



Reforming Pension System in Nepal

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Abstract

Purpose: The pension system in Nepal is pivotal for safeguarding social security and financial stability among its aging populace, yet it grapples with substantial hurdles, encompassing demographic transformations, insufficient funding, and operational inefficiencies. The primary aim is to investigate and analyze different facets of Nepal's pension system, assessing its adequacy, coverage, and sustainability.

Design/Methodology/Approach: This study utilized a mixed-method approach, combining primary survey data from 237 respondents with secondary data from the Pension Management Office. Employing a descriptive research design, it aimed to offer insights into the current state of Nepal's pension system and stakeholders' perceptions.

Findings: The findings revealed widespread dissatisfaction among respondents regarding the current provision of pension benefits, highlighting the urgent need for reforms. Key reform priorities identified included raising the retirement age, expanding coverage to the informal sector, increasing contribution rates, improving efficiency and management, and enhancing public awareness.

Research limitation/ Implications: This study exclusively focused on the pension system, neglecting other components of social security benefits that many influence individuals' motivation. Likewise, this study totally relied on descriptive analysis restricting its capacity to establish causal relationships. Likewise, this insight provides valuable guidance for policymakers in developing comprehensive reform strategies to address the systemic challenges and shortcomings in Nepal's pension system, ensuring its long-term sustainability and adequacy for future retirees

1. Introduction

The discourse surrounding pension systems has evolved over time in response to changing demographic landscapes, economic pressures, and social welfare paradigms. Historically, pension systems emerged as a means to provide income security for aging populations, primarily in industrialized nations experiencing demographic transitions (Schwarz et al., 2014). However, with the rise of globalization, technological advancements, and shifts in labor markets, traditional pension models have come under scrutiny for their sustainability and adequacy in meeting the needs of modern societies (Torre & Rudolph, 2018). Scholarly research on pension systems spans various disciplines, including economics, sociology, and public policy, reflecting the multidimensional nature of pension reform. Studies have explored diverse topics such as pension design, funding mechanisms, retirement age dynamics, and the impact of pension reforms on individual behavior and societal outcomes. The literature highlights the complexities inherent in pension systems, underscoring the need for holistic approaches that balance financial viability with social equity objectives (Zhu & Walker, 2018).

Presently, pension systems worldwide exhibit a diverse array of structures, ranging from publicly



managed pay-as-you-go schemes to privately administer funded systems. While some countries have implemented comprehensive pension reforms to address demographic challenges and fiscal constraints, others continue to grapple with unsustainable pension liabilities and inadequate coverage (Altiparmakov, 2018). This heterogeneity underscores the importance of context-specific policy responses tailored to each nation's socio-economic context. The World Bank's categorization of pension structures in 1998 remains influential, especially in Central and Eastern European countries undergoing economic reforms (Arza, 2012). It delineates three pillars: a state-administered basic pension system, a funded system with contributions from beneficiaries and employers, and voluntary privately funded accounts. The main goal of pension provision is to ensure retirees receive a sufficient, secure, and sustainable income (Schwarz, 2006). However, with rising life expectancy, policymakers face the challenge of maintaining pension system longevity while distributing costs equitably among generations.

The study of pension reform often draws upon theoretical insights from economics, sociology, and political science to analyze the complex interplay of factors shaping pension policy outcomes. Methodologically, researchers employ diverse approaches, including econometric modeling, qualitative case studies, and comparative policy analysis, to assess the impact of pension reforms and identify best practices for achieving policy objectives. Moving on to the specifics of pensions, they serve as financial reserves allocated over an employee's active working years, providing support during retirement through periodic payments (Lindbeck & Persson, 2003). Two main types exist: defined benefit plans and defined contribution plans, each with distinct payment structures. It's essential to differentiate between pensions and severance pay, as the former entails regular installments throughout retirement, while the latter typically involves a lump-sum payment upon job termination. Moreover, occupational pensions, initiated by employers for employees' benefit, are integral to retirement planning (Holzmann, 2013). Data on the evolution of pension systems in Nepal reveal a growing number of pensioners alongside demographic aging trends. As life expectancy increases and fertility rates decline, the proportion of elderly individuals reliant on pension benefits is expected to rise, placing strain on existing pension schemes. Understanding these demographic shifts and their implications for pension financing is crucial for policymakers seeking to navigate the challenges of population aging (Martín, 2010).

Despite extensive scholarly attention, significant gaps persist in our understanding of pension systems' functioning and effectiveness, particularly in emerging economies such as Nepal. Limited empirical research exists on the specific challenges facing pension systems in these contexts, including issues of coverage, adequacy,

and governance. Addressing these gaps is essential for informing evidence-based policy interventions and ensuring the long-term sustainability of pension provision. Ultimately, the primary aim is to investigate and analyze different facets of Nepal's pension system, assessing its adequacy, coverage, and sustainability. Based on this analysis, recommendations for reform will be formulated to ensure the pension system's long-term viability and efficacy in meeting the needs of Nepal's aging population.

