Nepal's Social Security Sustainability: Life Expectancy and the Inversion Gap

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Abstract

This study examines whether Nepal's Social Security Allowance (SSA) can remain financially sustainable in the long run. It mainly focuses on the connection between increasing life expectancy and the age at which people start receiving benefits. Since the program was introduced in 2051/52 (1994/95), Nepal has gone through noticeable demographic changes. Life expectancy has increased from 58 years to 73 years. However, the age for receiving SSA has been reduced from 75 to 68 due to Government changes. Because of this, many people start getting benefits earlier than the average life expectancy. For this study, 30 years of data are reviewed, including government budgets, number of beneficiaries, and key economic indicators. The findings show that government spending on SSA has grown very fast, rising from NPR 375.60 million to NPR 115 billion. This increase has created pressure on public finance. The share of SSA expenditure relative to GDP is also rising, raising questions about sustainability. The analysis also suggests that lowering the eligibility age is closely linked with increasing the financial burden of the country. The current eligibility age of 68 years may not be sustainable over time, especially if the government needs to invest in other development areas. Therefore, this study suggests raising the eligibility age to 75 years. This change may help control expenses and ensure that support reaches the most vulnerable elderly population.

Keywords: Social security, fiscal Sustainability, life expectancy, public expenditure, ageing population, policy realignment

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Introduction

Background of the Study

Social security acts as a vital promise from the state to protect its most vulnerable people. In Nepal's developing economy, the Senior Citizen Allowance (SCA) has transformed from a tiny welfare project into a massive part of the national budget. This program officially started in the fiscal year 2051/52 (1994/95) under the leadership of Prime Minister Late Manmohan Adhikari. Back then, the policy was very cautious; the age to get the money was 75 years, even though the average Nepali lived only 58 years at that time (Central Bureau of Statistics [CBS], 1995). Since there was a 17-year gap between living long and getting the social benefit, the government only spent near about NPR 375.60 million a year for roughly 313,000 people @ Rs 100 each (Ministry of Finance [MOF], 1995).

However, Nepal has changed a lot in 30 years. Better hospitals and better food have increased the average life expectancy to 73 years by 2026 (Department of Health Services [DOHS], 2026). But while people are living longer, political parties have competed to lower the eligibility age to win votes in the election only. The political parties did not make any scientific study about the future finance of the economy. The age limit dropped to 70 years in 2008/09 and then down to 68 years in 2022/23 (National Planning Commission [NPC], 2023). This has created a "gap inversion." Now, the government starts paying the allowance

four or five years before the average person is even expected to reach their statistical age of death.

The core issues this research shows at is the total disconnect between biological facts (people living longer) and political rules (lowering the age). This mismatch is creating a massive financial crisis in Nepal in the near future. At the start of the program, the gap was +17 years; today, it has flipped to -4 years (Ministry of Finance [MOF], 2024). Because of this flip, the number of people getting the money—and the total bill for the country—has exploded and it can create great problem in the future.

The numbers show how serious this is. Annual spending went from just NPR 375.60 million in 1994 to a giant NPR 115 billion in 2024/25 (MoF, 2024). In fact, for the first time, Nepal's social security bill (NPR 115 billion). It is more than double the total foreign grants the country is receiving now, which is only NPR 53 billion (MoF, 2025). This means the government of Nepal is taking money from different countries to develop physical infrastructure like roads, hospital, hydroelectricity, schools etc. just to keep up with these cash payments.

While many papers discuss how this money helps the elderly buy medicine (Uprety, 2018), no one is looking at the great financial crisis in the future in Nepal. There is a huge research gap because no major study has used math to find a "scientific break-even point" for the budget. This study fills that gap by arguing we should stop using "Political Eligibility" (lowering age for votes) and start using "Demographic Eligibility" (matching age with how long people actually live).

Research Questions

I. What are the historical trends in life expectancy and the statutory eligibility age for social security in Nepal?

II. How does the narrowing (and subsequent inversion) of the gap between life expectancy and eligibility age influence the fiscal sustainability of Nepal's social security budget?

III. Why is a periodic readjustment of the eligibility age (to 75 years) necessary for the long-term economic resilience of the state's welfare system?

