International Journal Of Marketing, Financial Services & Management Research ____________________ ISSN 2277-3622
Vol.5 (5), MAY (2016), pp. 29-44
Online available at indianresearchjournals.com

MICROPENSIONS: PRESENT INDIAN SCENARIO

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ABSTRACT:
Micro-pension plans are meant to insulate low income earners against old-age poverty. The formulation of such plans requires a delicate balance between economic viability, generation of adequate returns and customized features for the participants. the ideal micro-pension scheme needs to address governance, administrative, design and efficiency issues to succeed and recommends a multi-model implementation of micro-pension plans in addition to a separate set of regulations to govern the micro-pension plans.

Millions of unorganized and informal sector workers in the developing world are excluded from formal pension and social security systems. Old-age economic security is a pertinent problem for such population groups and providing adequate and secure income flows in the future is a formidable challenge. The problem is aggravated by demographic transitions associated with significant increases in life expectancy and changing social structures like the breakdown of the traditional extended family system, making today's workers vulnerable to unmitigated longevity risks, uncertain health costs and poverty in their post retirement period. Further, with underdeveloped annuity markets and poor financial literacy, workers face considerable challenges in retirement planning decision-making. To determine how the long-term saving products might help solve the problem of old-age income security for informal sector workers, an improved understanding of the behavioral, economic, and institutional barriers to participation are required. The emerging micropensions market in India, to better understand the economics and key institutional aspects of defined contribution retirement.

KEYWORDS: Micro-pension, Pension efficiency, Pension governance, Indian context.

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