

greater than 3 million

not covered in the survey

Latent Demand as a Proportion of Total Workforce in Each State



10% - 20%

20% - 30%

30% - 40%

greater than 40%

Minimum percent latent demand for NPS within state being 11%

Rural/ Urban Shares*

In percent

Location	Share of national population at the location	Share of latent demand at the location
Rural	71	59
Metro cities	6	10
Cities/towns with populations between 1 and 10 lakhs	13	17
Smaller towns	10	14

* Percents rounded to the nearest whole percent.

Age Distribution*

In percent

Age in years	Share of national population from the age group	Percent of latent demand from the age group
Below or at 25	15	12
26 - 35	32	33
36 - 45	29	34
46 - 55	24	21

* Percents rounded to the nearest whole percent.

Occupation Distribution*

In percent

Occupations	Percent of national population	Percent of latent demand
Agricultural producers	24	26
Wage labourers	35	18
Salaried workers in private enterprise	9	14
Government salaried workers	8	13
Businessmen with employees	6	10
Shopkeepers	5	8
Self employed - non-professional	5	4
Street vendors	4	4
Self employed professionals	1	2
Others	3	2

* Percents rounded to the nearest whole percent.

Income Distribution*

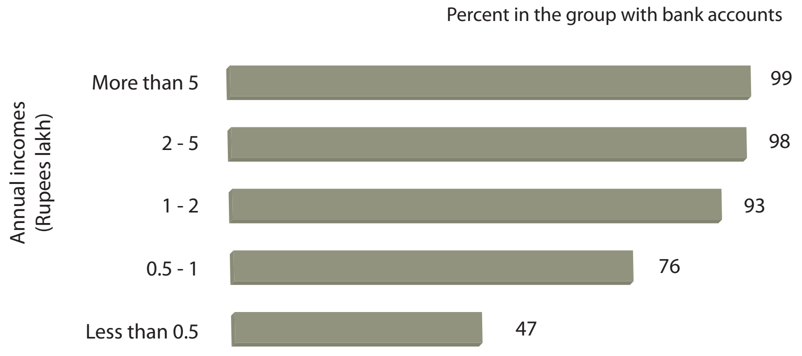
In percent

Annual Incomes (Rupees lakh)	Percent of national population in the income group	Percent of latent demand from the income group
Less than or at 0.5	68	44
0.5 - 1	19	33
1 - 2	8	14
2 - 5	3	6
More than 5	2	3

* Percents rounded to the nearest whole percent.

Underpinning a positive sales and distribution environment is the fact that the latent demand can be reached through bank channels in most cases as 68 percent of workers interested in making retirement savings already have bank accounts. For those workers with higher incomes (above one lakh) bank coverage is higher again, approaching the 100 percent mark for upper and upper middle income groups. Moreover, the average annual bank savings of individuals with bank accounts at Rupees 39,000 suggests that the financial capabilities of the group can easily support regular and meaningful pension contributions. For those without bank accounts, we estimate that a further 17 percent have postal savings accounts which provide a secondary distribution pipe to help close the bank coverage gap, although average annual per capita postal savings are lower at Rupees 15,000. Life insurance channels offer a further potential distribution pipe as 51 percent of the eight crore potential pension customers have existing life insurance plans involving an average annual premium commitment of Rupees 6,000.

Bank Account Coverage of Latent Demand



Bank Brand Attachments of The Latent Demand Group

Bank	Number of bank customers (in lakhs)	Percent of bank customers
State Bank of India	165	31
Cooperative banks	77	14
Punjab National Bank	44	8
Central Bank of India	32	6
ICICI Bank	25	5
Bank of Maharashtra	25	5
Bank of Baroda	22	4
Canara Bank	19	4
Allahabad Bank	17	3
Bank of India	16	3
Dena Bank	15	3
HDFC Bank	12	2
Union Bank of India	11	2
UCO Bank	11	2
Other banks	135	21

Multiple responses possible, numbers do not add up to total bank customers and percents do not add up to 100.
* All Figures rounded to the nearest.

Insurance Brand Attachments of the Latent Demand Group

Insurance Brand	Number of insured persons (in lakhs)	Percent of insured persons with the brand
Life Insurance Corporation	371	96.1
Private Insurers	15	3.9
Both	11	2.8

* All figures are rounded to the nearest.

An issue that has overshadowed the political debate on a broad based pension system in India is what should be the optimum asset management and investment norms that are applied, and in particular how to correctly position investment of contributions in equity markets. On one side of this debate is the paternalistic view that contributions should have minimal, if any, equity exposure because of the risks involved. On the other side are

Postal Savings Customers Among the Latent Demand Group *

State	Percent in the state with postal savings
Kerala	39
Assam	27
Maharashtra & Goa	25
Punjab & Chandigarh	23
Gujarat	22
Karnataka	19
West Bengal	18
Tamil Nadu	18
Orissa	17
Rajasthan	16
Andhra Pradesh	15
Jharkhand	12
North Eastern States	11
Haryana	10
Delhi	10
Bihar	10
Northern Hilly States	10
Madhya Pradesh	10
Chattisgarh	9
Uttar Pradesh	8

Note: Over 10 million of these have both bank and postal savings.
* Percents rounded to the nearest whole percent.

those who argue that positioning retirement savings in booming equity markets, whether directly or per medium of mutual fund investments, should be a key objective to maximise the long term value of savings and boost the eventual income replacement rates that retirement savings produce for customers.

In the following Table we show the IISS 2007 results on the risk perceptions of the latent demand group in relation to 17 different asset classes. What this reveals is that active resistance to investing in securities is relatively low compared to a number of other asset classes, including the renowned appetite of Indians for buying precious metals. The problem is that this result in the case of equities is principally a function of the lack of familiarity of most workers with equity markets (the "no opinion group" in the Table) which tends to validate the concerns of those who argue that offering direct equity investment options to the uninformed customer may lead them unwittingly into an investment that they would not choose otherwise on the basis of their risk perceptions.

Risk Perceptions of Latent Demand*

In percent

Financial instrument	Risky	Not risky	No opinion
Gold	31	66	3
Silver	30	67	3
Chit funds	27	31	42
Livestock	26	61	13
Non Bank Financial Companies	21	38	41
Equities	20	10	70
Self help groups	15	55	30
Microfinance bodies	13	27	60
Commodity futures	13	11	76
Mutual funds	12	17	71
Residential housing	8	89	3
Agricultural land	8	89	3
Residential plot	7	90	3
Central government securities	4	57	39
Bank deposits	3	96	1
Life Insurance	4	91	5
Postal savings schemes	3	95	2

* Percent are rounded to the nearest whole percent.

However, this appears to be less of an issue with mutual funds as the majority of those who have familiarity with mutual funds perceive there being no risk involved in mutual fund investments. This suggests that mutual fund investment opportunities if offered to contributors would, unlike direct equity investment options, achieve a high take up without necessarily impinging on the risk perceptions of the uninformed contributor.

