The Place of the Individual Pension System within the Social Security System in Turkey and Its Savings Function

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Abstract
This study examines the position of the Individual Pension System (IPS) within Turkey's social security system and its savings function. By addressing the structure, objectives, and challenges of the social security system, the study identifies the reasons why the public social security system requires complementary mechanisms. In this context, the voluntary, fund-based structure of the IPS—supported through state contributions—is evaluated in detail, and the differences between the IPS and the public social security system, along with the innovations it introduces, are analyzed. An examination of SGK and IPS data for the 2004–2025 period reveals significant increases in both the number of active insured individuals and IPS participants, indicating an expansion of the social security base and a strengthening of savings awareness. In the section on the savings function, the determinants of savings are discussed in light of economic theories and behavioral approaches. The study highlights the structural role of the IPS in strengthening individual saving behavior, increasing savings rates through automatic enrollment and state contributions, enhancing national savings, and contributing to the deepening of capital markets.

Keywords: Individual Pension System, Social Security, Savings Function, State Contribution, Automatic Enrollment System.

1. Introduction

Social security systems constitute one of the fundamental pillars of modern welfare states, serving as institutional structures that protect individuals against various social and economic risks they may encounter throughout the life cycle. Aiming to mitigate income losses arising from risks such as illness, unemployment, disability, old age, and death, the social security system plays an indispensable role in safeguarding individual welfare and maintaining social stability. However, economic and demographic transformations, population aging, changes in labor markets, and concerns regarding fiscal sustainability have revealed that mandatory public social security systems alone are insufficient. In particular, declining replacement rates and the deterioration of intergenerational balance have increased the need for new complementary mechanisms.

In this context, Turkey took a significant step toward transforming its social security framework into a multi-pillar structure through the enactment of Law No. 4632 on the Individual Pension Savings and Investment System in 2001, which became operational in 2003. The Individual Pension System (IPS), which is voluntary and fund-based, was designed not to replace the public social security system but to complement it as an institutional mechanism for savings and investment. With the implementation of the system, the objectives included strengthening individuals' tendencies to save in the long term, maintaining living standards during retirement, reducing the state's social security burden, and providing long-term funds to the national economy.

The expansion of the IPS in Turkey has accelerated in close connection with the introduction of the state contribution, the implementation of the automatic enrollment system, and the development of capital markets. The increasing participation of the population, the rise in savings awareness, and the strengthening of the fund-based accumulation structure have reinforced the strategic position of the IPS within the social security system. These developments indicate the institutionalization of a multi-layered structure in Turkey's social security landscape.

This study examines the fundamental objectives and functions of the social security system and analyzes in detail the structure, goals, and position of the IPS within this system. Furthermore, the innovations introduced by the IPS, the key differences between the SGK and the IPS, and the system's savings function are discussed within a comprehensive theoretical framework. In this regard, the study aims to

highlight the importance of the IPS in terms of both individual saving behaviors and national savings rates.

2. Social Security System and Its Objectives

2.1. Social Security System

Social security concerns individuals throughout their entire life cycle, from birth to death. In this sense, it constitutes the broadest and most comprehensive instrument of social policy, distinguishing it from all other social policy tools. The social security system aims to provide every member of society with protection against all types of risks and to ensure a minimum standard of living "in accordance with human dignity" for individuals and their families. Therefore, the effective use of resources allocated to social security—one of the most significant reflections of the welfare state—and efforts to resolve the emerging problems within the system have increasingly become central issues within public economics (Salantur, 2015: 5). Furthermore, by providing medical assistance to individuals who have lost their health, social security contributes not only to the formation of a healthy society but also to technological advancements in the field of medicine (İzgi, 2007: 364).

2.2. Objectives of the Social Security System

The social security system is one of the most essential components of modern welfare states. By providing protection against the social risks individuals may face throughout their lives, it enhances both economic and social stability. Risks such as illness, old age, unemployment, disability, and death threaten not only individual income but also the overall welfare level of society. Social security systems have been established to compensate for income losses caused by these risks, reduce poverty, and strengthen social solidarity.