Research Objectives

I. To document and analyze the correlation between the increase in average life expectancy and the changes in social security eligibility age in Nepal over the last three decades.

II. To evaluate the fiscal impact of lowering the eligibility age on the national treasury and the growth of the beneficiary population.

III. To propose a scientifically grounded eligibility threshold (75 years) that balances citizen welfare with the state's financial capacity.

Research Hypotheses

In a formal empirical study, we test the following alternative hypothesis:

I. H_1**:** There is a significant positive correlation between the reduction in the eligibility age gap and the exponential rise in the government's annual expenditure on social security.

II. H_2**:** The current eligibility threshold (68 years) is statistically unsustainable in the context of a rising life expectancy (72+ years) without compromising other developmental expenditures.

III. H_3**:** Increasing the social security eligibility age to 75 years will significantly reduce the state's fiscal deficit and enhance the quality of service delivery by focusing resources on the most vulnerable elderly population.

Significance of the Study

This research holds immense value for policymakers, economists, and the general public in Nepal for the following reasons:

I. Policy Realignment: It provides a scientific rationale for the any future administration to revert the eligibility age to 75 years, ensuring the program does not bankrupt the national treasury.

II. Fiscal Discipline: By highlighting that social security spending now exceeds foreign grants (2.1:1 ratio), this study serves as a warning for the Ministry of Finance to prioritize capital formation over consumption.

III. Targeted Welfare: The study argues that by raising the age to 75, the state can actually increase the monthly amount for the "ultra-elderly" (those 75+) rather than spreading thin resources across a younger, more active 68-year-old population.

IV. Academic Contribution: It introduces the concept of the "Inverted Eligibility Gap" into the Nepalese academic discourse, providing a template for future researchers to study demographic-fiscal correlations.

Literature Review

Theoretical Review

The sustainability of social security systems is governed by economic and sociological theories that explain the "social contract" between the state and its aging citizens.

The Life-Cycle Hypothesis (LCH) and Nepal's Reality

The Life-Cycle Hypothesis (LCH), originally proposed by Modigliani (1966), suggests that people are rational and try to keep their spending steady over their whole lives. The idea is simple: workers save money during their younger, 'productive years so they can afford to live after they retire (Modigliani, 1966). While this works well in wealthy countries where the state just adds a little extra to private savings, Nepal is a very different case. Here, the informal economy employs more than 70% of all workers, which means almost no one has a private pension or personal savings for old age (Central Bureau of Statistics [CBS], 2022).

Because of this lack of private saving, the Nepalese government has been forced to step in as the 'National Saver'. This is where the problem starts. Since 1994, life expectancy in Nepal has jumped from 58 years to 73 years. This means the 'consumption phase—the time spent in retirement—has grown by 15 years. However, the production phase (the working years) has not increased to match it, and tax revenue has not grown enough to cover the bill. This massive gap creates a financial hole in the national budget that the treasury must now fill with debt or by cutting other projects (CBS, 2022).

The Theory of Intergenerational Equity

The core of this theoretical framework is whether a government's current financial decisions are fair to the people who will live in the future. Kotlikoff (1992) famously described a 'Generational Storm', which happens when the cost of caring for the current elderly population grows much faster than the country's actual economic growth. In the context of Nepal, this storm is already visible. The national spending on social security has

climbed to a massive Rs 115 billion, which is now significantly higher than the total foreign grants of Rs 53 billion (Ministry of Finance [MOF], 2024).

This massive spending gap indicates a clear violation of intergenerational equity. By keeping eligibility ages low mainly for political popularity, the state is essentially forcing the taxpayers of tomorrow to pay for the debt created by the populist choices of today. According to Kotlikoff (1992), this shift in the financial burden means that future generations will inherit a bankrupt system or a massive debt crisis just to sustain the current welfare model (Kotlikoff, 1992). Therefore, maintaining the status quo in Nepal is not just a fiscal problem; it is a moral failure regarding the rights of future citizens.

Conceptual Review

This section clarifies the core variables used in this study: The Eligibility Gap and Fiscal Sustainability.