In either case, risk would be rendered a non-issue if effective customer information arrangements that inform customers of the potential benefits and risks of securities investments were in place. In this scenario informed choices would be possible, leaving only those who assess the risks as acceptable as investors.

Kick Starting the Market

The groups of most immediate interest in terms of establishing a pensions customer base are those who are already actively planning their retirement needs and those who are expecting to retire but who for the moment are not making active plans in that direction. These two groups should be rather easier to mobilise than others because retirement needs are already a front of mind issue for them. Together these two groups represent some 5 percent of paid workforce, or some 16 million workers. About one third have entitlements under mandated government pension schemes leaving 11 million informal sector workers who presently are not members of a mandated retirement savings scheme.

This suggests that there are two distinct market segments that need to be targeted differently in initial sales and marketing efforts. The larger segment of over one crore workers who would be making retirement savings for the first time, and a smaller segment of about half that size who while already members of a mandated retirement savings scheme are concerned to top up their mandated benefits with additional savings.

As can be seen from the first of the following Tables, however, the rank order of States of most interest is different to the larger latent demand group. States where demand is highest in the former case are Andhra Pradesh, Bihar Madhya Pradesh, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal, while in the latter case Gujarat, Orissa, Punjab and Rajasthan appear towards the top of the list with Bihar, Madhya Pradesh, Tamil Nadu and West Bengal and dropping down the list. Common States in both lists are Andhra Pradesh, Maharashtra and Uttar Pradesh suggesting that that the early market might most easily be established in those locations. Latent demand for top-up retirement savings for those in mandated pension schemes, over 90 percent of which is sourced with salaried government workers, is also high in these three States.

The rural constituency for the more immediate market is also slightly smaller, and there is a slight drift in favour of metro cities which is on the whole positive in terms of wider sales and distribution constraints. Similarly the age profile of this group is younger with an estimated 45 percent being under the age of 36 compared to 22 percent for the larger latent demand group. A high proportion also has existing bank affiliations with 80 percent having a bank account. However, the incomes of the group are significantly lower with 77 percent having annual incomes of less than one lakh Rupees compared to 41 percent in the case of the larger latent demand group.

State Distribution of Immediate Demand for Retirement Savings Schemes

State	Percent share of those who would be making retirement savings for the first time	Percent share of those who are already making retirement savings
Maharashtra & Goa	9.7	7.6
Orissa	8.6	12.1
Uttar Pradesh	8.4	19.8
Andhra Pradesh	7.5	9.6
Punjab & Chandigarh	6.9	4.9
Rajasthan	6.3	3.8
Gujarat	6.2	3.6
Northern Hilly States	5.8	1.0
Bihar	4.7	9.6
Delhi	4.5	2.2
West Bengal	4.3	2.7
Karnataka	3.9	2.8
Chattisgarh	3.7	3.2
Kerala	3.6	2.6
Haryana	3.5	3.6
Madhya Pradesh	3.4	4.8
Tamil Nadu	2.8	2.0
Assam	2.4	1.3
Jharkhand	2.0	1.9
North Eastern States	1.7	0.9

Rural/Urban Shares*

Location	Percent share of those who would be making retirement savings for the first time	Percent share of those who are already making retirement savings
Rural	68	44
Metro cities	8	11
Cities/ towns with populations between 1 and 10 lakhs	15	23
Smaller towns	11	21

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Income Distribution*

Annual incomes (Rupees lakh)	Percent share of those who would be making retirement savings for the first time	Percent share of those who are already making retirement savings
Less than or at 0.5	47	4
0.5-1	31	37
1 - 2	11	43
2 - 5	6	11
More than 5	5	5

Occupation Distribution*

Occupation	Percent share of those who would be making retirement savings for the first time
Agricultural producers	34
Wage labourers	16
Salaried workers in private enterprise	13
Government contractual workers	3
Businessmen with employees	12
Shopkeepers	10
Self employed - non-professional	5
Street vendors	3
Self employed professionals	3
Others	1

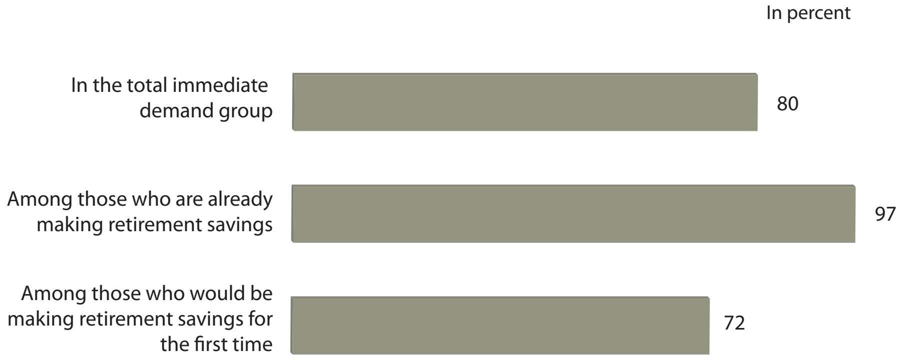
* Percents rounded to the nearest whole percent.

Age Distribution*

Age in years	Percent share of those who would be making retirement savings for the first time	Percent share of those who are already making retirement savings
Below or at 25	8	2
26-35	32	20
36-45	33	40
46 - 55	27	38

* Percents rounded to the nearest whole percent.

Bank Account Penetration of the Immediate Demand



Bank Brand Attachments of the Bank Account Holders in the Immediate Market

Banks	Percent share of those who would be making retirement savings for the first time	Percent share of those who are already making retirement savings	Percent share of the total group
State Bank of India	31.9	48.4	38.3
Cooperative banks	13.6	10.9	12.6
Punjab National Bank	9.5	8.9	9.3
Central Bank of India	13.5	1.8	9
ICICI Bank Ltd.	5.3	4.9	5.2
UCO Bank	5.2	2.9	4.3
Bank of India	3.5	4	3.7
Allahabad Bank	3.6	3.2	3.4
Canara Bank	2.8	3.2	3
Union Bank of India	3.1	2.3	2.8
Bank of Baroda	2.1	3.8	2.8
HDFC Bank Ltd.	2.3	2.1	2.2
Andhra Bank	2.4	1.8	2.2
Other banks	21.4	30.9	25.1

Multiple responses possible, percents do not add to 100.