In Nepal, the need for pension reform is particularly pressing given its rapidly aging population and nascent social security infrastructure (Chalise et al., 2022). Despite recent initiatives to expand pension coverage and enhance benefit adequacy, significant challenges remain in ensuring equitable access to pension schemes, especially for marginalized and informal sector workers. The evolving socio-economic landscape of Nepal underscores the urgency of reform efforts to safeguard the financial well-being of its elderly population and promote inclusive development. In Nepal, as elsewhere, urgent modernization of pension systems is necessary to ensure financial sustainability amid rapid population aging. Research gaps exist concerning the adequacy, coverage, and sustainability of Nepal's social security system and pension benefits. Thus, this study aims to analyze Nepal's pension system comprehensively, evaluating current policies, practices, and overall sustainability. Hence, the topic of pension reform holds immense significance for fostering social inclusion, economic resilience, and intergenerational equity. By examining the evolution, challenges, and opportunities of pension systems, this study aims to contribute to a deeper understanding of pension policy dynamics and inform evidence-based reforms tailored to the specific needs of Nepal and beyond.

2. Literature Review

Pension Funds and Capital Market Development

Pension funds have emerged as significant contributors to the development of capital markets, as evidenced by various scholarly works (Meng & Pfau, 2010; Raddatz & Schmukler, 2008). While there are several channels through which institutional investors foster capital market growth, certain prerequisites must be met for pension assets to effectively stimulate market development (Meng & Pfau, 2010). One crucial precondition is the level of financial development, with higher levels of financial development amplifying the impact of pension funds. The symbiotic relationship between pension funds and financial markets thrives in well-developed financial ecosystems, where optimization levels are maximized (Vittas, 1999).

Distinguishing pension assets from household assets, it's noted that

their long-term outlook enables them to provide a stable, long-term source of funds to capital markets, particularly in bond markets, thereby fostering financial development (Meng & Pfau, 2010; Vittas, 1996). Moreover, the sheer size of pension assets allows for greater investment diversification into equities and bonds compared to household portfolios (Babalos & Stavroyiannis, 2020). Empirical studies by (Daradkah & Al-Hamdoun, 2021; Hu, 2005) have confirmed that the increased size of pension assets stimulates private bond finance both in the short and long run. Beyond mere financial injection, pension systems exhibit behaviors that reduce transaction costs, diversify risks, and possess superior information processing capabilities, thereby enhancing resource allocation efficiency within financial intermediaries (Assefuaah et al., 2023). These traits align with factors in financial markets known to bolster growth (Levine, 1997; Moleko & Ikhide, 2017). Furthermore, stock markets, driven by pension fund investments, incentivize long-term investments, further contributing to economic growth.

Pension funds also enhance competitiveness in the loan and securities markets by competing with the banking sector, leading to improved market efficiency and reduced capital costs for firms and households (Grujić, 2019). Additionally, the qualitative impact of pension funds in driving financial innovation, modernizing infrastructure, and enhancing regulations highlights their role in advancing the overall efficiency and transparency of financial sectors (Zubair, 2016). Analyzing the impact on aggregate private savings, it's observed that pension assets stimulate investment, subsequently boosting output. However, the magnitude of this impact depends on the pension system's design and the manner in which governments finance pension reforms, which may erode personal savings (Stewart et al., 2017). Transitioning from 'Pay As You Go' to 'Fully Funded Schemes' may raise implicit debt, necessitating careful examination of country-specific debt levels and tax conditions to ensure the sustainability of savings (Barber & Ghilarducci, 2016; Murphy & Musalem, 2004).

Therefore, pension assets not only accelerate capital market development but also improve welfare conditions. The composition of pension systems, influenced by labor market dynamics, demographic transitions, and public finances, shapes their impact on economic growth and social welfare. Through a judicious mix of public and private pension schemes, countries can leverage pension assets to enhance market efficiency, reduce transaction costs, and stimulate growth, thereby fostering economic prosperity and social welfare.

Pension Indicators: Key Metrics for Reforming Pension Systems

In an era marked by global turbulence, governments play a pivotal role in providing social security to citizens. Among various forms

of social security, pensions stand out as a crucial element ensuring financial stability in old age (Gillion, 2000). The dynamic evolution of pension policies on a global scale, driven by challenges posed by aging populations, has spurred a call for international benchmarks in pension metrics (Pensions Commission, 2004). The World Bank, emphasizing fiscal sustainability, has adapted its stance over time, grappling with the complex task of administering social security universally, while ensuring retirement benefits' adequacy and safeguarding against economic uncertainties (Heijdra & Romp, 2009). Some of the key indicators of Pensions are highlighted as below (World Bank, 2012):

Demographic Indicators: Population aging and dependency ratios impact the financial sustainability of pension systems.

Financial Indicators: Contribution rates, replacement rates, and benefit-to-contribution ratio assess the financial health and efficiency of the system.

Coverage Indicators: Coverage rate and formal vs. informal sector coverage reveal access gaps and social inequalities.

Adequacy: Focuses on benefits provided relative to retirees' income needs, often assessed through replacement rates.

