

# Effectiveness of Social Security System in Nepal

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## Abstract

*Social security is a fundamental human right to which every individual has been entitled as a member of the society. It is the programs developed to reduce the vulnerability of an individual. The main objective of this paper is to examine on effectiveness of social security system in Nepal. This study follows to analyze the effectiveness Social Security Allowance among the beneficiaries especially for senior citizen, widowed, fully disabled and partially disabled. The implication of the study os to strengthen the social security programs in Nepal. This study is based on primary data collection in terms of use of the allowance and use of it to maintain the social status. This study reveals that social security allowance have been used for the fulfilment of basic personal needs.*

**Key Words:** social security, effectiveness, vulnerable, allowance, welfare

## Introduction

The International Social Security Association has defined social security as any program of social protection established by legislation or any other mandatory arrangement that provides an individual with a degree of income security when faced with income contingencies of old age, survivorship, incapacity, disability, and unemployment and rearing children. The development of social security is being supported by various international conventions and instruments, and the recognition of social security as a basic Human right was enshrined in the 1948 Universal Declaration of Human Rights. Today worldwide, the most common type of program is for old-age, disability and survivors' pensions, among others. The Social Security Minimum Standard Convention 102 of ILO mentions nine branches of social security which include: sickness, maternity, employment injury, unemployment, invalidity, old age, death, provision of medical care

and provision for families with children (ILO, 1984). It states that these nine risk factors should be covered by social security. Social security is thus a primarily social insurance program providing social protection or protection against socially recognized conditions, including poverty, old age, disability, unemployment and others. Social security may also entail smoothing consumption and help in reducing risks or spreading income over the life cycle. often there is a redistribution of income among groups with differing needs (Ahmad, 1991).

Ahmad (1990), argues that social security is as indispensable to an equitable development strategy as to Economic growth. Available literature has classified social security into three major types: (i) social insurance; (ii) income maintenance; and (iii) services provided by government for social security. Among the three major types, income maintenance mainly refers to the distribution of cash in the event of interruption of employment, including retirement, disability and unemployment. This policy is usually applied through various programs designed to provide a population with income at times when they are unable to care for themselves. Income maintenance is based on a combination of five main types of programs: (i) social insurance; (ii) means-tested; (iii) noncontributory benefits; (iv) discretionary benefits; and (v) universal or categorical benefits. The poor are most likely to be in need of social security. In the absence of publicly supported social security programs, the poor are likely to turn their Production and consumption behavior towards risk avoidance instead of towards income maximization. In other words, the poor often cannot afford to be entrepreneurial - and may remain underproductive and poor. In order to counteract this, cash and in-kind transfers, and poverty-targeted programs - should be examined in a broad developmental context, while ensuring that the poor also have access to the gains from Economic growth (World Bank, 1997).

Social security refers to the financial support action program of Government intended to promote welfare of the population. It is potentially directed to vulnerable segment of the society such as children, the elderly, the sick and the unemployed. It is the tool for the government to take care of well-being of its citizen. The concept of social security, as presented in the Universal Declaration of Human Right explain that everybody has right to social

security in order to ensure a life with justice, equality and dignity. The global environment for developing social security service emerged during the Post World War II recovery plan for global socio-economic situation. Germany was the first nation to adopt modern social security scheme with the introduction of old age social insurance program in 1989 A. D. In 1952, the ILO adopted the social security Minimum Standard Convention 102 and in 2001, it introduced a global campaign on social security and coverage for all. Modern welfare state ought to provide Economic and social security in the form of facilities and respect to senior citizens.

### **Statement of the Problem**

Social security service is a tool for government to take care of well-being of its citizens. Lack of updated information, lack of citizenship certificate, lack of fruitfulness of program, determining how much the target groups are actually benefitting is still a challenge. Purposes of using allowance, to what extent they are satisfied to use it, changing life style of beneficiaries increasing or decreasing of love and affection and so on are some of the key issues associated with the effective implementation of the social security program in the country as not found in the practice yet. Thus, these arguments of social security system are still needed to be brought forward and to be addressed properly. And this study can equally be significant for those researches or policy makers attempting to answer or change policy making in order to increase certain level of satisfaction of these people regarding the benefits they have received.

So, this study was designed to address the following research questions related to effectiveness of social security system in Nepal:

1. What are the features of social security in Nepal?
2. How is social security meaningful for the people?

### **Objective**

The objectives of the study are:

- To assess the features related to social security in Nepal.
- To examine the effectiveness of social security for people.