Effective promotional strategies will be key to growing the voluntary retirement savings market and commercial and government providers alike who are prepared to invest in building public awareness of the dangers of the need to put aside sufficient savings for retirement can position appropriate products with good effect. To date efforts of this kind, undertaken primarily by life insurance companies, have centered more on emotive messages concerned with an independent, and comfortable retirement free of financial worries. With the benefit of IISS 2007 findings a more evidence led approach is possible that focuses on the paradigm shifts in underlying settings that are as yet not being registered sufficiently in the public consciousness. The two key themes in this regard are:

1. Expectations of support from family and government in old age; and
2. Longevity risks.

Notwithstanding that the nuclear family is increasingly the norm in India, at the present time many aged parents continue to reside in joint and extended family situations. It is important to appreciate however that the reason that the growth in the number of nuclear families has not impacted the present aged population significantly because of traditionally large family sizes and the fact that only one offspring needs to accept responsibility for the housing needs of aged parents for them to be accommodated. As family sizes, decline in the future (as they surely will) present opportunities can be expected to reduce accordingly indicating a greater need for younger workers to save now towards a future when in their old age they will not be supported by children in this way.

IISS 2007 data show that expectations of support from children in old age are remarkably linear with there being little difference in expectations irrespective of age, income, occupation, family type, family size or education (see Tables below). It can be safely assumed therefore that overriding this question is a well entrenched cultural norm that is dismissive of the fact that significant social change in India is already in train and that the pace of that change is, if anything, likely to accelerate. The issue is what happens a generation out from this point in time should this assumption prove to be wrong for significant numbers of people.

Having said that it is also clear from the following Tables that there is already a sizable audience that will listen because they are concerned that traditional familial support practices in their own case is at best a fragile proposition. In fact, nearly half (47 percent) of those workers who indicated in IISS that they would be prepared to consider making voluntary retirement savings fit into this category. However, most of this large group is as yet not self-providing for their retirement needs. Educating this audience to connect cause and effect and accept the need to save for their retirement will require some skill and sensitivity, but crafting the correct messages that can be effective for this purpose should be possible by conducting further market research to yield the necessary understandings for doing so.

Perceived Role of Children Regarding Old Age Security - Age Group-wise Comparision

Percieved role of children regarding old age security	Latent demand group	Below or at 25 years	26 - 35 years	36 - 45 years	Above 45 years
		Percent in the Age group			
will fulfill entire requirements	28.5	25.6	26.0	29.8	31.9
will provide part of requirements	14.5	13.5	16.1	14.1	13.1
will provide as much as they can afford	36.2	29.9	37.0	37.6	36.3
unlikely to provide significant help	7.4	9.4	7.4	7.1	6.6
may not provide help at all	4.4	6.1	4.8	3.8	3.9
wouldnot like to accept help from them	3.9	6.9	4.1	2.9	3.6
wouldnot need their help	5.0	8.5	4.5	4.7	4.6

Perceived Role of Children Regarding Old Age Security - Occupational Comparision

Percieved role of children regarding old age security	Salaried workers	Self employed professional	Businessmen/ shopkeepers	Self employed non-professional	Agricultural producers	Wage labourers	Others
			Percent in the occupation group				
will fulfill entire requirements	27	24	30	32	31	25	30
will provide part of requirements	16	13	14	16	14	14	16
will provide as much as they can afford	34	35	37	33	39	37	34
unlikely to provide significant help	5	9	6	9	8	11	7
may not provide help at all	6	2	4	4	3	5	5
wouldnot like to accept help from them	6	7	4	3	2	4	2
wouldnot need their help	7	9	6	3	3	4	5

Perceived Role of Children Regarding Old Age Security - Income Group-wise Comparision

Percieved role of children regarding old age security	Latent demand group	Less than or at 0.5 lakh	0.5 - 1 lakh	1 - 2 lakh	More than 2 lakh
			Percent in the income group		
will fulfill entire requirements	28.5	29.4	28.0	27.1	28.4
will provide part of requirements	14.5	14.7	14.4	15.4	12.8
will provide as much as they can afford	36.2	34.9	37.1	38.3	36.7
unlikely to provide significant help	7.4	9.4	6.9	4.2	4.2
may not provide help at all	4.4	5.2	4.8	2.7	1.8
wouldnot like to accept help from them	3.9	2.7	3.8	6.9	5.6
wouldnot need their help	5.0	3.8	5.1	5.4	10.5

DATAWORKS

Perceived Role of Children Regarding Old Age Security - Education Attainment-wise Comparision

Percieved role of children regarding old age security	Illiterate	Literate with no formal schooling	Schooling less than primary	Completed primary but not secondary	Completed secondary but not entered graduation	Entered but not completed graduation	Graduate in non-technical stream	Graduate in technical stream
	Percent of persons with the education qualification							
will fulfill entire requirements	31	36	27	26	30	27	28	28
will provide part of requirements	14	12	12	14	15	14	16	17
will provide as much as they can afford	32	35	45	38	36	40	33	32
unlikely to provide significant help	12	11	7	9	6	4	6	5
may not provide help at all	5	3	4	5	4	3	6	2
wouldnot like to accept help from them	3	3	3	2	4	5	5	8
wouldnot need their help	3	1	3	5	6	5	7	8
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Perceived Role of Children Regarding Old Age Security - Dependent-wise Comparision

Percieved role of children regarding old age security	Those with no dependents	Those with 1 dependent	Those with 2 dependents	Those with 3 dependents	Those with 4 dependents	Those with 5 dependents	Those with more than 5 dependents
	Percent in the group						
will fulfill entire requirements	29	29	29	26	27	32	30
will provide part of requirements	13	16	14	15	15	14	14
will provide as much as they can afford	29	29	35	37	40	37	36
unlikely to provide significant help	9	9	7	6	6	7	10
may not provide help at all	5	5	5	5	4	4	3
wouldnot like to accept help from them	4	4	5	5	4	2	2
wouldnot need their help	11	8	5	5	4	4	4
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Perceived Role of Children Regarding Old Age Security - Household Type-wise Comparision

Percieved role of children regarding old age security	Nuclear household	Joint or extended household	All households
		Percent in the occupation group	
will fulfill entire requirements	28.1	28.9	28.5
will provide part of requirements	14.2	14.9	14.5
will provide as much as they can afford	37.6	34.7	36.2
unlikely to provide significant help	7.1	7.7	7.4
may not provide help at all	4.1	4.8	4.4
wouldnot like to accept help from them	4.0	3.7	3.9
wouldnot need their help	4.8	5.4	5.0
Total	**100**	**100**	**100**

Among those who do not expect that support from children in old age will be forthcoming are those who believe that governments will provide them with full or partial support (see following Table).

Expectation of Government Support in Old Age - Income-wise Comparision

Expectation of Government support in old age	Latent demand group	Less than or at 0.5 lakh	0.5 - 1 lakh	1 - 2 lakh	More than 2 lakh
			Percent in the income group		
Yes	29	27	27	39	31
Partly	21	19	22	22	25
No	50	54	51	39	44
Total	100	100	100	100	100

National Census data show clearly that longevity in India is extending and workers now in their thirties can expect to live on average twenty years longer than their grandparents. National survey data from 2004 showed that for the majority of the parents of older survey respondents where their parents were deceased at that time the parents had died in their fifties. For younger respondents whose parents were at that time still living however longevity was appreciably higher with most of the parents concerned being in their sixties. In other words, longevity in these three overlapping generations had extended dramatically, and with improvements in living standards, nutrition and medical services this trend can be expected to continue into the future. The generation presently approaching sixty therefore is the first generation for whom life after sixty is a relevant issue for most. This we believe largely explains why retirement savings in India is not a front of mind issue for most people because their own and their parent's life experiences have not indicated any need for it to be so.

