Private Pension System in Türkiye in Terms of Its Effect on Domestic Savings

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Abstract

Low savings rates in Türkiye constitute a significant challenge for the sustainability of economic growth. To address this issue, the Private Pension System (PPS), introduced in 2003, supports long-term savings by individuals through incentives such as state contributions and automatic enrollment. Although the share of PPS funds in GDP remains relatively low compared to OECD countries, the system has shown rapid development in terms of both fund size and the number of participants. The literature presents mixed evidence regarding the impact of the PPS on savings: some studies find positive effects, others limited or insignificant ones. In the case of Türkiye, while the PPS alone is not sufficient to close the savings gap, it serves as an important complementary mechanism for long-term fund accumulation, the deepening of capital markets, and the financing of economic growth.

Keywords: *Private Pension System, Domestic Savings, Domestic Investments, Türkiye*

1. Introduction

The concept of savings refers to the portion of an economic unit's current income that it does not allocate to consumption, which is critical for both the sustainability of individual welfare and macroeconomic stability. Low savings rates in developing countries lead to investment needs being met mainly by external sources, exacerbating the current account deficit problem. In Türkiye, low savings rates, which have been observed for many years, pose a significant constraint on the sustainability of economic growth.

In this context, the Private Pension System (hereafter PPS), which entered into force in 2003 with the "Private Pension Savings and Investment System Law" as a complementary element of the social security system, has emerged as one of the most important tools for increasing domestic savings. While the PPS is based on voluntary participation, it has become more attractive with state contributions introduced in 2013 and with automatic enrollment regulations implemented since 2017. While the share of pension funds in Türkiye's GDP is relatively low compared to OECD countries, the increases in the system's fund size have shown significant progress.

This study examines the impact of the PPS on savings in Turkey and examines its role in domestic savings and investment. The aim is to assess the effectiveness of the BES in closing the savings gap in the Turkish economy, drawing on both theoretical frameworks and empirical findings.

The remainder of this paper is organized as follows: Section 2 presents the purpose and methodological framework of the study. Section 3 provides a comprehensive literature review on the effects of private pension systems on savings at both global and national levels. Section 4 discusses empirical findings regarding the relationship between the PPS, domestic savings, investments, and the savings–investment gap in Türkiye. Finally, Section 5 offers conclusions and policy recommendations aimed at strengthening the effectiveness of the PPS in promoting sustainable economic growth.

2. Purpose and Method

2.1. Purpose

The primary objective of this study is to examine the domestic savings deficit, considered a chronic problem in the Turkish economy, and to demonstrate the role of the PPS in addressing this deficit. Türkiye's savings rate lags significantly behind those of developing countries with similar economic indicators. This situation both limits investment capacity and increases dependence on external financing. Within this framework, the study examines the impact of the PPS on savings rates. It aims to assess the extent to which the system can serve as a functional tool for achieving Türkiye's macroeconomic balance and sustainable growth goals.

Another objective of the study is to comparatively evaluate the impact of PPS implementations in Türkiye on domestic savings, investments, and capital accumulation. This presents a picture of Türkiye's current situation and provides policy recommendations for improving the system based on international experience.

2.2. Methodology

The study methodology consists of two main phases. In the first phase, the concept of savings and the factors determining savings behavior were examined within a theoretical and literature-focused framework. In this context, theoretical foundations, including classical, Keynesian, and modern approaches, as well as the life cycle hypothesis, were discussed. Furthermore, a systematic analysis of empirical studies examining the impact of the PPS on savings at national and international levels was conducted alongside a comprehensive literature review.

In the second phase, a comparative analysis was conducted using quantitative data from Türkiye. In this context, data obtained from institutional sources such as the Pension Monitoring Center and the Strategy and Budget Presidency were statistically evaluated. The obtained data were visualized through graphs and tables, and the effects of PPS funds on domestic savings, fixed capital investments, and the savings-investment gap were examined, taking into account periodic developments.

Therefore, the study employs both qualitative (literature review and theoretical analysis) and quantitative (statistical comparison and data analysis) methods to assess the potential of the PPS in closing the savings gap in Türkiye from a holistic perspective.

3. Literature on the Effect of the Private Pension System on Savings

As is the case globally, the PPS has been implemented in Türkiye to address the problems faced in the social security system and increase national savings levels. Furthermore, numerous international and national studies have examined the impact of the PPS on savings. These studies were pioneered by Modigliani and Brumberg's (1954) "Life Cycle Hypothesis."

In the literature, the impact of the PPS on savings is divided into three categories: positive, limited, and ineffective. The PPS encourages households to make additional savings and increases total savings rates. The PPS has an impact on savings, but this effect is limited only in certain countries or among certain income groups. It is argued that the PPS has no significant effect on increasing household savings.

3.1. Studies Showing That PPS Has a Positive Effect on Savings

Bailliu and Reisen (1998) examined the impact of funded pension systems on aggregate savings using data from 11 countries over the 1982-1993 period. Findings based on panel data analysis, indicate that the increase in aggregate savings was limited in the short term due to the substitution effect on public savings; however, in the long term, it had a positive impact by increasing private savings and capital accumulation.

Schmidt-Hebbel (1999) evaluates the nearly twenty-year results of the funded private pension reform initiated in Chile in 1981. The study reveals that the reform accelerated the development of capital markets, increased private savings rates, and contributed to long-term economic growth.

Bebczuk and Musalem (2006) used international panel regression data analysis to examine the relationship between pension systems and savings rates across 48 countries between 1980 and 2004.