The Concept of the "Eligibility Gap"

The Concept of the 'Eligibility Gap' In this study, the 'Eligibility Gap' is a central mathematical idea. It represents the difference between how long the average person is expected to live and the actual legal age when they can start collecting social security (Monk et al., 2010; Goldman & Orszag, 2014). To understand this, we look at two different scenarios:

The Positive Gap (+): This occurs when the government sets the eligibility age higher than the average life expectancy. For instance, in 1994, Nepal had a "Positive Gap" of +17 years because the benefit age was 75 years while people lived to 58 years on average (CBS, 1995). This gap shows a very targeted welfare model that only costs the state a small amount of money.

The Inverted Gap (-): This is the current situation in Nepal, where the eligibility age has been lowered below the average life expectancy. By 2024, the gap became -4 years (MOF, 2024). This 'inverted' status signals a high-cost model because the average citizen now receives government payments for several years before they reach their statistical age of death.

Fiscal Sustainability in Welfare States

Fiscal sustainability is the ability of a government to maintain spending and tax policies without going bankruptcy. In Nepal, this is measured by the Social Security Allowance (SSA)-to-GDP ratio. As the data shows, SSA has moved from ~0.7% of the budget in 1994 to 14.7% in 2024/25, signaling a conceptual shift from a 'safety net' to 'budgetary dominance' (MOF, 2024).

Empirical Review

The empirical review examines evidence from Nepal and the international community regarding aging and public spending.

International Evidence: The Aging Crisis

Studies by the World Bank (2022) and the OECD (2023) show a global trend of parametric reforms. Countries like Germany and Japan have empirically proven that maintaining a low eligibility age is impossible as life expectancy nears 80 years. Consequently, they have raised eligibility ages to 67 years and more. In South Asia, while India and Bangladesh use means-tested targeting (focusing only on the poor), Nepal's universal model creates a unique fiscal pressure (Sharma, 2021).

The Nepalese Context: From 280 Million to 1.15 Kharba

Previous research in Nepal focused on the qualitative impact—showing that 85% of recipients use the allowance for healthcare (Uprety, 2018). However, recent quantitative reports from the ministry of finance show a dangerous trend. The 'jump' in no. of beneficiaries from 313,000 to 2.15 million is empirically linked to the lowering of the age threshold rather than just population growth (MOF, 2024).

The Foreign Grant Paradox

A unique empirical finding is the Grant-to-Welfare Ratio (GWR). In 1994, foreign grants were 15 times higher than social security spending. By 2024, social security spending became 2.1 times higher than foreign grants. This shift proves that Nepal has transitioned from an aid-dependent development model to a debt-funded distribution model (Paudel, 2025; Regmi, 2023).

Research Gap

The existing literature on Nepal is rich in social advocacy but poor in actuarial science. Most authors argue for expanding the allowance to reduce poverty, but few address the mathematical ceiling of the national budget. There is a glaring absence of studies that compare the cost of lowering age against the loss of capital investment. This study fills that gap by using the 75 years as a theoretical benchmark. By reverting to the 75-year threshold, the state aligns itself with the 1994 logic but adjusts it for 2026 biology. This realignment is a scientific correction to ensure that the 2.1:1 ratio (Social Security vs. Foreign Grants) does not lead to a sovereign debt crisis.

Materials and Methods

Research Design

This study adopts a quantitative longitudinal research design to examine the impact of rising life expectancy on the fiscal sustainability of Nepal's Social Security Allowance (SSA) system. The longitudinal design is suitable to analyze the data from 2051/52 to 2082/83. This study highlights the clear link between the eligibility gap and the massive rise in government spending by using quantitative research design.

Nature and Sources of Data

The research is primarily based on secondary data sources, ensuring a high degree of reliability and official validity. The data used for empirical analysis were retrieved from the following authoritative institutions:

- Ministry of Finance (MOF): Annual Budget Speeches and Economic Surveys (1994–2024) for expenditure and beneficiary data.
- National Statistics Office (NSO/CBS): National Population and Housing Census reports (1991, 2001, 2011, and 2021) for life expectancy and demographic transition data.
- World Bank and UNDP Reports: For international benchmarking of life expectancy and social protection trends in South Asia.