The functions of the social security system are not limited to providing protection at the individual level; it also has multidimensional effects on economic growth, income distribution, social peace, and development. Within this framework, the main objectives of the social security system can be classified as protection, redistribution, economic stability, social solidarity, contribution to development, social assistance, and employment (Koray, 2007: 25).

Protection (Security) Objective: The primary objective of the social security system is to protect individuals against risks that cause income loss. In situations such as illness, occupational accidents, unemployment, maternity, old age, and death, the system ensures that individuals can maintain their lives with a minimum income. This function provides individuals with "income continuity," increasing their sense of economic security. In this respect, the social security system operates as a "social insurance" mechanism that ensures the continuity of welfare levels. This objective is fulfilled not only through contributory insurance schemes but also through social assistance programs.

Objective of Ensuring Income Distribution Justice: In social insurance systems, individuals with higher incomes pay higher contributions, while those with lower incomes may receive relatively higher benefits. In addition, non-contributory social assistance programs provide direct income transfers to low-income groups, reducing income inequality. In this context, the social security system contributes to social justice by balancing income distribution and promoting the sharing of societal welfare.

Economic Stability Objective: Social security systems act as automatic stabilizers that mitigate the negative effects of economic fluctuations. During periods of economic recession, social security payments support aggregate demand, helping to moderate contractions in production and employment. For example, unemployment benefits and pensions help maintain individuals' consumption power during crises (Yazgan, 2002). Thus, social security is not only a social policy instrument but also a fiscal tool contributing to macroeconomic stability.

Social Peace and Solidarity Objective: Ensuring that all individuals in society are protected against social risks is a fundamental component of maintaining social peace. The social security system strengthens solidarity between individuals and generations, reducing class-based conflicts. Within the framework of the welfare state, social security systems are viewed as mechanisms that facilitate social cohesion. This objective contributes not only to raising welfare levels but also to sustaining social harmony and peace.

Contribution to Development Objective: Social security institutions contribute to increasing national savings by investing the funds they collect in capital markets. These funds can be used to finance both public and private sector investments. Thus, the social security system becomes a mechanism that supports economic development by generating resources. For instance, individual pension funds play a crucial role in financing long-term investments and contribute to the deepening of capital markets.

Social Assistance and Service Objective: The scope of social security extends beyond contributory insurance schemes. The social assistance system, known as the non-contributory regime, supports individuals with no or low income to sustain their lives. Cash benefits provided to the elderly, disabled, or care-dependent individuals, as well as social service institutions (nursing homes, care centers, social service centers, etc.), are concrete examples of this objective. In this respect, social security is a fundamental tool for protecting the right to a dignified human life.

Employment and Labor Productivity Objective: Social security systems enhance labor productivity by providing workers with a sense of security about the future. They promote registered employment and reduce the informal economy. Moreover, unemployment insurance helps maintain the flexibility of labor markets while ensuring income security for individuals. Thus, the system contributes to labor peace and increased productivity.

3. Individual Pension System and Its Objectives

3.1. Individual Pension System

The definition of the Individual Pension System (IPS) is provided both by the Pension Monitoring Center and by the Law No. 4632 on the Individual Pension Savings and Investment System. According to these sources, the IPS is defined as follows: *"As a complement to the public social security system, the individual pension system is a structure based entirely on voluntarism and defined contributions, established to channel individuals' retirement-oriented savings into investments under public supervision and regulation, thereby providing additional income during retirement, increasing welfare levels, creating long-term resources for the economy, enhancing employment, and contributing to economic development"* (Law No. 4632, Art. 1; Topalhan, 2010: 169).