Sustainability: Evaluates the long-term financial viability considering demographic trends, fiscal health, and future costs.

Governance: Assesses the efficiency of pension system management, including transparency, accountability, and regulatory frameworks.

Equity: Examines the fair distribution of benefits across demographic groups, income levels, and socioeconomic statuses.

These indicators serve as vital tools for assessing the performance and impact of pension systems. By focusing on key metrics such as coverage rate, replacement rate, sustainability ratio, benefit adequacy, and administrative efficiency, policymakers can identify areas for improvement and implement targeted reforms to enhance retirement security for individuals. Drawing on insights from previous studies, it is evident that leveraging pension indicators is essential for driving positive change, promoting financial well-being among retirees, and ensuring the long-term sustainability of pension systems.

Pension System in Nepalese Context

The history of Nepal's pension system traces back to 1936, with the establishment of the first formal scheme for army personnel, followed by provisions for civil servants in 1959. Over time, reforms aimed at expanding coverage and enhancing benefits led to the introduction of the Social Security Scheme (SSS) in 1994 and the Senior Citizen Allowance (SCA) program in 1995 to provide allowances to citizens aged 70 and above (Chaudhary & Ghimire, 2023). The modern Nepalese pension system comprises various elements, including contributory and non-contributory schemes targeting different

segments of the population (Adhikari, 2021). Major changes and reforms have aimed to address challenges such as demographic aging, fiscal sustainability, and social protection. Efforts have been made to extend coverage to informal sector workers through voluntary schemes and enhance benefit adequacy (Pandey, 2021).

The beneficiaries of Nepal's pension system encompass government employees, formal sector workers, retirees, and their dependents (Bhandari, 2019). While progress has been made in expanding coverage and enhancing benefit adequacy, challenges remain in ensuring inclusive access and long-term sustainability. Scholarly works by Nepalese writers highlight the need for a national pension policy, defined contribution pension systems, and institutional capacity building to address these challenges (Bhandari, 2015). Studies by (Paudel, 2016) and the (World Bank, 2017) highlights the sustainability challenges posed by Nepal's aging population and declining workforce, while research by the (ILO, 2018) highlights the limited coverage of formal schemes, leaving a substantial portion of the informal sector workforce without protection. In addition, scholarly research on the Nepalese pension system has emphasized into coverage, adequacy, governance, and sustainability, with Nepalese authors offering insights through empirical studies, policy analyses, and theoretical frameworks (Wagle, 2015). (Sharma et al., 2018) analyze recent pension reforms' impact on coverage and adequacy, (Thapa, 2019) offers a comprehensive overview of the system's evolution, and Karki (2020) explores barriers to pension access among informal sector workers, suggesting policy recommendations for improved coverage (Karna, 2019). Thus, findings revealed sustainability challenges due to an aging population and declining workforce, alongside limited coverage of formal schemes, while Nepalese authors contribute insights into coverage, adequacy, governance, and sustainability through empirical studies and policy analyses. Hence, Nepal's pension system has undergone significant transformation to address the evolving needs of the population.

Reforming the Social Security and Pension System in Nepal is an imperative task considering the evolving demographics and economic landscape of the country. As of the latest available information, the current status of the social security and pension system in Nepal reflects a mix of challenges and efforts towards improvement (Rai, 2018).

Stakeholders involved in this process include the government, various political parties, non-governmental organizations (NGOs), international organizations, and civil society groups. The government of Nepal has recognized the need for reform and has initiated several steps towards improving the social security and pension system. Plans from stakeholders often revolve around increasing coverage, ensuring

sustainability, enhancing benefits, and improving administration and governance (Paudel, 2016). As for systemic shortcomings, Nepal faces challenges such as low coverage rates, inadequate benefits, weak institutional capacity, lack of awareness, and informality in the labor market. To address these issues, stakeholders are focusing on implementing reforms that aim to expand coverage to marginalized groups, strengthen governance structures, increase contribution rates, improve investment strategies to ensure the sustainability of pension funds, and enhance public awareness about the importance of social security and pension schemes (Paudel, 2017).

One significant initiative to address systemic shortcomings is the ongoing collaboration between the government, international organizations, and civil society groups to develop and implement comprehensive reforms. These reforms aim to address the root causes of the challenges faced by the social security and pension system in Nepal. Additionally, efforts are being made to enhance data collection and analysis to better understand the needs of the population and tailor policies accordingly. Moreover, capacity-building programs are being conducted to strengthen the skills of government officials and other stakeholders involved in the administration of social security and pension schemes.

While Nepal's social security and pension system face significant challenges, stakeholders are actively engaged in reform efforts to improve the current status. By addressing systemic shortcomings through collaborative initiatives and comprehensive reforms, Nepal aims to create a more inclusive, sustainable, and effective social security and pension system that meets the needs of its population. Currently Government sectors Contributory pension fund managed by Employees Provident Fund (EPF) by the Pension Management Act 2018 (2075 BS), EPF has managed provident fund since 1962 (2019 BS) under the Employees Provident Fund Act 1962, so need to merge both act to manage systematic management for the retirement fund in government sectors employees. Before starting this system, Government of Nepal has managed the pension for all government employee through the Pension management office (PMO) by the government budgetary funding each year, there is no any fund-based system. Similarly, Social Security Fund has managed Contributory Social Security schemes including pension for private sectors employee since 2019 (2076 BS). Pension's provision is different (Paudel, 2023).