This fact is evident from IISS 2007 data also that show that longevity expectations are still calibrated to the experiences of earlier generations both in terms of expected age of retirement and longevity post-retirement. In the case of the former, over two thirds expect to retire before age 60 and in the latter case only one in twelve expects to survive beyond the age of 68. Both assumptions obviously will prove false for most and bringing people to terms with the actual situation should see a sea change in retirement savings behaviours.

Expected Age of Retirement for Those Planning to Retire

Age at which expect to retire	Latent demand group	Less than or at 0.5 lakh	0.5 - 1 lakh	1 - 2 lakh	More than 2 lakh
			Percent in the income group		
51-60 years	**68**	**66**	**64**	**76**	**66**
After age 60	27	27	30	20	29
Other ages	**5**	**7**	**6**	**4**	**5**
Total	100	100	100	100	100

Expected Longevity of Those Planning to Retire

Perceived longevity from 60 years of age	Latent demand group	Less than or at 0.5 lakh	0.5 - 1 lakh	1 - 2 lakh	More than 2 lakh
			Percent in the income group		
Less than 4 years	**18**	**15**	**20**	**20**	**16**
4 to 8 years	67	62	72	63	70
More than 8 years	**15**	**23**	**8**	**17**	**14**
Total	100	100	100	100	100

In tandem with bringing longevity risks to attention is a need to educate contributors about desirable savings patterns. On a positive note, the realisation that even a small amount of regular savings over a long period of working life will add to a substantial sum. For example, saving even Rupees 100 per month for thirty five years will yield a corpus at age sixty of Rupees Rs.1,82,641. Similarly, any delay in starting savings has a significant impact on end benefits. In the example quoted for example a single year's delay in beginning savings would reduce end benefits not by the Rupees 1,200 contributions that were not made, but by Rupees 14,688.

As the following Tables show, for the smaller immediate demand group the story is similar with only 27 percent being confident that their children will fully support them in old age, with two thirds expecting little or no support from government in old age and less than 15 percent expecting to survive into their seventies. In other words, this audience is already well primed to be attracted to retirement savings products and with some more aggressive marketing of such products the prospects are very bright for quickly establishing mass in the customer base.

Perceived Role of Children Regarding Old Age Security

Percieved role of children regarding old age security	Immediate demand group	Less than or at 0.5 lakh	0.5 - 1 lakh	1 - 2 lakh	More than 2 lakh
		Percent in the income group			
will fulfill entire requirements	27	24	25	30	35
will provide part of requirements	18	21	17	17	10
will provide as much as they can afford	36	38	43	31	29
unlikely to provide significant help	5	7	5	3	5
may not provide help at all	5	7	4	4	2
would not like to accept help from them	4	1	2	8	9
would not need their help	5	2	4	8	10
Total	**100**	**100**	**100**	**100**	**100**

Expectation of Government Support in Old Age

Expectation of Government support in old age	Immediate demand group	Less than or at 0.5 lakh	0.5 - 1 lakh	1 - 2 lakh	More than 2 lakh
		Percent in the income group			
Yes	35	25	35	46	42
Partly	22	25	21	22	22
No	43	50	44	32	36
Total	**100**	**100**	**100**	**100**	**100**

Expected Longevity of Those Planning to Retire

Perceived longevity from 60 years of age	Immediate demand group	Less than or at 0.5 lakh	0.5 - 1 lakh	1 - 2 lakh	More than 2 lakh
		Percent in the income group			
Less than 4 years	18	16	20	20	16
4 to 8 years	67	62	72	63	70
More than 8 years	15	22	8	17	14
Total	**100**	**100**	**100**	**100**	**100**

Marketing Strategies

The development of a pension system for the wider Indian workforce is inevitable, if for no other reason than pension systems are a standard feature of developed economies and India in certainly headed in that direction. In the more immediate term, as we have demonstrated in this Report, a large number of workers are concerned that their old age security is not assured by traditional family support norms and this together with extending longevity provides potent incentives for self providing for old age. For the moment however these concerns appear not to be front of mind for many workers because the experience of parents and grandparents has been different. Developing the information tools to bring these issues to attention are required. If that can be achieved, a mass market of considerable size can be expected to grow quickly as the financial capabilities of Indian workers to support long term savings continues to improve.

Notwithstanding, there appears to be a market of attractive size in prospect in the short term, with a latent market size at the present time of up to eight crore workers. As this market is dichotomous, consisting of first time retirement savers with little or no present savings for retirement and workers who are members of mandate government pension schemes looking to top up their mandated pension entitlements to higher levels, different marketing strategies for these two groups will be required.

The issue for commercial interests therefore is not whether but when to make the necessary business investments that will be required to gain market share of this emerging market. To date, making an informed assessment in this regard has been problematic because of a lack of empirical evidence and other market intelligence, and uncertainties in the political process concerning the full mobilisation of the NPS.

For commercial interests pondering this issue there are three possible scenarios of interest.

The first is to attempt to gain a position, as a potential NPS partner with the PFRDA that can be converted to market position once the prevailing political malaise is resolved. The upside of this approach is averting potential losses involved with premature business investments. The downside is the uncertainties involved with the political process that may for reasons unrelated to market capabilities choose partners for extraneous reasons.

The second is a wait and see policy by keeping a weather eye on emerging trends but not committing as a player until the signs of the market mobilising become evident. The upside of this approach again is averting potential losses involved with premature business investments. The downside is that first mover advantage is lost and the opportunity losses occasioned by the time lag between deciding to move and actually entering the provider market.

The third is to seize the moment by mobilising and marketing products that fit the latent demand profile presented in this Report.

For those willing to consider the third scenario, the business at least three alternative business models are possible:

1. Institutional Approach: For larger institutions that already have as customers a significant share of latent demand, retirement savings products could be promoted directly to customers either as individual or group savings plans. Larger banks and life insurance companies are best positioned to consider this model.

2. Target Market Approach: Because of the sheer size of the Indian workforce and the mass of latent demand for retirement savings products, it is not necessary to attempt to, or to succeed at, marketing products at the pan-India level to capture significant business volumes. Rather, by targeting specific locations where latent demand is higher attractive sales volumes should be possible. On the basis of IISS 2007 results Andhra Pradesh, Maharashtra and Uttar Pradesh appeal as the three States where a targeted approach should be well placed to succeed at the present time.

3. Holistic Approach: Under this approach products would be marketed in an open ended campaign aimed at interested individuals irrespective of location or their existing institutional attachments. Under this approach interested institutions could consider partnering with others as required to bring the full suite product, marketing, sales and distribution and customer servicing requirements into place. For larger institutions this approach could be attempted in combination with an institutional approach also.