3.2. Objectives of the Individual Pension System

The Law No. 4632 on the Individual Pension Savings and Investment System, which was enacted as part of social security reform in Turkey to improve retirement systems, came into force on 7 October 2001. The first pension products were offered to participants on 27 October 2003. The Individual Pension System (IPS) is a savings and investment system established as a complementary mechanism to the existing public social security system and is based on voluntary participation (Erdemir Foundation, 2019: 1). Although global practices include both compulsory and voluntary private pension schemes, the IPS in Turkey operates solely on a voluntary basis.

Since participation in this savings-based system is voluntary, the IPS enables individuals to accumulate long-term savings and helps increase their income during retirement. The system differs from the public pension system in certain important ways. Most notably, private pension systems do not include an income redistribution function. In contrast, the most significant function of private pension systems—rarely utilized effectively within public pension systems—is the savings function (Erol, 2019: 10–13). In this respect, the IPS holds an important position within the broader social security structure and introduces several innovations.

Article 1 of the Law No. 4632, titled *Purpose and Scope*, specifies the purposes of the system: "*As a complement to the public social security system, the objective is to regulate and supervise the individual pension system, which is based on voluntary participation and defined contributions, in order to channel individuals' retirement-oriented savings into investments, provide additional income during retirement and enhance welfare levels, create long-term resources for the economy, increase employment, and contribute to economic development"* (Law No. 4632, Art. 1).

The IPS does more than simply provide individuals with supplementary retirement income. It also serves multiple economic, social, and fiscal objectives. Its economic objectives include increasing savings, contributing to the development of capital markets, and supporting economic growth. Its social

objectives include providing income security during retirement, supporting the welfare-state model, and fostering financial awareness and responsibility among individuals. Its fiscal objectives include offering financial incentives through state contributions, reducing pressure on the public budget, and contributing to the stability of financial markets. In other words, the IPS is not only an individual savings and retirement instrument but also a strategic fiscal policy tool that supports macroeconomic stability. In this regard, it is a multidimensional system that promotes both individual welfare and economic stability.

The main objectives of the IPS, whose fundamental purpose is to ensure that individuals maintain their standard of living after retirement by directing their voluntary, long-term savings into investments throughout their working lives (Katılım Emeklilik, 2019: 2), can be summarized as follows (IPS, 2019):

1. Providing additional income during retirement and increasing the standard of living.
2. Contributing to the development of capital markets.
3. Supporting the public social security system and reducing the fiscal burden on the state.
4. Enhancing savings habits and financial awareness, thereby providing long-term resources to the economy.
5. Increasing long-term retirement savings and channeling these savings into investments to support employment.
6. Contributing to economic stability and growth, thereby improving social welfare.
7. Reducing the risk of poverty in old age and helping maintain income balance throughout life, thus supporting income distribution justice.

4. The Place of the Individual Pension System within the Social Security System

The social security system is expected to fulfill three fundamental functions: redistribution of income, insurance, and savings. The belief that social security systems built on a single-pillar institutional structure cannot effectively fulfill all three functions simultaneously has led to the emergence of multi-pillar social security systems. In a multi-pillar system:

- The **first pillar** aims to redistribute income and ensure a minimum standard of living appropriate to the social structure of the country.
- The **second pillar** consists of mandatory or voluntary schemes established by the public or private sector.
- The **third pillar** is based entirely on voluntary participation, operates on a funded model, and emphasizes the savings function.

The Individual Pension System may fall under both the second and third pillars of a multi-pillar social security structure (Alper, 2002: 13–14).

The changes made in the social security system in 2008 increased the need for the IPS as a complementary mechanism. These changes included gradually raising the retirement age to 65, reducing the pension replacement rate, and revising the indexation formula used to update paid premiums by incorporating only 30% of the real GDP growth rate. As a result, individuals who joined the public social security system for the first time after May 2008 are expected to receive significantly lower pensions when they retire around 2040–2050. This situation necessitates complementary mechanisms, such as the IPS, to ensure that individuals can maintain their desired standard of living during retirement.

In this context, Table 1 has been prepared to illustrate more clearly the role of the IPS within the social security system and the extent to which it complements the public system.