Reforming Social Security and Pension Systems in Nepal

Nepal's social security and pension systems are under significant strain due to demographic shifts, limited coverage, and financial challenges,

necessitating urgent reforms for sustainable and equitable protection (Khatiwada & Koehler, 2014). Nepal faces a notable demographic transition, with projections indicating a staggering 266% increase in the population aged 60 and above by 2050, intensifying pressure on existing systems (Maharjan et al., 2021). Glaring gaps in coverage, particularly for the informal sector, exacerbate the issue, with the Social Security Scheme primarily targeting private sector employees in larger establishments. Additionally, financial sustainability poses a considerable challenge, with insufficient contribution rates highlighted by the World Bank, further widening the gap in the Civil Service Pension Scheme (Dhakal & Aryal, 2022). Previous studies, including those by (Paudel, 2016), (ILO, 2018), and (Human Rights Watch, 2023), emphasize the critical need for comprehensive reform to address systemic shortcomings in Nepal’s social security and pension systems. To tackle these challenges, a multifaceted reform agenda is necessary, encompassing expanding coverage to integrate the informal sector, adjusting contribution rates for long-term sustainability, and enhancing efficiency and governance to combat corruption. Hence, reforming social security and pension systems in Nepal is crucial to address the challenges of limited coverage, inadequate schemes, and financial sustainability. Scholars (Mathers, 2020; Dhakal & Aryal, 2022) stated that introducing mandatory and voluntary schemes, increasing benefit adequacy, and implementing financial sustainability measures, the pension system can be made more inclusive, sustainable, and efficient, ultimately promoting financial security for all Nepalese citizens.

3. Methodology

The research design adopted for this research is descriptive, which is suitable for providing a detailed description of the phenomena under investigation. The sampling design utilized in the study combines convenient (judgmental) methods, ensuring a proper representation of the population.

Data collection techniques included questionnaires for primary data gathering from pensioners and employees and interactions and open interviews with key informants involved in service delivery and policy formulation. Both quantitative and qualitative data have been collected to address the research objectives.

In this study, a mixed-method approach was employed to investigate the challenges and potential solutions surrounding pension reform. The methodology involved both primary and secondary data sources, with data collected from 237 respondents through surveys and supplemented by secondary data obtained from the Pension Management Office (PMO). The research design adopted a descriptive approach to provide a comprehensive understanding of the current state of Nepal’s pension system and the perceptions

of stakeholders.

Primary data collection involved surveying a diverse sample of respondents to gauge their satisfaction levels regarding the provision of pension benefits and their perceptions of pension system reforms. The survey instrument included Likert-scale questions to assess satisfaction levels and open-ended questions to capture respondents’ insights on reform priorities. Secondary data obtained from the PMO provided quantitative information on pension beneficiaries, annual pension expenditures, and trends over time. The analysis focused on key areas of concern within Nepal’s pension system, including the growing number of pension beneficiaries, disparities in retirement ages, and escalating pension expenditures. Additionally, the study examined respondents’ perceptions of the adequacy and effectiveness of pension benefits and their views on the potential impact of pension system reforms. Cross-tabulation analysis was conducted to explore potential demographic differences in respondents’ perspectives, particularly concerning age-related variations.

The key respondents in the study were carefully selected based on the study’s purpose. The external validity of the findings of study was ensured through selection of participants based on a specific criteria relevant to the research question. Expert consultation, comparative discussion of the output with other national and international research has helped to ensure validity of the study. This study can be replicated under the same conditions as it was follow structured and planned framework for data collection and analysis process.

4. Result and Analysis

Pension Beneficiaries and Annual Pension Increment in Nepal

The Pension Management Office, established as the official institution overseeing retired employees’ records, plays a pivotal role in disbursing monthly pensions to civil servants, police, army personnel, and teachers across Nepal via commercial banks. Pensions are being given to civil servants, army and police personnel and teachers. The following graph illustrates the number of pensioners from the Fiscal Year 2014/15 to 2021/22 (FY 2071/72 to 2078/79 B.S.). There is no doubt that the amount of pension and the number of pensioners is growing around the board.

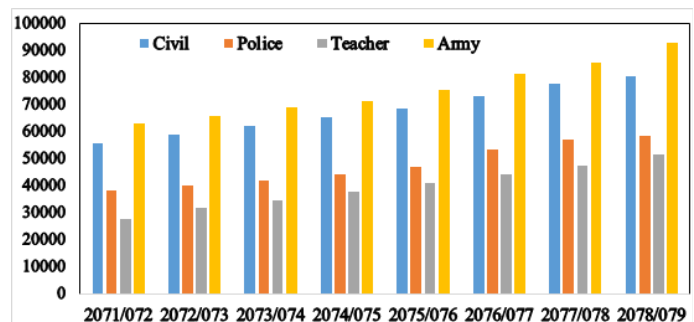


Figure 1: Number of Pension Beneficiaries in Nepal

Source: (PMO, 2022)

Pension Beneficiaries in Nepal

The figure shows that the number of pensioners is on the rise every year. While the hike in the number of pensioners for the civil service tips the list, the hike in the number of pensioners of teachers remains to be the lowest.

