Just a fraction of its old have a pension cover

India takes pride, and rightly so, in having one of the youngest populations in the world, but what that hides is that, by 2030, around 12% of its population will be over 60 years old. That's a whopping 180 million people, the bulk of whom are not covered by pension schemes and those that are—such as by the Employees Provident Fund Organisation (EPFO) have such small corpus—it will barely take care of a few years of their post-retirement lives. A new report by CII-EY projects a smart growth in the pensions market, from an AUM of R12 lakh crore today to R84 lakh crore by 2030. But since this covers a small fraction of the population, in many ways, India's old-age crisis is similar—in terms of absolute numbers involved—to that in many developed countries.

While the government's solution to this has been to set up the New Pension Scheme (NPS) as an alternative to the EPFO—around a third of today's corpus is vested in the EPFO—the coverage of the NPS is very small. Indeed, while the government prepares to spend upwards of R2 lakh crore each year on the Food Security Act going by the CACP's estimates, even a small fraction of this would go a long way in improving old-age security. A beginning had been made with the finance minister promising to co-contribute towards NPS of the poor, the scheme hasn't taken off for one reason or another—with the UIDAI increasingly becoming a reality, the poor would benefit more from such transfers than from food dole for instance. Since even a one percentage point hike in annual returns, CII-EY estimate, hike the retirement corpus by 20%, the government needs to think of ways of reducing annual servicing costs for subscribers. Coming out with more inflation-indexed bonds for pension funds is also an idea that needs exploring urgently.