Table 1 data indicate that both the public social security system (SGK) and the Individual Pension System (IPS/BES) experienced significant growth between 2004 and 2025. The number of active insured individuals increased from 12.4 million to 25.9 million, while the number of BES participants rose from 314 thousand to 9.77 million. In proportion to the total population, SGK coverage expanded from 18.3% to 30.1%, and BES participation increased from 0.46% to 11.3%. This situation demonstrates that registered employment has expanded and individual savings awareness has strengthened.

Table 1. Number of SGK and BES Participants and Their Ratios to the Population

Years	Total Population	Active Insured Persons	Ratio of Active Insured Persons to	Number of BES Participants	Ratio of BES Participants to Population	Active Insured Persons / BES Participants
2004	67.734.000	12.407.676	18,32	314.257	0,46	39,48
2005	68.582.000	12.991.092	18,94	672.696	0,98	19,31
2006	69.421.000	13.961.952	20,11	1.073.650	1,55	13,00
2007	70.586.256	14.700.364	20,83	1.457.704	2,07	10,08
2008	71.517.100	14.897.682	20,83	1.745.354	2,44	8,54
2009	72.561.312	14.889.232	20,52	1.987.940	2,74	7,49
2010	73.722.988	15.944.359	21,63	2.281.478	3,09	6,99
2011	74.724.269	17.135.896	22,93	2.641.843	3,54	6,49
2012	75.627.384	18.008.114	23,81	3.128.130	4,14	5,76
2013	76.667.864	18.463.563	24,08	4.153.055	5,42	4,45
2014	77.695.904	19.451.464	25,04	5.092.871	6,55	3,82
2015	78.741.053	20.234.749	25,70	6.038.432	7,67	3,35
2016	79.814.871	19.742.587	24,74	6.627.025	8,30	2,98
2017	80.810.525	20.917.320	25,88	6.924.945	8,57	3,02
2018	82.003.882	22.072.840	26,91	6.878.224	8,38	3,20
2019	82.154.997	22.000.964	26,31	6.871.132	8,26	3,20
2020	83.614.362	23.344.547	27,91	6.900.565	8,25	3,38
2021	84.860.273	24.745.149	29,15	7.092.021	8,25	3,48
2022	85.279.533	26.344.234	30,89	7.801.306	9,14	3,37
2023	85.372.377	25.358.022	29,70	8.676.046	10,16	2,92
2024	85.664.944	25.625.750	29,91	9.526.390	11,12	2,68
2025*	86 239 200	25.951.899	30,09	9.769.311	11,32	2,65

Source: Population: TURKSTAT, 2024c. **IPS:** EGM, 2024a.
Insured Persons: SGK, 2024. Compiled from Financial Statistics.
**As of May.*

Additionally, the ratio of BES participants to active insured individuals decreased from 39.48 in 2004 to 2.65 in 2025, indicating that one out of every three active insured individuals is now included in BES. This trend shows that BES has increasingly been adopted by a wider segment of the population as a complementary component to the social security system and that the social security base in Türkiye has become more diversified.

5. Innovations Introduced by the Individual Pension System (IPS) to the Social Security System and Their Differences

The Individual Pension System (IPS/BES) provides a new pension model based on funds and individual savings, complementing the mandatory social security system. While the social security system is distribution-based and backed by the state, BES is voluntary and ensures that savings are professionally managed through portfolio management. State contributions, transparent fund structures, and personal choice are among the key innovations introduced by BES, while it differs from the social security system in terms of scope, financing structure, and risk sharing.

5.1. Innovations Brought by the Individual Pension System to the Social Security System

Implemented in 2003, the Individual Pension System (BES) was designed not as an alternative but as a complement to the existing public social security system. In this regard, the system has introduced several structural and functional innovations in the field of social security. The main innovations brought by BES to the social security system are detailed below:

Establishment of a Complementary Social Security Structure: Classical social security systems aim to provide a "minimum income guarantee" through mandatory insurance contributions. However, these systems are often insufficient to maintain living standards during retirement, especially for low-income individuals or those in irregular employment. BES, based on voluntary participation, encourages individuals to make long-term savings, facilitating the transition to a multi-layered social security model.