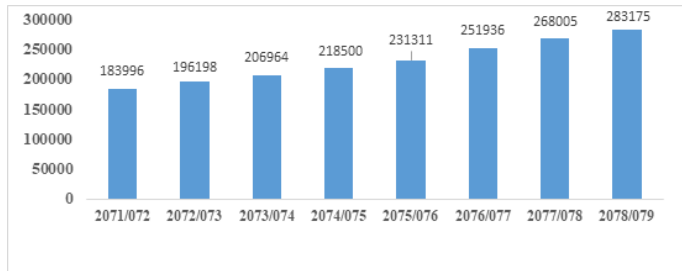


Figure 2: Total Number of Pension Beneficiaries in Nepal

Source: (PMO, 2022)

One of the reasons behind this is the difference in the retirement ages; the retirement age for civil service officials is 58 whereas for the teachers it is 63. The other reason is that most of the teachers are fiscal year 2014/15 to 2021/22 (2071/72 to 2078/79 B.S.) in the order of FY respectively. The pension liability is increasing every year.

Table 1: Annual Increment of pensioners, pension expenditures and average income of pensioners

FY	Total No. of Pensioners	Percentage of Increment of Pensioners (No)	Pension Expenditure (Rs. In Lakh)	Percentage of Annual Increment of Pension Expenditure	Average Pension Income per Year (Rs.)	Average Pension Income Per Month (Rs)
2013/14 (70/71)	128415		220000		171319.55	14276.629
2014/15 (71/72)	183996	43.28	260106	18.23	141365.03	11780.419
2015/16 (72/73)	196198	6.63	269272	3.52	137245.03	11437.086
2016/17 (73/74)	206964	5.49	370982	37.77	179249.53	14937.461
2017/18 (74/75)	218500	5.57	401490	8.22	183748.28	15312.357
2018/19 (75/76)	231311	5.86	440000	9.59	190220.09	15851.674
2019/20 (76/77)	251936	8.92	535430	21.69	212526.20	17710.516
2020/21 (77/78)	268005	6.38	555358	3.72	207219.27	17268.272
2021/22 (78/79)	283175	5.66	641980	15.60	226707.87	18892.322

Source: (PMO, 2022)

Nepal faces a pressing challenge in managing its pension system. The national budget allocates 4.5% to social security, with both the number of pensioners and the pension fund liability rising steadily (Figure 2, Table 1). This unsustainable trajectory necessitates immediate government action to address the long-term financial implications and contingency liabilities. Contributing factors include the lower retirement age of 58 for civil servants, compared to other groups like teachers (63) and judges (65). This disparity, coupled with increasing life expectancy, significantly impacts the government’s

appointed on a temporary basis.

Annual Expenditure in Pension

Figure 3 represents the government’s annual expenditure in pension from FY 2014/15 to 2021/22 (2071/72 to 2078/79 B.S.). Here, we can see that the amount of increment in pension is increasing every year.

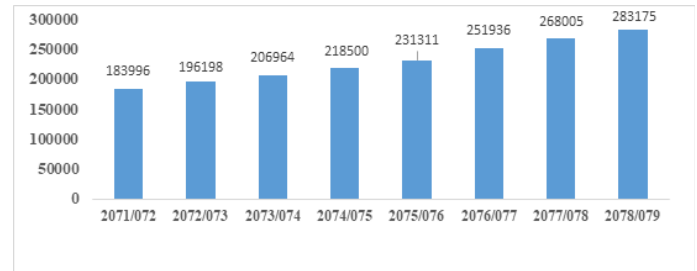


Figure 3: Annual Expenditure in Pension (in Lakh)

Source: (PMO, 2022)

The figure 2.3 and Table 2.1 illustrates that the year 2021/22 has seen the all-time high pension amount that is NRs. 64 arab 1 crore 98 lakh. The data shows that, there is an increment of 18.23%, 3.52%, 37.77%, 8.22%, 9.59%, 21.69%, 3.72% and 15.60% from

financial burden. While the Parliamentary State Affairs and Good Governance Committee proposed raising the retirement age to 60, the parliament’s endorsement is pending. This provides an opportunity to explore further extensions (2-5 years, reaching 63-65 years) based on life expectancy data and potential impact on specific sectors.

Learning from international best practices and conducting comprehensive studies are crucial for designing effective solutions. These might include adjusting pension formulas, exploring alternative financing mechanisms (employer-employee contributions, private

schemes), and promoting public awareness about the importance of saving for retirement. By taking proactive steps, Nepal can ensure the long-term sustainability of its pension system and the well-being of future generations of retirees.