Under all three approaches the key would be strategic investment in market research to craft an effective promotional campaign to ensure resonance with the actual concerns and preferences of the target audience.

The Wider Residual Market

In addition to the 79 million individual earners who together constitute the latent demand for voluntary pensions in India, there is a wider constituency who could and should be communicated with and be convinced to join the scheme in the long run for their own old age financial security.

For the purpose of this analysis, this wider constituency is being defined as

a) Those who liked the NPS features and were interested in the scheme but not willing to join immediately or

b) Who could not put forward an opinion regarding their interest in joining a voluntary pension arrangement

c) Who do have annual incomes of above Rs.25,000 (and therefore can execute a SIP of atleast Rs.100 p.m. if they contribute at least 5% of their income to NPS)

d) Who already have some financial savings

e) Who are aged between 18 and 55 years

f) Who are not currently covered by any mandated social security scheme, i.e. part of the informal sector workforce

Based on the above criteria, the number of earners who constitute the wider constituency of potential NPS entrants works out to be 40.9 million. The characteristics of this population have been highlighted below:

Customer profile

- 49% of the group has incomes of less than Rs.50,000 per annum. 82% have incomes less than 1 lakh
- 65% of the group located in rural India and 23% in larger cities and towns, including metros.
- 43% of the group aged below 35 years
- 29% are engaged in primary sector activities; 20% are self employed running their own businesses;

- 13% are salaried workers in the unorganised sector

Information, education, communication

What sets apart this group of earners from those who constitute the latent demand for NPS despite being very similar in their socio-economic profile is that while the latter has already gotten convinced to join NPS, the former has yet to do so the moment it is launched.

Wider Residual Market as a Proportion of Total Workforce in the State

Savings Attachments of The Wider Residual Market

Savings instruments	Percent in the group with investment in the savings instrument	Percent of total investment by the group into the savings instrument
Bank savings	78	53
Life insurance	53	18
Mutual funds /equity investments	3	9
Postal savings	20	8
SHGs /chit funds /NBFCs	16	2
Gold	10	10

* Percents rounded to the nearest whole percent.

We believe that a major reason behind their current lack of conviction as regards the merits of joining up is inherent in their current level of financial literacy, especially with regard to long term savings and time value of money.

For instance,

a) 46% of the respondents are not at all concerned about their financial capabilities to take care of their needs when they grow old

b) 86% believe government guarantees full deposits in a nationalized bank

c) 80% were happy to accept lower returns to their investments as long as their money was in a safe institution

d) Only 14.6% believe that capital market investments will yield better returns in the long run than bank deposits

e) Less than 50% has any comprehension of the effect of inflation on low yielding deposits

f) Only 15% are either actively preparing for retired life or have given this a thought

g) When asked what would be the ideal time to start retirement savings, almost all the earners who expected to retire one day mentioned an age several years away from their present age

To offset this attitudinal predisposition towards savings, it is imperative that a concerted effort be undertaken, both by the regulator and the fund managers, to launch a mass financial literacy campaign which seeks to educate the population of the importance of long term savings, the cost of every year delay and finally, the power of compounding.

APPENDIX A

NPS Corpus Projections

The estimates are based on three income groups:

- Those earning less than 1 lakh per annum;
- Those earning between 1 lakh and 2.5 lakhs per annum; and
- Those earning more than 2.5 lakhs per annum

Differential contribution rates have been assumed for each group based on their actual savings rate, as follows:

Annual Incomes	Actual Savings Rate	Assumed Contribution Rate
Less than 1 lakh	13.4% of income	5% of income
1 - 2.5 lakh	21.1% of income	6.25% of income
> 2.5 lakh	23.0% of income	7.5% of income

The basis of the assumed rate for each income group stems from the fact that at the low income levels, earners would probably seek to realign their current savings into a pension fund rather than putting in fresh investments, while at the upper end, their will be realignment as well as supplementary savings.

On the basis of these contribution rates, the expected aggregate contribution from each income band assuming everyone joins in year one (say, 2008-09) as they have declared in the survey is as follows:

Annual Incomes	Contribution projection
Less than 1 lakh	Rs. 17,152 crores
1 - 2.5 lakh	Rs. 11,467 crores
> 2.5 lakh	Rs. 28,205 crores
Total	**Rs. 56,824 crores**

An attempt has been made to project the corpus for the coming decade. The assumptions used to arrive at annual figures are as follows:

1. Exit age is fixed at 58 years
2. The number of contributors in any given year has been calculated after taking into consideration
   (i) The number of people who are likely to exit the system after reaching the age of 59 years
   (ii) The average annual growth in the labour force (2.3%) and the expected increase in NPS contributors within this increased population base
3. Contribution capacity of new entrants (at any age) is calculated on the basis of the sectors in which they have been absorbed
4. Contribution rate increased by 2% per annum (8% wage growth minus 6% inflation) and RoR to investment is taken at 8% compounded annually
5. From year 4 onwards, contributors who joined at age 55 will exit the system with their contributions and accumulated returns and simply go and buy annuity

Illustrative Growth of NPS Corpus

Reference year	2008 - '09	2009 - '10	2010 - '11	2011 - '12	2012 - '13	2013 - '14
Corpus (Rs. Cr.)	56,824	120,578	191,918	266,151	350,112	442,032

Reference year	2014 - '15	2015 - '16	2016 - '17	2017 - '18	2018 - '19	2019 - '20
Corpus (Rs. Cr.)	542,599	652,559	772,721	903,959	1,047,222	1,203,538

APPENDIX B

Synopsis of Existing Retirement Savings Schemes in India

Mandated Schemes

Central Civil Services Pension: Defined benefit scheme for those employed prior to 1 January 2004, and defined contribution scheme for those employed thereafter .

General Provident Fund: Voluntary defined contribution scheme open to permanent Central Government employees recruited prior to 1 January 2004, with an administered rate of return paid by Government.

Contributory Provident Fund: Defined contribution scheme open to permanent government employees. Employees of departments, offices & organisations where CPF rules apply with an administered rate of return paid by Government

Employees Provident Fund: Defined contribution scheme for employees in firms of 20 or more employees managed by the Employees Provident Fund Organisation (EPFO).

Employees Pension Scheme: Defined benefit scheme for EPF eligible employees with fixed contribution and pension rates.

Public Sector Bank Pensions: contributory defined benefit scheme for certain bank employees.

Seamen's Provident Fund: Defined contribution scheme for Indian merchant navy seamen.

Coal Miners Pension and Provident Fund: Defined contribution scheme for employees of coal mines.

Voluntary Schemes

Employer Trust Funds: Defined benefit or defined contribution schemes operating as either Provident Funds or Superannuation Funds.

Group Superannuation Schemes: Defined contribution plans offered by life insurance firms.