Voluntarism and Individual Responsibility: Unlike the public social security system, BES is built on individual participation and responsibility. Participants join the system based on their personal choices, making retirement planning a matter of personal accountability. In this sense, BES represents an important shift from a state-centered to an individual-centered approach to social security.

Incentive-Based Social Security via State Contribution: The state contribution of 25% (increased to 30% from 2022) introduced in 2013 represents a significant innovation in Turkish social security history. By supporting voluntary participation, the state has encouraged saving behaviors and developed a public-private partnership approach to social security. This system signals a shift from traditional "contribution-based social security" to "incentive-based social security" (OECD, 2022).

Increased Inclusivity through Automatic Enrollment: The Automatic Enrollment System (AES), implemented in 2017, ensures that employees are automatically enrolled in the system through their employers, significantly increasing participation rates. AES has a semi-mandatory character that expands social security coverage. Particularly for private sector employees, the system has raised long-term saving rates, thereby enhancing the inclusivity of social security (Republic of Turkey Ministry of Treasury and Finance, 2021).

Fund-Based Financing and Integration with Capital Markets: BES operates on a fund-based model, introducing a market-based financial mechanism to the social security system. Participants' savings are professionally managed in capital markets, generating long-term resources for both individuals and the national economy. This strengthens the sustainability of social security while contributing to the deepening of capital markets.

Transparency, Accountability, and Digital Tracking: The digital infrastructure of BES allows participants to monitor their savings in real time, compare fund performance, and make changes according to their preferences. In this way, the system has introduced transparency and accountability to the social security domain and increased participants' trust. This feature is a significant innovation not present in the traditional SGK system (CMB, 2023).

Flexibility and Income Diversity in Retirement: BES provides participants with options to either withdraw their savings as a lump sum or receive regular pension payments during retirement, offering income diversification. This flexibility adds a new dimension to the social security system, allowing individuals to plan according to their personal needs (İnan, 2024: 209).

Strengthening Financial Literacy and Savings Culture: The spread of BES has contributed to raising awareness among individuals regarding long-term financial planning, fund selection, and risk management. Thus, the system has acquired a societal function beyond being a simple savings tool, enhancing financial literacy and awareness (Özbek, 2020).

In summary, BES has introduced modern elements such as complementarity, flexibility, voluntarism, transparency, and sustainability to the social security system in Turkey. It is not only a mechanism for increasing individual savings but also a structural innovation that supports the transformation of the social security system. In the long term, BES is expected to contribute to the sustainability of social security in terms of both individual welfare and macroeconomic stability.

5.2. Differences Between the Social Security System and BES

To understand the place of BES within the social security system, it is important to highlight the differences between the system and the public social security structure. Table 2 presents a comparative overview of the main differences between the public social security system (SGK) and BES. While the ultimate goal of both systems is to provide income security in retirement, they differ significantly in terms of structure and functioning. This comparison demonstrates that BES serves as a complementary, market-based mechanism within the social security system.

Table 2: Comparison of the Social Security System and the Individual Pension System (IPS/BES)

Criterion	Social Security System (SGK)	Individual Pension System (BES)
Participation	Mandatory	Voluntary / Automatic Enrollment
Financing Basis	Pay-as-you-go	Capitalization (Fund-based)
Management	Managed by the State	Managed by Private Pension Companies
Returns	Fixed contributions – defined benefits	Contribution-based – defined contribution
Retirement Income	Minimum income guarantee	Additional income and protection of living standards
Incentives	No state contribution	30% state contribution

BES. SGK is a system based on mandatory participation, financed through a pay-as-you-go method, and managed by the state. This structure is founded on the principles of social solidarity and income equality, providing individuals with a minimum income guarantee. In contrast, BES is a system based on voluntary or automatic enrollment, fund-based, and managed by private pension companies. Contribution payments are accumulated in individual accounts, and returns vary according to investment performance. The 30% state contribution is a key incentive encouraging individuals to save for the long term. In this regard, while SGK serves as a public security mechanism aimed at protecting social welfare, BES is a complementary, market-based system that enables individuals to maintain their living standards during retirement. Therefore, both structures are considered two complementary pillars within Turkey's social security system.