Level of satisfaction in terms of amount on Provision of Non-Contributory Pension system

Among the 237 respondents surveyed, the satisfaction level regarding the provision of non-contributory pension systems for government employees, managed by the PMO, is notably low, with 24.05% expressing 'little' satisfaction and 11.39% indicating 'very little' satisfaction. Conversely, only 12.66% view the provision favorably, suggesting a need for improvement. Similarly, the contributory

pension system for government employees overseen by the EPF also faces criticism, with 24.5% of respondents expressing dissatisfaction and 15.20% showing satisfaction, while the majority (60.3%) deem the system as moderate, signaling a necessity for enhancement. The contributory pension system for private sector employees, managed by the SSF, also falls short of expectations, as highlighted by 49.40% of respondents expressing dissatisfaction and only 25.3% expressing satisfaction. The remaining 37.6% view the system as average, underscoring the need for improvements in pension benefits across sectors.

In nutshell, the data from Table 2 indicates a prevailing dissatisfaction among respondents regarding the adequacy of pension benefits provided by the PMO, EPF, and SSF. This underscores the urgent need for enhancements to current pension provisions to better meet the satisfaction of employees, both in government and private sectors.

Table 2: Level of Satisfaction in terms of Amount on Provision of

Level of Satisfaction in terms of Amount on Provision of						
	Non-Contributory Managed by PMO		Contributory Managed by EPF		Contributory Managed by SSF	
	N	Percent	N	Percent	N	Percent
Very Little	27	11.39%	31	13.1%	28	11.8%
Little	57	24.05%	27	11.4%	89	37.6%
Moderate	123	51.90%	143	60.3%	60	25.3%
High	25	10.55%	30	12.7%	45	19.0%
Very High	5	2.11%	6	2.5%	15	6.3%
Total	237		237		237	

Source: (Field Survey, 2022)

Likewise, respondents' response regarding the adequacy of the present provision of pension amounts to sustain daily expenses in retirement is captured in Table 2.3

Table 3: Level of Satisfaction on Present provision of Pension Amount Maintaining the Daily Expenses and Maintaining the Living Standard

Level of Satisfaction on Present Provision of Pension Amount Maintaining in terms of				
	Daily Expenses		Living Standard	
	N	Percent	N	Percent
Strongly Disagree	18	7.59%	24	10.13%
Disagree	66	27.85%	94	39.66%
Neutral	48	20.25%	73	30.80%
Agree	98	41.35%	43	18.14%
Strongly Agree	7	2.95%	3	1.27%
Total	237	1.00	237	1.00

Source: (Field Survey, 2022)

Respondents largely agreed that the existing pension amount is beneficial for maintaining daily expenses, with 41.35% expressing

strong agreement and 2.95% indicating some level of agreement. However, a notable proportion, 20.25%, remained neutral on this matter. Conversely, only 35.44% of respondents disagreed that the pension amount could sustain daily expenses in retirement. Analysis suggests a mixed perception among respondents regarding the adequacy of pension benefits for meeting daily expenses, with a significant portion expressing concerns.

Regarding the maintenance of living standards in retirement, respondents exhibited less optimism. Only 18.14% agreed that the current pension provision could support their living standard, while 1.27% partially agreed. Again, a substantial 30.80% remained neutral on this aspect. However, a majority of respondents, accounting for 49.79%, disagreed that the pension amount could maintain their living standards post-retirement. This sentiment underscores concerns about the adequacy of pension benefits to sustain a comfortable lifestyle after retirement. Hence, the data indicates dissatisfaction with the current pension provisions, suggesting a need for reform. The majority of respondents perceive the pension amount as insufficient to meet both daily expenses and maintain living standards in retirement. Consequently, there is a clear call for improvements to the existing pension system to ensure financial security and well-being for retirees.

Perceived Impact of Pension System Reforms in Nepal

Survey responses from 237 individuals in Nepal regarding their perception of the impact of pension system reforms on retirement planning, financial security, and overall well-being.

Table 4: Perceive Impact of Pension System Reforms in Nepal

Impact Area	Strongly Positive (%)	Somewhat Positive (%)	Neutral (%)	Somewhat Negative (%)	Strongly Negative (%)
Retirement Planning	12 (5.1%)	58 (24.5%)	92 (38.8%)	47 (19.8%)	28 (11.8%)
Financial Security	8 (3.4%)	42 (17.7%)	105 (44.3%)	53 (22.3%)	29 (12.3%)
Overall Well-Being	5 (2.1%)	35 (14.8%)	120 (50.6%)	55 (23.2%)	22 (9.3%)

Source: (Field Survey, 2022)

The table 4 shows that a significant portion of respondents (38.8% for retirement planning, 44.3% for financial security, and 50.6% for overall well-being) hold a neutral stance on the perceived impact of reforms. While a minority expresses positive views (ranging from 5.1% to 24.5%), a notable number also express negative concerns (ranging from 11.8% to 23.2%).

Likewise, Table 5 reveals a potential connection between age and perceived impact on financial security. Younger individuals (20-30) express a higher percentage of both positive and negative views compared to older age groups (31-40 and 41-50), with a larger portion in the latter groups holding neutral stances. This suggests that younger individuals might be more concerned about potential uncertainties associated with reforms, while older individuals may be more cautious due to their closer proximity to retirement.