## **Limitations of the Study**

Every research has its own limitation so this research was no exception either. This research was based only on quantitative analysis of effectiveness of social security in study area. The findings of the research may or may not be equally generalized to the other area or whole part of Nepal. The purpose of this study is to fulfill the academic work so it is based on limited objectives under limited time and resources in which only limited data collection tools and techniques were used to collect the primary informations.

## **Social Security System in Nepal.**

In the historical development of social security in the contest of Nepal, the Hindu and Buddhist religion provides basic activities of social security such as giving alms, philanthropic health and education services from the ancient time. In ancient periods during Lichhabi, Malla and even Rana regime social security policy of Nepal was primarily based on feudalistic and dictatorial system which depends upon order of the head of state. The end of Rana family regime through people movement followed historical introduction of Democracy in the country in 1951. The country adopted the constitutions and formulated acts and regulation to turn the state activities under the rule of law. (Mathema, 2012). Nepal as the member state of UN and as a signature country of UDHR and various other important international conventions, has international commitment to develop social security services in line with its constitutional provisions of the country. Government of Nepal has formulated a national policy, on aging and the problem of elderly have been addressed at a level in various act and their regulations for elderly people in Nepal. (Mathema,2012)

Increasingly, social security is being considered as a right of the citizen. Social Security is linked to enhancing social equity and justice. A universal flat pension of Rs. 100 to all the elderly people above 75 years was first announced in Nepal on December 26, 1994. Since 1996-97, the Ministry of local Development has been administrating the Old Age Pension (OAP), and the allowances were distributed by the ward offices in the urban areas and by the Village Development Committees in the rural areas. Since 2065/66, the government has been introducing allowances to single Women, endangered races, while reducing the eligibility age threshold for Dalits and citizens of

the Karnali zone. In FY 2010/11, 3.01% of the Total budget was allocated to social security programs. The estimated number of recipients has been increasing in all the categories. The proportion of universal allowance is much higher than that of other allowances.

The Constitution of Nepal 1990 had recognized social security as a state responsibility and the Interim Constitution of Nepal 2007 and Constitution of Nepal 2015 has ensured social security as a fundamental right of the people.

## **Methods and Materials**

In this research both exploratory and descriptive research design used to explore the social security of people in Nepal. The study area was Balaju and Banasthali which were selected through purposive sampling. This study area was based in ward number 16 of Kathmandu metropolitan city. A Total of 102 people were selected through random sampling method for the study. Only four categories of respondents were considered. Out of 102 respondents 71 senior citizens, 24 widowed, 4 fully disabled and 3 partially disabled who were receiving Social Security Allowance were regarded as the sample of the study and collected. A set of questionnaire forms were sent to the respondents. The questionnaires comprised of both close-ended and open-ended questions. These formed the basis of the analysis of the study. This study used simple statistical tools such as frequency distribution, percent, average, rate etc.

## **Results and Discussions**

Social security systems are programs developed to reduce the vulnerability of an individual. Studies conducted on the safety net shows basically for reasons why a welfare government is concerned with social risk Management. It is to fight against poverty and its vulnerability, that is, the increased probability of the old age group to become or to remain poor. It is needed for an improved consumption smoothing due to better arrangements to manage the income risks and also to improve the welfare distribution in society. Having improved equity in the society with its importance increasing with the number and depth of income shocks and risk Management as an important bearing on Economic development.

The Government of Nepal has been implementing various social security programs for decades. In case of Nepal, the government provides non-contributory pension, provident fund, limited care facilities, maternity leave and work injury as well as accident compensation for the employees. Provident fund is the main security component in Nepal (NPC, 2012).

**Table 1: Social Security Allowances in Nepal**

Fiscal Year	Social Security Allowances (SSA) Monthly
Senior Citizen Allowance (Above 70 years)	Rs. 3,000/-
Widow (Financial assistance)	Rs. 2,000/-
Disability Allowance (Class A)	Rs. 3,000/-
Disability Allowance (Class B)	Rs 1,600/-

Source: Fiscal budget 2019/20

Table 1, reveals that social securites allowances was provided Rs. 3,000 per month for senior citizens above 70 years, Rs. 2,000 per month was provided to widow, Rs. 3,000 per month was provided to disabaled of class-A and Rs. 1,600 per month was provided to disabaled to class-B.