6. The Savings Function of the Individual Pension System

For many years in Turkey, social security services were conducted through public insurance systems based on mandatory participation. However, since the 2000s, economic, demographic, and fiscal pressures have weakened the sustainability of this system and increased the need for a complementary pension system. In this context, the Individual Pension Savings and Investment System Law No. 4632 was adopted in 2001, and the system was practically implemented in 2003. Thus, Turkey transitioned to a new structure in terms of both social security and the formation of savings.

6.1. Determinants of Savings

Savings are calculated as the difference between disposable income and final consumption expenditures. The purpose of saving is to increase resources that can be used for future consumption and to provide protection against unexpected changes in income. Additionally, savings are important for sustaining consumption patterns and for the government's capacity to stimulate demand or raise taxes (OECD, 2025).

Therefore, savings can be understood as the portion of an economic unit's income that remains after deciding how much to consume. In other words, the decision about consumption simultaneously determines the amount of savings. Economic schools of thought have analyzed savings from different perspectives. According to classical economists, savings increase with higher interest rates, while investment decreases; evaluating savings and investment functions together determines the equilibrium level of savings and interest rates equivalent to capital formation (Wan, 2011: 9).

Keynesian economists, on the other hand, consider savings to be an increasing function of disposable income rather than interest rates. In this approach, as disposable income rises, savings increase; as income falls, savings decrease. Savings can thus be defined as the difference between net real income and consumption, meaning individuals forgo current consumption to ensure future consumption (Macunluoğlu, 2021: 219). Furthermore, income level is one of the most significant factors affecting

individual savings behavior. Savings do not occur solely in a positive sense, as individuals may spend beyond their income, creating negative savings (Dynan, Skinner & Zeldes, 2004: 17).

Households are the primary source of savings in national economies. Therefore, household savings behavior is influenced or determined by a complex combination of cultural, economic, and demographic factors. Detailed analysis of these factors is crucial for developing effective and targeted public policies aimed at promoting household savings (Niculescu-Aron & Mihăescu, 2012: 485).

In this context, the first major macroeconomic contribution to explaining savings behavior was provided by John Maynard Keynes through the Absolute Income Hypothesis (Çolak & Öztürkler, 2012: 2). According to Keynes' consumption function, consumption expenditures vary according to disposable real income. As disposable income increases, consumption does not increase proportionally, so average consumption per unit of income decreases. This decline in average consumption propensity implies an increase in the average savings propensity.

Hall, within the framework of the Random Walk Hypothesis, argued that consumption depends neither on current income nor relative income. According to Hall, consumption is unpredictable, and current consumption only helps predict future consumption levels. Therefore, Hall maintains that consumption and savings behavior can move independently of income (Hall, 1978: 972-973).

In contrast, Leland, within the precautionary savings framework, argues that savings are influenced not only by planned future income but also by uncertainty regarding that expected income, which increases current savings. Martin Feldstein examined savings through the lens of inheritance motives and transfer payments generated by social security systems. Feldstein's transfer savings hypothesis suggests that social security elements have a negative effect on savings (Macunluoğlu, 2021: 224).

Many developing countries have implemented mandatory private pension systems in addition to public pension systems as part of social security reforms. Econometric analyses indicate that such implementations can increase domestic savings rates by approximately 1.5 percentage points with a lag (Özel & Yalçın, 2013: 1-2). Hence, it is possible to state that pension systems are one of the determinants of savings.

