

Micro Pension for Informal Sector Women Workers

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SEWA Bank a micro finance bank ,experienced over a period of three decade in providing banking services to more than 3,00,000 informal sector women workers that , these women vegetable vendors , house maids, agricultural workers , construction workers are economically very active , work very hard, keen to improve their financial condition (Build business , capital assets) , do have basic instinct for saving if motivated and facilitated , borrow and repay regularly , can be disciplined financially.

But, it is often seen that they by nature are used to live and think on day to day basis and as a result, their immediate financial needs take priority over future needs. They are not able to plan for their long term future and as a result, they have to work till they die.

At the national level also, they are not covered under any pension or P.F. scheme, suitable to them. Neither their own financial attitude nor any formal financial scheme, or Govt. facility enable them to secure old age or provide them old-age security.

SEWA Bank realized that, though the first generation of members have lost opportunity of securing their old age and should learn from this and should design some suitable pension scheme for them.

In April 2006, micro pension scheme was designed with UTI, where SEWA Bank is working as distributor of UTI Pension Scheme.

Features of Pension Product are :-

1. Eligibility: Any women having a saving account with SEWA Bank, and is between the age of 18 to 55 can enroll herself in this scheme.
2. An account holder, who wants to enroll under Micro-pension scheme, has to authorize SEWA Bank to deduct her contribution every month from her saving account.
3. Minimum amount of contribution is monthly Rs.50 or Rs.500ã- per year.

4. A member can contribute Rs.50/- or in multiple of Rs.50/- every month. If she wants to change her amount of monthly contribution, she can do it only in month of April every year.
5. Each Micro-pension member will be allotted unique portfolio number
6. Each member will appoint her nominee.

Collection Mechanism : Pension contribution amount is collected by SEWA Bank's existing collection structure ie. At Head office, extension counters, by field workers and bank Saathis ie. Leaders authorized to collect Bank's extension savings. Transfer to UTI funds collected from SEWA Bank members – depositors, is sent to UTI twice in a month, by single cheque.

Investment of funds : Funds received by UTI will be invested in UTI Mutual Fund which is a balanced fund (60% debt, 40% equity)

Each member is issued quarterly report of her investment.

There is no entry load, but exit load on exit before 3 years.

Disbursement : Member will be eligible to withdraw her money when she attains the age of 58. At that age she will have an option of either withdrawing lump sum amount or getting it converted into annuities.

Though a member can withdraw at any time under this scheme, Sewabank market this scheme as a scheme under which they should not withdraw till they attain 58 years age, so that this can be their real pension scheme.

Performance so far :

During the In a period of one year, 40,000 women have enrolled under the scheme. This includes Vegetable vendors, domestic maids, head-loaders and hand cart pullers, construction workers, bidi rollers, embroidery workers, rag and waste paper pickers.

Over a period of one year a handsome amount of Rs.,2,50,00,000 (\$ 6,25,000) have been contributed by members.

Lessons learnt : Thus the scheme has received warm response. It is that it is possible to spread micro-pension movement amongst informal sector workers, they

are eager to join in any scheme of this kind, but it has to be linked with financial education and collection of contribution should be facilitated.

Need for Linking with continuous financial education.

Majority of the poor are used to live and think on day to day basis. Efforts should be made to make them think and plan for future. Make them change this financial behavior.

SEWA Bank has undertaken special financial education campaign and is using various methods, tools, and techniques for spreading the message of Micro-Pension as a Old-age Saviour”

(1) **Class-room trainings** : Where women are to be motivated to plan for future short stories like Ant and Grasshopper used to explain the objective.

Importance of Saving regularly, power of compounding, avoiding wasteful expenditure, importance of investment, preparing a budget, is taught in a very simple manner with examples from day to day family life.

(2) **Film shows** : Special films are preferred for this purpose. Women are invited in a theatre , films are shown and discussion on the subject is held thereafter.

(3) Subject wise “**Sanmelans**” (large group meetings) are organized where women are encouraged to share their views, Questions answer sessions are held. These are like Melas.

(4) **Essay writing competition** : Essay writing competition for daughters of members are held .

(5) Organising financial camps where individual counseling is done.

Effective tools are :

(1) Explaining of power of compounding like how daily savings invested in a good scheme would become a huge lump sum amount.

(2) Women sharing their own views and experiences, both positive and negative. Many younger women are saying that “We do not want to suffer like our mothers”.

- (3) Individual counseling like organizing financial camps.

Thus the message of Pension is spread widely among women members and they are motivated to contribute and join the Pension Scheme

Challenges are many :

- (a) Savings capacity is not enough to meet with inflation. The amount available at the time of getting pension may not be enough to meet with the needs. But at present at least it is based on the concept of "Something is better than nothing".

It is also based on a thinking that poor should also get benefit of investing in open market.

- (b) Savings for pension is their last priority ,First they need to meet with their daily basic needs, then immediate needs, and old age security is not their perceived need. This need will have to be converted into "demand".
- (c) Changing women's attitude towards money or financial behavior of thinking planning and taking action for old age securities are real challenges .
- (d) Making them understand investment in open market ; i.e. Mutual Fund. They are not used to invest , and that too in open markets.

SEWA Bank plans to reach to 100000 women in the year 2008.