**Table 2: Annual Total Budget and Budget for Social Security allowance (SSA)**

Fiscal Year	Total Budget	SSA
2013/14	517.24	10.37
2014/15	618.10	12.73
2015/16	819.47	16.45
2016/17	1048.92	32.70
2017/18	1278.99	39.29

Source: Red book, MoF, 2018

Table 2, shows that the social security allowance was nearly 11 billion in the fiscal year 2013/14 out of the Total budget around 518 billion. Moreover, SSA went on increasing in each fiscal year and tripled during the fiscal year 2016/17. In the fiscal year 2017/18 this social security allowance was around 40 billion. This trend shows in each fiscal year the budget for social security allowance being increasing and creating pressure to spend on

noncontributory pension. The aging population is increasing on one hand and beneficiaries are also increasing on the other hand due to the various categories defined by the government of Nepal.

**Table 3: Respondents' Information**

<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Sex</b>		
Male	78	76.47
Female	24	23.53
<b>Total</b>	102	100
<b>Age</b>		
20-30	3	2.94
30-40	4	3.92
40-50	3	2.94
50-60	5	4.90
60-70	24	23.53
70-80	51	50.00
80 and above	11	10.77
<b>Total</b>	102	100
<b>Current Jobs/Other Income</b>		
Yes	27	26.47
No	75	73.53
<b>Total</b>	102	100

*Field survey, 2020*

Table 3, shows that 76.47% respondents were male and 23.53% respondents were female in this study. Similarly, 2.94% respondents were within the age of 20-30 years, 3.92% respondents were within the age of 30-40 years 2.94% respondents were within the age of 40-50 years and 4.90% respondents were.

The table also shows that respondents of 60-70 age group were 23.53% and 70-80 age group shared 50% which was the highest number of respondents. There were 10.77% of respondents of 80 and above age groups.

In later part of table, the status of income is shown. 26.7% of Total respondents only had the income source whereas the remaining 73.53% didn't have any sources of income. The source of income was mostly pension or elderly allowance in the age group of 60 and above where as the major sources of income of respondents lesser than 60 years were involved in jobs and small scaled business.

**Table 4: Categories of Respondents**

Categories	Frequency	Percentage
Senior Citizen	71	69.61
Widowed	24	23.53
Fully Disabled	4	3.92
Partially Disabled	3	2.94
Total	102	100

*Field survey, 2020*

Table 4, shows that senior citizens were the highest number of respondents which was 69.61%. There were 23.53% of respondents who were widowed. And 3.92% respondents were fully disabled whereas 2.94% respondents were partially disabled. In the survey, there were Total 102 respondents.

**Table 5: Uses of Social Security Allowances**

Areas	Frequency	Percentage
Food	48	47.06
Clothes	21	20.59
Education	9	8.82
Health	19	18.63
Others	5	4.9
Total	102	100

*Field survey, 2020*



Table 5, shows that social security allowances were mostly used in food by the respondents, 47.06% and then 20.59% on clothes. 8.82% was used up on educational purpose. 18.63% of respondents used most of allowances on health and care whereas 4.9% used on other kinds of works.

### Satisfaction Level by Social Security Allowances

The satisfaction level of respondents are levelled as, more satisfied, satisfied and less satisfied. They are shown as in the given table:

**Table 6: Satisfaction Level by Social Security**

Level	Frequency	Percentage (%)
More Satisfied	18	17.65
Satisfied	49	48.04
Less Satisfied	35	34.31
Total	102	100

*Field Survey, 2020*

Table 6 shows that 17.65% respondents were more satisfied, 48.04% respondents were satisfied and 34.31% respondents were less satisfied with social security allowances.

### Conclusion

Social security has been recognized as a concern of citizen's rights in the world. Social Security is linked to enhancing social equity and justice. Realizing this fact, the Government of Nepal has included a provision for social security in the Constitution of Nepal, 2015. Social security is a fundamental Human right to which every individual has been entitled as a member of the society. Today, social security has been widened to include the complete quality of working and living life in each aspect. Moreover, it is a wise investment which motives the employees and boosts their morale leaving to higher quality Production and it is a basic instrument of social and Economic justice among members of the society. Furthermore, it leads to adoption of the schemes of unemployment, insurance and creation of new employment through a drive for rational planning and industrial

development, establishes a scheme of old age and unemployment pension, covers amore different types of risks like sickness, maturity and employment injuries. In addition, it also emphasizes and ensures that the ideas of Human dignity and social justice are duty taken care. The traditional values of providing care and support for senior members have been dominated by changing needs of families that pressure them live independently.

In this study, target population have been primarily using allowances for fulfilling their basic personal needs for their daily consuming food/ clothes. So, social security allowances seem insufficient to sustain their life. The study shows that still more than one third of the respondents are less satisfied by the social security allowances. Therefore, the government needs to design and implement more effective social security programs.

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