Data Collection Procedure

A systematic data extraction method was employed. Financial figures regarding Social Security Allowance (SSA) were tabulated chronologically, coinciding with major policy shifts (e.g., the reduction of age from 75 to 70 and then to 68 years). Life expectancy data were mapped against these fiscal years to calculate the eligibility gap. To ensure accuracy, all monetary values were compared against the total national budget and foreign grant receipts to establish the grant-to-welfare ratio.

Variables of the Study

The study identifies two sets of variables for empirical testing:

- Independent Variables: Average life expectancy and eligibility age.
- Dependent Variables: Total annual expenditure on SSA, total number of beneficiaries, and state fiscal deficit.
- Moderating Variable: Political policy shifts.

Tools for Data Analysis

To ensure a human-centric and rigorous analysis, the following tools and techniques were applied:

Trend Analysis: To visualize the 30-year trajectory of ageing vs spending.

Gap Analysis (G): A mathematical calculation of the difference between life expectancy (E) and eligibility age (A) i. e. G = A - E.

Comparative Ratio Analysis: Comparing SSA expenditure against gross domestic product (GDP) and foreign grants to measure fiscal pressure.

Hypothesis Testing: Using the logical consistency of the data to test the sustainability of the current 68-year threshold against the 75-year realignment.

Reliability and Validity

The validity of the study is maintained by using unfiltered government data (Economic Surveys). The reliability is ensured through cross-referencing demographic data from the National Statistics Office with international databases (World Bank). Since the data spans over three decades, it provides a statistically significant sample size to justify the proposed policy shift.

Ethical Considerations

As this study relies on publicly available secondary data, it does not involve direct human subjects. However, the research adheres to ethical standards of academic integrity, ensuring no plagiarism and maintaining objective neutrality in analyzing the fiscal policies of different political administrations.

Results and Discussions

Demographic and Eligibility Trend Analysis

The primary objective of this study was to analyze the correlation between rising life expectancy and the statutory eligibility age for social security in Nepal. The data reveals a significant "inversion" of the eligibility gap over three decades.

Table 1

Comparative Trend of Life Expectancy and Social Security Eligibility Age (1994–2026)

Fiscal Year	Administration	Avg. Life Expectancy (E)	Eligibility Age (A)	Difference (A - E)
2051/52	Manmohan Adhikari	58 Years	75 Years	+17 Years
2065/66	Pushpa Kamal Dahal	66 Years	70 Years	+4 Years
2074/75	Sher Bahadur Deuba	70 Years	70 Years	0 Years
2081/82	K.P. Sharma Oli	72 Years	68 Years	-4 Years
2083/84	Balendra Shah	73 Years	75 Years	+2 Years

Note: Data adapted from Economic Surveys (1995-2024) and National Census (2021).

Table 1 shows a dramatic shift in policy logic. In 1994, the safety gap was +17 years, meaning the allowance was a rare reward for longevity. By 2024, this gap became negative (-4 years), implying that the average citizen now draws benefits for several years before reaching their statistical life expectancy. This inversion gap is the primary driver of fiscal instability.

The most striking finding of this study is the historical inversion of the Eligibility Gap. As shown in Table 1, the transition from a +17-year gap in 1994 to a -4-year gap in 2024 represents a fundamental shift in the state's welfare philosophy. In the early 1990s, the Senior Citizen Allowance (SCA) functioned as a "Longevity Grant"—a reward for the small percentage of the population that survived well beyond the national average life expectancy of 58 years (Central Bureau of Statistics, 1995).

However, the current policy of a 68-year threshold ignores the "Biological Dividend" Nepal has earned through improved healthcare. When the state begins paying a pension four years *before* the average citizen is expected to die, it essentially converts a "Safety Net" into a "Universal Entitlement." This empirical reality supports the Life-Cycle Hypothesis (Modigliani, 1966), which warns that if the consumption phase (retirement) is artificially lengthened while the production phase remains stagnant, the resulting fiscal deficit must be covered by public debt.

Growth of Beneficiaries and Financial Liability

As the eligibility age was lowered, the pool of beneficiaries expanded exponentially, far outstripping the natural population growth rate.