Another factor influencing savings behavior within pension or social security systems is the **dependency ratio**. An increase in the dependency ratio leads to a decrease in savings rates. The dependency ratio comprises components such as the young population, elderly population, female employment, and unemployment rate. An increase in the working population raises income levels, thereby strengthening the savings propensity (Altun, 2017: 311; Sezgin, Sevim & Kalyoncu, 2015: 235).

In other words, numerous factors determine savings rates. Evaluating these factors provides the foundation for policy recommendations aimed at increasing savings tendencies. From a microeconomic perspective, key determinants of household savings include education level, rural or urban residence, access to social security, the nature and scope of the existing social security system, homeownership, access to alternative wealth accumulation tools, number of children, marital status, gender, income level, and future expectations (Özlale & Karakurt, 2012: 5-8; Zhuk, 2015: 41-42). From a macroeconomic perspective, the level of economic development and growth expectations play a decisive role in shaping savings behavior.

Additionally, the literature classifies factors influencing savings into four main categories: (i) income level, (ii) demographic structure, (iii) financial risks, and (iv) public/fiscal policies (Matur et al., 2012: 106-109). Demographic variables such as per capita income, age distribution, dependency ratio, life expectancy, labor force participation, female employment, and urbanization have significant effects on savings. Moreover, real interest rates, the depth and efficiency of the financial sector, the variety of savings instruments, access to borrowing, and credit costs also guide household savings behavior. Income, interest, and inflation fluctuations, as well as taxation policies, directly influence savings tendencies (Sezgin, Sevim & Kalyoncu, 2015: 235; Zhuk, 2015: 42; Macunluoğlu, 2021: 224).

Keynes identified eight primary motives that drive household savings. Browning and Lusardi added a ninth motive, showing that savings are shaped not only by economic reasons but also social, cultural, and psychological motivations. Cooper classified the determinants of savings into eight categories. Wärneryd suggested that households typically have multiple simultaneous savings motives, which he

classified into four main groups. Baş and colleagues also classified determinants of savings into eight categories. These classifications indicate that savings are influenced not just by economic reasons but also by social, cultural, and psychological factors. In summary, the main factors determining savings and household saving behavior can be summarized as shown in Table 1.

Table 3. Factors Determining the Increase in Savings and Household Saving Tendencies

	Keynes; Browning & Lusardi (Başar et al., 2016: 592)	Cooper & Macunluoğlu, 2021	Wärneryd (as cited in Macunluoğlu, 2021)
1	To create a fund against unexpected adverse events in the future	Income level	Economic growth and personal income
2	To meet needs during retirement	Interest rates	Demographic structure
3	Desire to earn interest income	Political and economic uncertainty	Inflation
4	Desire to maintain a high standard of living	Fluctuations in interest rates	Credits
5	Motivation for financial independence	Consumer credit regulations	Real interest rates
6	Opportunity to participate in projects requiring potential capital	Past experiences of economic crises and distrust	Fiscal policy
7	Motive to leave an inheritance	Demographic changes	Social security
8	Avoiding spending due to frugality	Capital flow and investment preferences	Financial liberalization
9	To make a down payment	—	—

Source: Macunluoğlu, 2021: 219–228; Matur, E. P., Sabuncu, A., & Bahçeci, S., 2012: 106–109; Cooper, 2008: 93–97; Başar et al., 2016: 592.

As shown in Table 1, researchers classify the determinants of saving behavior along three main dimensions:

1. Individual Factors (Keynes and Wärneryd): Keynes' theory of saving posits that individuals save primarily to meet future needs and for security purposes. In this context, unexpected events, retirement, interest income opportunities, or investment options shape individuals' saving decisions. Wärneryd emphasizes internal and cultural motivations such as habit, frugality, the desire to leave an inheritance, and precautionary behavior. This approach highlights that saving behavior is influenced not only by economic factors but also by social and psychological dimensions.

2. Economic Factors (Browning and Lusardi, Başar et al.): Economic variables such as income level, interest rates, inflation, and real interest rates directly affect individuals' saving decisions. Additionally, political and economic uncertainties, along with past crisis experiences, act as significant triggers for saving, as they drive individuals to seek financial security.