Table 5: Cross-tabulation: Age Group and Perceived Impact on Financial Security

Age Group	Somewhat/Strongly Positive (%)	Neutral (%)	Somewhat/Strongly Negative (%)
20-30	20 (22.2%)	45 (50.6%)	25 (27.2%)
31-40	18 (19.8%)	62 (68.1%)	10 (11.1%)
41-50	4 (4.4%)	73 (80.6%)	13 (14.4%)

Table 6: Respondents Insights to Open-ended Question

Theme	Frequency	Percentage	Example
Raising Retirement Age	67	0.283	"Increasing the retirement age to ensure long-term financial sustainability"
Expanding Coverage to Informal Sector	60	0.253	"Bringing informal sector workers into the formal pension system for wider protection."
Increasing Contribution Rates	55	0.232	"Adjusting contribution rates to ensure sufficient funds for future retirees."
Improving Efficiency and Management	35	0.148	"Combating corruption and improving efficiency within the pension system."
Enhancing Public Awareness	20	0.084	"Educating the public about the importance of saving for retirement."

Source: (Field Survey, 2023)

Source: (Field Survey, 2022)

In Nutshell, this analysis highlights the mixed public perception regarding the impact of pension system reforms in Nepal. While a significant portion remains neutral, others express both positive expectations and concerns. The cross-tabulation analysis suggests a potential age-related difference in perspectives, with younger individuals exhibiting a wider range of views compared to older groups.

Respondents Insights Regarding Factors Contributing to the Pension Systems Reforms

Upon surveying 237 respondents regarding the necessary reforms in Nepal's pension system and the contributing factors an open-ended question was asked to respondent where several key insights emerged. The respondents highlighted various reforms needed to address the current shortcomings in the pension system.

The most frequently mentioned reform is raising the retirement age, reflecting concerns about the system's long-term financial sustainability, particularly in light of the increasing number of retirees and potential strain on existing resources. Additionally, expanding coverage to the informal sector, encompassing a large portion of the workforce, is considered crucial for ensuring inclusivity and wider social protection. This data provides valuable insights into public opinion on reforming Nepal's pension system. It highlights the need for a multifaceted approach addressing various aspects, including extending the working life, expanding coverage, and ensuring financial stability.

5. Findings and Discussion

The analysis of Nepal's pension system sheds light on its current state and the imperative need for reforms. The escalating number of pension beneficiaries, particularly within the civil service sector, underscores the mounting financial strain on the government. This aligns with findings from studies in other countries, such as India and Bangladesh, which also face challenges posed by an aging population and increasing pension liabilities (Chalise et al., 2022; Mahmud & Rahman, 2020). The disparity in retirement ages between civil servants and teachers further complicates the management of pension liabilities, echoing similar concerns raised in pension systems worldwide (Sergey, 2019). Furthermore, the rise in annual pension expenditure highlights the pressing need for immediate action to ensure the long-term financial sustainability of Nepal's pension system. Similar trends have been observed in other countries undergoing demographic transitions, emphasizing the urgency of implementing effective reform measures to address rising pension costs (Ortiz et al., 2018; Bonenkamp et al., 2017). The dissatisfaction among respondents regarding the adequacy and effectiveness of pension benefits echoes findings from studies in various contexts, indicating widespread concerns about pension provision and its ability to meet retirees' financial needs (Hinrichs, 2016; Vogel et al., 2017).

The survey on the perceived impact of pension system reforms reveals a mixed public perception, with some expressing positive expectations while others hold neutral or negative views. This finding aligns with studies from other countries, which also report divergent opinions among the populace regarding the potential outcomes of pension reforms (Buyse et al., 2017; Porte & Natali, 2017). The age-related difference in perspectives highlights the importance of considering demographic factors in pension reform efforts, as observed in studies examining public attitudes towards retirement and pension systems (Ebbinghaus, 2015; Han & Jeong, 2020). Insights from the open-ended question on factors contributing to pension system reforms corroborate findings from international literature, emphasizing the importance of raising the retirement age, expanding coverage to the

informal sector, increasing contribution rates, improving efficiency and management, and enhancing public awareness. These reform priorities align with recommendations from studies on pension reform strategies, emphasizing the need for multifaceted approaches to address the complex challenges facing pension systems globally.

Hence, the findings of this study highlight the urgent need for comprehensive reforms to address the systemic challenges and shortcomings in Nepal's pension system. By drawing lessons from international best practices and considering the diverse needs and concerns of different age cohorts, policymakers can develop effective reform strategies to ensure the long-term sustainability and adequacy of Nepal's pension system, thereby safeguarding the financial security and well-being of retirees.