Public Provident Fund: Government sponsored defined contribution scheme offered to individual investors without restrictions.

Unit Linked Pension Plans: Defined contribution schemes offered to individuals by life insurance firms.

Mutual Fund Pension Plans: Defined contribution schemes offered to individuals by asset management companies.

Annexure Tables

Distribution of Latent Demand Group Across Geographic Sub-structure in Different States

States	Rural areas	Metro cities	Larger cities & towns	Smaller towns	Total Urban	Total
Northern Hilly States	992,583			350,877	350,877	1,343,460
Punjab & Chandigarh	1,719,114		1,032,028	608,238	1,640,266	3,359,380
Haryana	1,686,026		245,256	172,132	417,388	2,103,414
Delhi	142,196	2,406,179			2,406,179	2,548,375
Rajasthan	2,502,928		870,972	439,421	1,310,393	3,813,321
Uttar Pradesh	7,372,884		1,889,151	922,937	2,812,088	10,184,972
Bihar	5,029,686		471,851	270,986	742,837	5,772,523
North Eastern States	889,891			180,802	180,802	1,070,693
Assam	940,887		198,019	214,859	412,878	1,353,765
West Bengal	1,672,248	471,701	1,091,798	621,807	2,185,306	3,857,554
Jharkhand	950,772		355,823	252,097	607,920	1,558,692
Orissa	2,506,601		313,526	229,978	543,504	3,050,105
Chattisgarh	585,443		103,938	46,374	150,312	735,755
Madhya Pradesh	1,207,414		646,986	272,892	919,878	2,127,292
Gujarat	2,981,299	804,250	1,079,037	843,621	2,726,908	5,708,207
Maharashtra & Goa	5,448,676	2,909,397	2,107,041	1,417,086	6,433,524	11,882,200
Andhra Pradesh	4,583,832	362,076	858,943	992,556	2,213,575	6,797,407
Karnataka	2,475,390	236,349	814,987	737,318	1,788,654	4,264,044
Kerala	1,911,063		222,641	525,688	748,329	2,659,392
Tamil Nadu	1,360,633	750,418	796,745	1,812,539	3,359,702	4,720,335
All India	**46,959,566**	**7,940,370**	**13,098,742**	**10,912,208**	**31,951,320**	**78,910,886**

Distribution of the Latent Demand Group in Different States Across Different Age Groups

In percent

States	Below or at 30 years	31 - 45 years	Above 45 years
Maharashtra & Goa	42.5	40.1	17.4
Uttar Pradesh	49.2	30.2	20.6
Andhra Pradesh	44.2	31.7	24.1
Bihar	48.1	30.4	21.5
Gujarat	48.5	30.7	20.8
Tamil Nadu	46.2	33.1	20.8
Karnataka	40.3	31.9	27.9
West Bengal	40.1	36.3	23.6
Rajasthan	51.6	32.0	16.5
Punjab & Chandigarh	37.6	43.2	19.2
Orissa	50.4	32.5	17.1
Kerala	42.5	30.7	26.8
Delhi	31.2	48.1	20.7
Madhya Pradesh	45.1	29.4	25.4
Haryana	52.4	31.1	16.5
Jharkhand	52.3	25.9	21.8
Assam	44.1	35.6	20.4
Northern Hilly states	35.6	46.2	18.3
North Eastern states	49.0	28.4	22.5
Chattisgarh	40.8	37.0	22.3
All India	**45.0**	**34.1**	**20.9**

Distribution of the Latent Demand Group in Different States Across Different Income Groups

In percent

States	Annual Incomes of the Latent Demand Group			
	<= 0.5 lakh	0.5 - 1 lakh	1 - 2 lakh	> 2 lakh
Maharashtra & Goa	23.1	36.4	20.0	20.5
Uttar Pradesh	48.0	35.9	13.1	3.0
Andhra Pradesh	42.0	38.0	15.9	4.1
Bihar	82.1	14.7	3.0	0.2
Gujarat	48.9	35.6	10.6	4.8
Tamil Nadu	58.9	27.9	10.6	2.5
Karnataka	54.2	32.0	10.4	3.4
West Bengal	60.1	30.0	7.7	2.2
Rajasthan	46.9	37.0	7.6	8.5
Punjab & Chandigarh	16.3	27.7	23.0	33.0
Orissa	69.3	22.7	6.3	1.7
Kerala	25.7	40.8	26.7	6.8
Delhi	7.8	23.3	26.1	42.8
Madhya Pradesh	44.2	32.9	9.4	13.4
Haryana	32.3	41.1	21.3	5.3
Jharkhand	59.1	25.7	9.5	5.8
Assam	56.6	30.8	10.0	2.6
Northern Hilly states	24.6	43.8	15.0	16.6
North Eastern states	21.6	59.5	16.7	2.3
Chattisgarh	42.4	31.5	23.4	2.7
All India	**44.3**	**32.7**	**13.8**	**9.1**

Budgeting Capabilities of the Latent Demand Group in Different States

In percent

States	Budgets easily	Budgets easily most of the times	Not able to budget easily
Maharashtra & Goa	44.5	24.6	30.9
Uttar Pradesh	21.1	14.1	64.8
Andhra Pradesh	51.0	34.9	14.0
Bihar	37.2	11.4	51.4
Gujarat	69.6	25.7	4.7
Tamil Nadu	36.8	18.0	45.2
Karnataka	52.2	27.2	20.5
West Bengal	19.2	17.5	63.4
Rajasthan	44.8	13.0	42.2
Punjab & Chandigarh	41.8	41.4	16.8
Orissa	56.6	14.8	28.7
Kerala	61.6	29.2	9.2
Delhi	43.8	29.1	27.1
Madhya Pradesh	30.4	11.0	58.6
Haryana	28.2	22.9	48.9
Jharkhand	33.2	13.1	53.6
Assam	20.9	70.7	8.4
Northern Hilly states	33.5	29.3	37.2
North Eastern states	57.7	27.9	14.4
Chattisgarh	5.0	46.7	48.3
All India	**41.2**	**23.2**	**35.6**

Comprehension Levels of Inflation Concept Among the Latent Demand Group in Different States

In percent

States	Comprehends correctly	Wrong comprehension	No opinion
Maharashtra & Goa	37.3	47.0	15.7
Uttar Pradesh	66.4	18.4	15.3
Andhra Pradesh	28.1	70.3	1.7
Bihar	68.1	13.7	18.2
Gujarat	52.6	35.3	12.1
Tamil Nadu	20.2	71.3	8.6
Karnataka	35.5	41.7	22.8
West Bengal	72.3	18.3	9.4
Rajasthan	75.0	11.6	13.3
Punjab & Chandigarh	84.8	5.4	9.8
Orissa	65.0	22.4	12.7
Kerala	17.8	79.4	2.7
Delhi	81.4	16.2	2.4
Madhya Pradesh	42.8	33.2	24.0
Haryana	56.6	26.0	17.4
Jharkhand	88.8	4.0	7.2
Assam	92.7	3.3	4.0
Northern Hilly states	75.2	16.1	8.6
North Eastern states	21.4	23.2	55.4
Chattisgarh	6.1	50.4	43.6
All India	**52.7**	**34.1**	**13.2**