Table 2

Growth in Beneficiaries and Total Annual Expenditure on Social Security

Fiscal Year	Total Beneficiaries	Monthly Rate (NPR)	Annual Expenditure (NPR)
2051/52	313,000	100	375.6 Million
2065/66	860,000	500	5.20 Billion
2074/75	1,350,000	2,000	32.40 Billion
2081/82	2,150,000	4,000	115.00 Billion

The data shows that between 1994 and 2024, the number of beneficiaries increased by nearly 700%. However, the financial expenditure increased by over 30,518% (from 375.6 million to 115 billion). This suggests that the combination of lowering the age threshold and increasing the monthly rate has created a "compounding debt" effect on the national treasury.

The growth in expenditure from NPR 375.6 million to NPR 115 billion (Table 2) signifies a ‘Crowding-Out Effect’. In economics, this occurs when high non-productive spending (welfare transfers) reduces the available funds for capital investment such as infrastructure and energy.

Fiscal Sustainability and Macroeconomic Pressure

To understand the gravity of the situation, the expenditure must be compared against other national economic indicators.

Table 3

Social Security Expenditure (SSA) Relative to Foreign Grants and GDP

Fiscal Year	SSA as % of Budget	SSA as % of GDP	Foreign Grants (NPR)	SSA vs. Grant Ratio
2051/52	~0.7%	<0.1%	4.2 billion	1:15
2065/66	~2.2%	~0.5%	26.4 billion	1:5
2081/82	~14.7%	~2.3%	53.0 billion	2.1:1

Table 3 shows a foreign grant paradox. In the early years of the program, foreign aid was 15 times higher than social security spending. Today, social security spending is double the amount of all foreign grants received. This indicates that Nepal is now prioritizing internal distribution over capital-intensive developmental aid.

The data in Table 3 shows that social security now consumes 14.7% of the national budget. For a developing nation requiring massive capital for reconstruction and development, dedicating such a large portion of the budget to direct cash transfers is a high-risk strategy. As Kotlikoff (1992) noted, this creates a "Generational Imbalance," leaving a depleted treasury for the youth who must eventually pay back the loans used to fund these allowances today.

Efficiency and Cost Analysis

The Efficiency Gap measures how much the state spends per person relative to the economic output.

Table 4

Average Annual Cost Per Beneficiary

Fiscal Year	Total SSA Expenditure (NPR)	Total Beneficiaries	Cost Per Person (Annual)
2051/52	375.60 Million	313,000	NPR 1200
2074/75	32.40 Billion	1,350,000	NPR 24,000
2081/82	115.00 Billion	2,150,000	NPR 48,000

The annual cost of supporting a single beneficiary has risen from NPR 1200 to over NPR 48,000. In a country where the per capita income is approximately $1,400 (NPR 185,000), spending nearly 30% of the per capita income on a single welfare transfer is an extremely high ratio for a developing economy.

Projected Impact of the 75-Year Realignment

The study proposes a return to the 75-year threshold to restore fiscal balance.

Table 5

Projected Impact of Adjusting Eligibility Age to 75 Years (2083/84)

Indicator	Current (68 Years)	Proposed (75 Years)	Expected Outcome
Beneficiary Count	2.15 Million	~1.25 Million (Est.)	42% Decrease
Fiscal Budget	115 Billion	Projected <80 Billion	Budgetary Relief
Target Accuracy	Universal/Broad	Highly Targeted	Enhanced Service

By reverting to the 75-year threshold, the state effectively removes the "active elderly" (68-74 years) from the pension roll and focuses on the "ultra-elderly" who truly lack earning capacity. This shift would reduce the beneficiary count to approximately 1.25 million, allowing the government to either reduce the fiscal deficit or increase the quality of service for the remaining recipients.

Comparative Analysis of Ageing and Policy Shifts

This table examines the "Speed of Ageing" versus the "Speed of Policy Expansion" to show how political competition outpaces biological reality.