***3. Institutional and Policy Factors (Cooper, Macunluoğlu, and Başar et al.)*:** Institutional and policy-related factors, including social security systems, fiscal policies, regulations regarding consumer credit, and financial liberalization, are long-term determinants of saving rates. This dimension demonstrates that saving behavior is also shaped by broader institutional frameworks beyond individual and economic factors.

6.2. The Savings Function of the Individual Pension System

The Individual Pension System (BES) is a key institutional savings mechanism contributing to sustainable capital accumulation. Pension funds create long-term investment pools that shape household saving behavior at the micro level and strengthen financial stability at the macro level (Holzmann & Hinz, 2005). Evaluating BES's impact requires analyzing changes in individual savings, national savings rates, capital market depth, and economic growth.

6.2.1. Impact on Individual Saving Behavior

BES influences individual savings behavior within a behavioral economics framework. Household hyperbolic discounting leads individuals to prioritize current consumption over future savings (Laibson, 1997). BES's structured contribution system provides a framework to counteract this bias.

The introduction and increase of government contributions to 30% serve as a strong incentive, with empirical studies confirming that such incentives significantly boost savings, particularly among low-income groups (Duflo et al., 2006).

6.2.2. Impact of Automatic Enrollment on Individual Savings

The Automatic Enrollment System (AES) implements the behavioral "default effect," where participation often results from being automatically enrolled rather than active choice (Choi et al., 2002; Beshears et al., 2009). While early opt-out rates in Turkey were high, government contributions and improved fund returns increased retention (Meral & Arıcan, 2020). OECD studies confirm similar positive effects of automatic enrollment on savings rates (OECD, 2022).

6.2.3. Impact on National Savings

Higher national savings rates support economic growth and reduce reliance on external financing. BES funds provide a long-term institutional investor base, increasing national savings and reducing public borrowing needs, while also financing private sector investment (Barr & Diamond, 2008; Tanyıldızı & Yiğitler, 2024). Accumulated pension assets stabilize financial markets, reduce interest rates, and lower financing costs (Sezgin & Yıldırım, 2015).

6.2.4. Indirect Effects on the Social Security System

BES also reduces fiscal pressure on public social security by providing individuals with supplementary retirement income, improving public budget sustainability, and strengthening public savings (Palmer, 2006).

Conclusion

This study examined the role of BES as a complementary system within Turkey's social security architecture, emphasizing its savings function. Analyses show that while the public social security system remains central to welfare, demographic changes, fiscal sustainability challenges, and inadequate retirement income highlight the need for supplementary mechanisms.

BES, with its fund-based, voluntary, and government-incentivized structure, functions as a second- and third-tier system within Turkey's multi-layered social security model. BES differs structurally and functionally from SGK, with SGK being mandatory, pay-as-you-go, and public, whereas BES is fund-based, voluntary, and investment performance–dependent. These complementary features enhance savings, compensating for gaps in the public system.

Data from 2004–2025 show BES participants increased from 314,000 to over 9.7 million. Participation rose from 0.46% to over 11% of the population, reflecting growing savings awareness. The active insured-to-BES participant ratio declined, indicating higher participation among working individuals, signaling progress toward a multi-tiered social security system.

BES positively impacts savings both at the micro and macro levels. Behavioral biases are mitigated through structured contributions, automatic enrollment, and government incentives. Increasing government contributions and automatic enrollment have strengthened participation and retention, especially among low-income groups. At the macro level, BES fund growth expands domestic savings, deepens capital markets, supports sustainable economic growth, reduces public borrowing needs, and enhances financial stability.

BES thus emerges as not just a retirement tool but a complementary element of Turkey's social security reforms, a core component of national savings policy, and a strategic actor in developing capital markets. Expanding coverage, sustaining government contributions, enhancing fund management, ensuring automatic enrollment persistence, and promoting financial literacy are crucial for strengthening the social security system, reducing the savings gap, and supporting sustainable growth.

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