Implications

The analysis of Nepal's pension system unveils significant implications for both theoretical understanding and practical action. Theoretical implications emphasize the importance of cross-country comparisons, highlighting parallels with pension systems in countries like India and Bangladesh. This comparative analysis offers insights into common challenges and drives theoretical exploration, advancing frameworks in pension studies. Additionally, demographic considerations highlight the role of age-related differences in shaping attitudes towards reforms, urging the integration of demographic variables into theoretical models for a nuanced understanding of pension dynamics. The emphasis on multifaceted reform approaches further address the complexity of addressing pension challenges, urging researchers to develop models that capture the interconnectedness of reform measures.

On a practical level, the study emphasizes the urgency of comprehensive reforms to address Nepal's pension system's systemic challenges. Policymakers can utilize insights from international best practices to inform tailored reform initiatives, considering diverse stakeholder needs. Stakeholder engagement and public awareness emerge as crucial drivers of reform success, urging policymakers to foster collaboration and educate the public on the benefits of pension reforms. Furthermore, capacity building and institutional strengthening are highlighted as essential for the effective implementation of reforms, necessitating investments in training programs and institutional mechanisms. By incorporating these implications into policy design and implementation, policymakers can work towards ensuring the long-term sustainability and adequacy of Nepal's pension system, ultimately safeguarding retirees' financial security and well-being.

Conclusion and Recommendations

Pension reform has emerged as a critical issue worldwide, spurred by demographic shifts, economic challenges, and the COVID-19 pandemic's economic fallout. The ageing population and declining birth rates have strained pension systems, leading to escalating costs and jeopardizing their sustainability. The urgency for reform is emphasized by the pandemic's impact on pension fund performance, deepening the financial strain on governments and threatening retirees' financial security. Nepal's pension system also grapples with numerous challenges, including low coverage, inadequate benefits, and financial instability. While this study sheds light on some aspects of the system, it acknowledges limitations in its scope. Nonetheless, it advocates for urgent reforms, suggesting a transition from noncontributory to contributory pension schemes as a potential solution. Such reforms could entail expanding coverage to include informal sector workers and adopting measures to ensure the system's long-term financial viability.

To address these challenges effectively, several potential solutions have been proposed. Firstly, increasing coverage to encompass a broader spectrum of workers, including those in the informal sector and agriculture, can enhance the system's inclusivity and effectiveness. Secondly, ensuring financial sustainability by introducing contributory schemes, wherein both employees and employers contribute during their working years, could alleviate the strain on government finances. Lastly, integrating the pension system with other social protection programs could strengthen social safety nets, providing retirees with access to essential services and improving their overall welfare. However, implementing these reforms necessitates sustained political commitment, institutional reforms, and adequate financial resources. Without such support, the potential benefits of reform may remain unrealized, leaving retirees vulnerable to financial insecurity. Therefore, policymakers must prioritize pension reform efforts, recognizing them as integral to ensuring the well-being of retirees and the long-term stability of Nepal's pension system.

The conclusion highlights the urgent need for pension reform in Nepal due to demographic changes, economic challenges, and the impact of the COVID-19 pandemic. It emphasizes the importance of forward-looking initiatives taken by insurance stakeholders, including regulators, bodies, and players, to fill the current gap in the pension system. These initiatives include promoting innovative pension solutions, offering tailored pension products, and conducting awareness campaigns to enhance public understanding of retirement planning. Regulatory bodies, such as the Insurance Board of Nepal, have been actively involved in promoting innovative pension solutions and ensuring compliance with regulatory standards. They have introduced measures to encourage the development of pension products and enhance consumer protection. Through regulatory

oversight and guidance, these bodies strive to foster a conducive environment for sustainable pension provision. The importance of continued collaboration between insurance stakeholders, government agencies, and policymakers to create an enabling environment for sustainable pension provision. Overall, the conclusion reflects optimism about the future trajectory of pension provision in Nepal, driven by proactive efforts and collaborative initiatives across sectors.

Limitations and Area for Further Study

This study offers crucial insights into the pressing need for comprehensive reforms to tackle systemic challenges. However, it's essential to acknowledge the study's limitations and propose avenues for further research. One such limitation is the study's exclusive focus on the pension system, overlooking other components of social security benefits that may influence individuals' motivation. Consequently, future research could investigate the interconnectedness of various social security benefits and their combined impact on employee motivation and well-being. Furthermore, the study's utilization of a descriptive research design restricts its capacity to establish causal relationships or explore explanatory factors. To address this limitation, future research could adopt explanatory or causal-comparative studies to explore deeper into the underlying mechanisms driving outcomes of pension reform. Additionally, qualitative approaches, such as stakeholder interviews, could offer deeper insights into the perspectives and experiences of pension beneficiaries, policymakers, and other key stakeholders involved in the reform process.

Moreover, the study proposes several potential solutions for pension reform in Nepal, including broadening coverage, ensuring financial sustainability through contributory schemes, and integrating the pension system with other social protection programs. However, the feasibility and effectiveness of these solutions require further investigation. Subsequent research could evaluate the implementation of these reform measures in different contexts or conduct pilot studies to assess their impact on retirees' financial security and well-being. Likewise, while this study sheds light on the challenges and possible solutions concerning pension reform in Nepal, additional research is imperative to deepen our comprehension and guide evidence-based policy decisions.

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