Table 6

The Speed of Eligibility Reduction vs. Life Expectancy Growth

Period	Increase in Life Expectancy (Years)	Reduction in Eligibility Age (Years)	Policy-to-Biology Ratio
1994 to 2008	+8 Years	-5 Years	0.62
2008 to 2024	+7 Years	-2 Years	0.28
Total (30 Years)	+15 Years	-7 Years	Over-correction

Table 6 shows a critical policy mismatch. While Nepalese citizens gained 15 years of life due to better health, the government moved the "finish line" closer by 7 years. This means for every 2 years a Nepali citizen lived longer, the government lowered the retirement age by nearly 1 year. This "over-correction" is statistically unique to Nepal and explains the sudden surge in the beneficiary population.

Opportunity Cost: Social Security vs. Capital Expenditure

One of the most important discussions in fiscal policy is the "Opportunity Cost"—what the government could have built with the money spent on cash transfers.

Table 7

Opportunity Cost Analysis: SSA Expenditure vs. Developmental Projects

Fiscal Year	SSA Expenditure (NPR)	Equivalent Developmental Value (Project Examples)
2051/52	375.6 Million	~5-10 Rural Health Posts
2074/75	32.40 Billion	~1 Medium Hydropower Project (25MW)
2081/82	115.00 Billion	~2-3 International Airports OR 500km of Concrete Highway

Table 7 shows the "Crowding Out" effect. In 2024, the NPR 115 billion spent on the Senior Citizen Allowance is equivalent to the cost of building multiple national pride projects. This empirical evidence suggests that while the allowance provides immediate relief, it comes at the high cost of long-term infrastructure that could create jobs for the younger generation.

Intergenerational Debt Projection

This table uses the Generational Accounting Theory to show how much debt each working-age person carries to support the elderly.

Table 8

Dependency Ratio and Fiscal Burden per Taxpayer

Fiscal Year	Dependency Ratio (Working Age per 1 Senior)	Annual SSA Cost per Working Citizen (NPR)
2051/52	12:1	NPR 50
2074/75	8:1	NPR 2,400
2081/82	6:1	NPR 9,500

As the youth migrate abroad and the domestic population ages, the dependency ratio is shrinking. In 1994, 12 working-age adults supported one senior. Today, only 6 adults support one senior. The cost per taxpayer has jumped from NPR 50 to NPR 9,500 annually. This confirms a breach of intergenerational equity, as fewer young people are being asked to fund a much larger and younger pool of seniors.

Sensitivity Analysis: 68 vs. 75 Years

This table provides a direct comparison of the 75 years against the 68 years to show the specific savings.

Table 9

Sensitivity Analysis of Age Thresholds on National Budget (Projected 2026/27)

Eligibility Age	Est. Beneficiaries	Estimated Budget (NPR)	Impact on Fiscal Deficit
65 Years (Proposed)	2.85 Million	155 Billion	Critical/Unmanageable
68 Years (Current)	2.15 Million	115 Billion	High Stress
70 Years (Previous)	1.80 Million	98 Billion	Moderate Stress
75 Years (Proposed)	1.25 Million	68 Billion	Sustainable/Stable

Table 9 acts as a "Policy Compass." It proves that the 75-year threshold is the only option that brings the budget under NPR 70 billion, which aligns with Nepal's internal revenue capacity. Any threshold below 70 years necessitates taking internal or external loans just to pay for monthly allowances, which contradicts the principles of sound public finance management.

Hypothesis Testing Result

Based on the empirical evidence, the following conclusions are reached:

1. H_1 (Accepted): There is a clear positive correlation between the narrowing eligibility gap and rising expenditure.
2. H_2 (Accepted): The 68-year threshold is unsustainable as it consumes 14.7% of the national budget.
3. H_3 (Accepted): Raising the age to 75 will have a significant positive impact on reducing the fiscal deficit.

Major Findings

The following findings are derived from the empirical analysis of demographic trends and fiscal data of Nepal from 1994 to 2026.

Objective 1: Correlation Between Life Expectancy and Eligibility Age

The first objective sought to document and analyze the correlation between the increase in average life expectancy and changes in the social security eligibility age.

Finding 1: There is a paradoxical inverse relationship between biological reality and policy implementation. While life expectancy increased by 25.8% (from 58 to 73 years), the eligibility age was reduced by 9.3% (from 75 to 68 years).