Experience of Financial Fraud Among the Latent Demand Group in Different States

In percent

States	Lost money in a financial fraud	Haven't lost money/ haven't experienced financial fraud
Maharashtra & Goa	10.7	89.3
Uttar Pradesh	5.5	94.5
Andhra Pradesh	13.3	86.7
Bihar	11.4	88.6
Gujarat	12.5	87.5
Tamil Nadu	9.9	90.1
Karnataka	12.0	88.0
West Bengal	29.9	70.1
Rajasthan	14.2	85.8
Punjab & Chandigarh	11.1	88.9
Orissa	10.3	89.7
Kerala	24.1	75.9
Delhi	17.5	82.5
Madhya Pradesh	21.9	78.1
Haryana	9.3	90.7
Jharkhand	17.2	82.8
Assam	7.2	92.8
Northern Hilly states	2.7	97.3
North Eastern states	5.5	94.5
Chattisgarh	5.2	94.8
All India	**12.3**	**87.7**

Spending Practises of the Latent Demand Group in Different States on Reciept of Some Income

In percent

States	Put aside some money for savings	Pay off the bills	Start spending for regular household needs	OThers
Maharashtra & Goa	10.7	15.0	69.6	4.7
Uttar Pradesh	11.2	12.0	76.3	0.5
Andhra Pradesh	30.8	37.2	31.4	0.5
Bihar	5.4	8.5	86.0	0.1
Gujarat	15.9	32.1	50.4	1.5
Tamil Nadu	8.6	10.3	80.9	0.3
Karnataka	15.2	5.9	77.0	1.9
West Bengal	13.1	25.2	60.8	0.9
Rajasthan	10.4	13.3	75.9	0.5
Punjab & Chandigarh	29.4	23.1	47.5	0.0
Orissa	40.7	5.9	53.2	0.2
Kerala	11.2	16.4	72.3	0.1
Delhi	12.6	24.5	62.8	0.0
Madhya Pradesh	12.3	24.2	62.4	1.0
Haryana	23.2	8.5	65.6	2.7
Jharkhand	21.2	8.9	69.4	0.4
Assam	26.9	23.5	49.6	0.0
Northern Hilly states	43.8	6.2	49.7	0.2
North Eastern states	38.3	18.3	32.2	11.3
Chattisgarh	60.3	7.5	17.1	15.2
All India	**17.0**	**17.2**	**64.2**	**1.5**

Awareness levels of the Different Financial Instruments Among the Latent Demand Group

Percent with the awareness

States	Life Insurance	Mutual funds	Direct equities
Northern Hilly States	97.49	10.19	11.81
Punjab & Chandigarh	98.42	29.15	43.25
Haryana	96.41	8.04	14.41
Delhi	98.15	60.61	67.90
Rajasthan	97.96	13.06	22.69
Uttar Pradesh	96.46	8.20	8.88
Bihar	92.54	6.26	7.68
North East	76.71	18.75	9.80
Assam	98.47	17.69	36.17
West Bengal	90.98	25.41	32.04
Jharkhand	90.34	15.31	14.75
Orissa	93.69	16.23	18.43
Chattisgarh	98.71	11.37	41.98
Madhya Pradesh	91.20	17.15	25.13
Gujarat	93.43	21.35	33.61
Maharashtra & Goa	96.08	33.54	44.74
Andhra Pradesh	94.33	3.00	4.00
Karnataka	89.85	7.14	9.35
Kerala	81.57	36.30	79.78
Tamil Nadu	81.73	5.23	9.04
All India	**93.35**	**17.81**	**25.07**

Risk Perceptions Among the Latent Demand on Different Financial Instruments

States	Gold	Chit funds	NBFCs	Stock markets	Self help groups	Mutual funds	Real estate	Bank deposits	Life insurance
	Percent of the latent demand in the group feeling that the investment is risky								
Northern Hilly States	21	11	10	8	10	5	2	0	0
Punjab & Chandigarh	33	14	9	32	15	15	0	0	1
Haryana	47	22	25	13	15	4	1	0	0
Delhi	21	27	14	55	16	17	0	0	1
Rajasthan	17	12	9	22	13	6	2	4	3
Uttar Pradesh	25	27	25	9	16	3	1	0	1
Bihar	37	11	27	7	4	4	0	0	1
North East	45	9	2	7	31	5	48	9	5
Assam	26	9	9	9	11	7	15	10	14
West Bengal	34	59	35	34	22	27	17	7	8
Jharkhand	36	24	10	12	24	9	4	1	9
Orissa	71	50	22	17	32	17	16	5	4
Chattisgarh	67	8	1	14	1	9	0	0	0
Madhya Pradesh	16	13	3	18	15	11	3	1	1
Gujarat	42	24	34	36	19	17	11	11	9
Maharashtra & Goa	37	26	20	26	20	17	6	2	2
Andhra Pradesh	27	33	22	6	5	6	25	9	5
Karnataka	15	17	6	8	2	6	4	5	4
Kerala	33	52	48	49	18	35	7	4	7
Tamil Nadu	11	43	24	11	9	10	7	3	3
All India	**31**	**27**	**21**	**20**	**15**	**11**	**8**	**4**	**4**

Shares of Aggregate Savings Flows in Past 12 Months into Different Savings Instruments Across States

States	Banks	Postal savings	Life insurance	Small savings	Mutual funds	Direct equities	Gold	Average savings rate
	Percent share of aggregate savings flow into the savings instrument							
Northern Hilly States	71.2	7.8	17.2	0.1	0.1	1.4	2.3	13.1
Punjab & Chandigarh	68.3	7.9	13	0.2	7.5	1.5	1.7	18.4
Haryana	64.3	5.7	24.8	0.2	2.8	0.9	1.3	15.9
Delhi	57.7	2.9	9.1	0.1	17.5	9.6	3	26.3
Rajasthan	56.9	9.7	17.3	0.4	3.6	4.6	7.5	16.9
Uttar Pradesh	59.3	5.6	28.7	0.5	3.7	0.7	1.4	14.2
Bihar	47.5	5.8	43.9	1.6	0.1	0.3	0.8	12.9
North Eastern States	43.6	5.6	40.9	2.3	1.8	0.7	5	12.4
Assam	46.9	7.6	23.5	1.5	0.5	0.3	19.7	20.6
West Bengal	47.4	8.1	24.7	0.3	4.9	4.9	9.7	13.2
Jharkhand	50.4	9.7	28.8	2.5	1.6	0.6	6.3	14.9
Orissa	52.5	10.2	19.7	3.1	4.6	0.3	9.7	12.8
Chattisgarh	75.8	2.6	20.4	0.1	0	0	1.2	10.7
Madhya Pradesh	61.2	4.5	14.6	0.7	4.9	8.5	5.6	18.4
Gujarat	52.6	9.9	20	0.7	4.4	4.7	7.7	13.1
Maharashtra & Goa	55.3	5.3	11.7	0.3	9.6	9.3	8.6	17.2
Andhra Pradesh	62.7	6	20.3	3.7	3.2	2.3	1.8	10.6
Karnataka	49.9	9.3	27.8	1.8	1.7	1.2	8.3	14.2
Kerala	48.6	17.1	15.5	1.7	2.4	1	13.6	17.6
Tamil Nadu	36.3	12.2	16.2	1.5	2.3	0.7	30.8	13.5
All India	**56.9**	**6.6**	**16.6**	**0.7**	**7.4**	**5.3**	**6.5**	**15.2**