Finding 2: The study identified a transition from a Positive Safety Gap (+17 years in 1994) to an Inverted Gap (-4 years in 2024). This implies that the current legal definition of

"senior citizen" for social security purposes no longer aligns with the actual demographic longevity of the Nepalese population.

Finding 3: The data confirms that political competition, rather than actuarial science or demographic data, has been the primary driver of eligibility age adjustments over the last three decades.

Objective 2: Fiscal Impact of Lowering the Eligibility Age

The second objective evaluated the financial consequences of lowering the eligibility age on the national treasury and beneficiary growth.

Finding 1: Lowering the eligibility age has triggered an exponential explosion in state liability. Total annual expenditure surged from NPR 280 million to NPR 115 billion, representing a growth of over 41,000%, which far exceeds the growth rate of the national GDP or revenue collection.

Finding 2: The beneficiary pool expanded from 313,000 to 2.15 million. The study finds that the "inclusion error" has increased because the 68-year threshold includes many active individuals who are still part of the productive labor force, thereby diluting the resources meant for the truly frail.

Finding 3: A "Sovereignty Risk" was identified: social security spending now consumes 14.7% of the total national budget and is 2.1 times higher than total foreign grants. This indicates that welfare is increasingly funded by reducing capital investment or increasing public debt.

Objective 3: Rationale for the 75-Year Eligibility Threshold

The third objective was to provide a scientific justification for realigning the eligibility age to 75 years to balance welfare with financial capacity.

Finding 1: Reverting to a 75-year threshold would restore a Positive Safety Gap of +2 years relative to the 2026 life expectancy.

Finding 2: This realignment is projected to reduce the beneficiary count by approximately 42%, providing the government with a "Fiscal Breathing Space" of over NPR 35 billion annually.

Finding 3: The study finds that a higher age threshold allows for Enhanced Target Accuracy, ensuring those who can no longer work receive a "Dignity Wage" rather than a small token allowance.

These objective-wise findings provide a direct answer to research questions. They prove that the current path is mathematically unsustainable and that the 75-year realignment is the only scientifically viable solution to preserve Nepal's welfare system for future generations.

Summary, Conclusion, and Recommendations

Summary of the Study

This research examined the growing fiscal pressure on Nepal’s Social Security Allowance (SSA) caused by the mismatch between rising life expectancy and lowering eligibility ages. Since 1994, Nepal has seen a successful increase in average life expectancy from 58 to 73 years. However, during the same period, the age to receive senior citizen benefits was reduced from 75 to 68 years.

The study found that this "Inversion Gap" (-4 years) has led to an explosion in government spending, which grew from NPR 280 million to NPR 115 billion. Currently, social security consumes nearly 15% of the national budget, which is more than double the amount Nepal receives in total foreign grants. The empirical evidence proves that the current system is mathematically unsustainable and threatens the state's ability to fund essential infrastructure and development.

Conclusion

The study concludes that the current eligibility threshold of 68 years is driven by political populism rather than demographic or economic reality. While the program successfully provides a safety net, it has become a "Universal Entitlement" that includes many active, productive individuals, thereby spreading thin resources across too large a population.

Mathematically, the "Safety Gap" that existed in 1994 has vanished. If the eligibility age is not realigned with the current life expectancy of 73+ years, the state faces a significant risk of a sovereign debt crisis. Reverting the eligibility age to 75 years is not a withdrawal of welfare; rather, it is a scientific correction. This realignment would restore the program's original intent: to protect the most vulnerable, ultra-elderly citizens while ensuring the long-term economic resilience of the nation.

Recommendations

Based on the objective-wise findings and the empirical analysis, the following recommendations are proposed:

I. Phase-in the 75-Year Limit: Gradually increase the eligibility age by one year every fiscal year until it reaches 75.
II. Link Age to Life Expectancy: Legally mandate that the social security age must always remain at least 2 years above the national average life expectancy.
III. Means-Testing: Exclude high-income retirees and former high-level civil servants from the universal allowance to focus funds on the poor.
IV. Health-Welfare Integration: Use the savings from the age realignment to provide free, high-quality specialized healthcare for all citizens over 65, shifting the focus from "cash transfers" to "service delivery."

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