Shares of Aggregate Savings Flows in Past 12 Months into Different Savings Instruments Across Occupation Groups

Occupations	Banks	Postal savings	Life insurance	Small savings	Mutual funds	Direct equities	Gold	Average savings rate
	Percent share of aggregate savings flow into the savings instrument							
Primary producers	62.0	6.5	19.6	1.1	3.6	1.8	5.3	12.6
Government salaried workers	58.4	8.4	19.7	0.5	4.8	2.6	5.5	19.0
Private salaried workers	56.8	7.6	15.9	0.4	7.0	3.8	8.4	15.0
Self employed professionals	56.5	3.5	10.8	0.1	12.8	9.8	6.6	23.2
Businessmen with employees	56.4	4.2	12.2	0.3	11.4	9.4	6.1	18.6
Self employed - non-professional	55.4	7.9	19.1	0.8	7.6	4.2	5.0	15.4
Shopkeepers	53.7	6.5	14.7	0.8	9.0	6.9	8.3	17.9
Wage labourers	45.7	13.1	31.0	4.4	0.6	0.2	5.0	10.8
Street vendors	42.1	7.3	34.0	2.9	0.5	0.1	13.1	11.5
Others	47.9	13.7	18.3	1.4	4.4	6.6	7.7	15.8
Total	**56.9**	**6.6**	**16.6**	**0.7**	**7.4**	**5.3**	**6.5**	**15.2**

Retirement Outlook of the Latent Demand Group in Different States

In percent

States	Conciously preparing for retirement	Not preparing now but do expect to retire	Have not thought about retirement	Do not expect to retire
Maharashtra & Goa	5.9	5.2	48.2	40.7
Uttar Pradesh	5.4	20.0	62.2	12.5
Andhra Pradesh	3.6	17.3	53.4	25.6
Bihar	4.2	18.1	65.2	12.5
Gujarat	7.8	4.5	57.6	30.1
Tamil Nadu	2.1	5.4	61.6	30.8
Karnataka	3.1	8.6	28.7	59.6
West Bengal	3.1	10.1	83.5	3.3
Rajasthan	7.6	11.7	51.2	29.5
Punjab & Chandigarh	17.6	8.6	58.2	15.6
Orissa	25.8	31.8	38.0	4.5
Kerala	6.8	10.8	28.7	53.8
Delhi	8.6	9.8	57.5	24.1
Madhya Pradesh	14.0	18.6	58.3	9.0
Haryana	11.0	16.0	46.0	27.0
Jharkhand	8.0	12.0	74.8	5.1
Assam	3.6	15.4	67.7	13.3
Northern Hilly states	11.1	18.9	37.2	32.8
North Eastern states	4.8	12.5	59.8	22.9
Chattisgarh	67.8	4.6	13.0	14.6
All India	7.6	12.6	54.4	25.4

Expectation of Government Support in Old Age by the Latent Demand Group in Different States

In Percent

States	Yes	Yes, but partially	No
Maharashtra & Goa	21	28	51
Uttar Pradesh	23	14	63
Andhra Pradesh	17	50	33
Bihar	56	9	35
Gujarat	22	16	62
Tamil Nadu	55	9	36
Karnataka	62	21	17
West Bengal	20	20	60
Rajasthan	30	16	54
Punjab & Chandigarh	28	27	45
Orissa	21	14	65
Kerala	4	18	78
Delhi	30	16	54
Madhya Pradesh	30	4	66
Haryana	42	20	37
Jharkhand	40	26	33
Assam	11	33	56
Northern Hilly states	50	13	37
North Eastern states	7	58	34
Chattisgarh	19	33	48
All India	**29**	**21**	**50**

Outreach of the Latent Demand Group in Different States Through Different Financial Sectors

Number of persons

States	Bank customers	Postal savings customers	Life insurance customers
Maharashtra & Goa	10,077,706	2,940,627	7,616,610
Uttar Pradesh	7,063,631	830,243	3,925,581
Andhra Pradesh	3,640,498	1,034,012	3,635,325
Bihar	2,802,903	551,143	2,030,148
Gujarat	4,233,697	1,226,014	2,900,225
Tamil Nadu	1,788,695	840,741	1,443,172
Karnataka	2,848,174	817,649	2,221,122
West Bengal	2,436,101	692,563	1,971,254
Rajasthan	2,228,015	615,279	1,788,519
Punjab & Chandigarh	2,713,870	769,052	2,305,983
Orissa	2,210,999	520,844	1,581,415
Kerala	2,027,347	1,044,750	1,599,444
Delhi	2,282,622	260,016	2,034,935
Madhya Pradesh	1,405,425	203,999	1,053,638
Haryana	1,436,707	203,457	957,274
Jharkhand	1,091,269	182,260	737,348
Assam	998,803	360,866	892,763
Northern Hilly states	1,138,567	132,364	816,760
North Eastern states	601,480	115,224	445,922
Chattisgarh	511,570	66,371	439,258
All India	**53,538,080**	**13,407,475**	**40,396,698**

Buying Intentions of the Latent Demand Group

Savings instrument		Annual incomes (Rupees lakh)					
		<=0.5	0.5 - 1	1 -2	2 - 5	> 5	Total
Life insurance	Demand from existing customers	789,317	803,040	713,852	332,041	103,493	2,741,743
	Demand from new customers	3,344,258	1,670,390	535,063	85,445	14,146	5,649,303
	Fence sitters	3,806,054	5,360,278	3,404,201	1,787,619	1,054,054	15,412,205
Mutual funds	Demand from existing customers	not projectible	62,585	89,244	247,417	158,872	560,066
	Demand from new customers	113,678	96,941	111,135	104,621	22,088	448,463
	Fence sitters	436,734	1,110,805	1,393,307	1,302,923	886,327	5,130,096
Equities	Demand from existing customers	not projectible	42,882	53,697	258,020	94,101	458,601
	Demand from new customers	87,093	57,421	50,530	46,818	33,792	275,654
	Fence sitters	415570	642955	651108	864168	732383	3,306,184