The study analyzes the effects of the size of mandatory and voluntary retirement funds on countries' private savings rates. The study's findings suggest that the growth of pension funds contributes positively to higher savings rates, particularly in well-regulated systems. They conclude that the longer a system is in operation, the greater its positive impact on a country's domestic savings.

Antón, De Bustillo, and Fernández-Macías (2014) analyzed the impact of tax reductions on savings in supplementary private pension plans in Spain. Using a longitudinal household finance survey and fixed-effect techniques, the study concluded that participation in such pension plans was not associated with a decrease in consumption. However, it suggests that participation in supplementary pension plans will have a positive impact on private household savings due to the higher disposable income resulting from the tax reduction. The findings suggest that supplementary private pensions enhance savings rates and bolster individuals' long-term financial security.

Fajnzylber and Reyes (2015) examined how knowledge and financial literacy levels influence retirement savings decisions in Chile. The study analyzed the impact of information provided to participants about the pension system and individual savings within the context of a large-scale information intervention on savings behavior. The findings indicate that access to financial information and an understanding of the pension system increase the likelihood of individuals contributing to their retirement accounts.

Sezgin, Sevim, and Kalyoncu (2015) examined the current account deficit in the Turkish economy and the role of savings in solving it. They particularly focused on the potential of the PPS to increase domestic savings. The study concluded that the PPS can contribute to long-term capital accumulation by strengthening individual savings habits.

Eren and İleri (2015) employed econometric methods to investigate the impact of state-supported PPS on savings, utilizing data from the Central Bank of the Republic of Türkiye. The state contribution model, implemented in Türkiye since 2013, has impacted PPS participation rates and fund sizes. The findings suggest that government incentives enhance participation in the system and have a positive impact on total savings.

Başar, Eren, and Bozma (2016) examined the relationship between PPSs, savings rates, and the current account deficit in 14 OECD countries. The study evaluated long-term economic data using panel causality analysis. It was concluded that PPSs increase savings, thereby reducing the need for external financing and, consequently, the current account deficit.

Altun (2017) examined the potential of public incentives for PPSs in Türkiye to increase household savings within the framework of theoretical approaches. The study emphasized that the impact of government contributions and tax benefits on savings behavior depends on participants' income level, propensity to save, and length of stay in the system. The findings indicate that the system can increase household savings if policies are implemented to address the weaknesses of the PPS.

Bijlsma et al. (2018) demonstrate that funded pension systems play a role in increasing savings.

In Verberi's (2019) study examining the impact of the PPS on savings and capital markets in Türkiye, it is indicated that PPS funds positively contribute to the development of capital markets and economic growth by increasing savings.

Kumcu and Kesbiç (2019) examine the effects of the PPS policies in Türkiye on household savings trends and investments. Using data from 2006 to 2018, the analysis reveals that the PPS has a positive impact on investments by increasing savings.

Ertuğrul and Gebeşoğlu (2020) examine the impact of the PPS on household savings in Türkiye. The findings suggest that private pension contributions have a significant impact on domestic savings in Türkiye.

Meral and Arıcan (2020) examine the effects of the automatic enrollment system, implemented in Türkiye since 2017, on the size of private pension funds and savings. The AES was found to have a positive effect on national savings by increasing the PPS fund size-to-GDP ratio.

Macunluoğlu (2021) examined the impact of the PPS on domestic savings in Türkiye. A theoretical study using data from 2013 to 2020 concluded that participation in the PPS has a positive and increasing effect on savings rates.

Turnacıgil and Balçin (2023) analyze the relationship between macroeconomic factors, such as interest rates, inflation, growth, and exchange rates, and individual retirement savings, using indicators like fund size and the number of participants in the PPS in Türkiye during the 2010-2020 period. Consequently, they emphasize that the PPS is a crucial tool for enhancing domestic savings.

3.2. Studies Indicating that PPS has a Limited Impact on Savings

Gravelle (1991) examined theoretically and empirically whether individual retirement accounts increase savings. Empirical findings provide limited evidence that individual retirement accounts can increase savings rates. While some households experience a net increase in savings, others find that contributions are largely transferred from existing savings (displacement effect). The magnitude of the effect varies depending on factors such as household income, propensity to save, and investment preferences.

Engen, Gale, Scholz, Bernheim, and Slemrod (1994) comprehensively examined the impact of savings incentives on individual savings behavior. The study specifically analyzed whether incentive mechanisms such as tax credits and individual retirement accounts increase participation and savings levels. The findings suggest that the impact of savings incentives is limited, particularly among individuals with low incomes and a tendency toward high short-term savings.

Murphy and Musalem (2004) examine the impact of retirement funds on national savings using an unbalanced panel of 43 countries. This report, published by the World Bank, compares the contributions of pension funds to savings rates in various countries. The study concluded that the PPS had a positive effect on savings rates in countries where it was mandatory, but an adverse effect in countries where it was voluntary.

Börsch-Supan (2004) examined the effectiveness of tax-advantaged retirement plans in increasing savings, particularly in Germany in 2001. The study emphasized that the sustainability of public pension systems is decreasing with the aging of the population therefore, encouraging private retirement savings has gained importance. The study, which specifically evaluated the effects of tax advantages, government contributions, and mandatory/automatic enrollment mechanisms on individuals' savings behavior, concluded that incentives had limited success in increasing retirement savings.

Disney, Emmerson, and Wakefield (2010) examined the effects of tax reforms on retirement savings in the United Kingdom. The study focused primarily on participation rates in basic private pension plans. The findings suggest that tax incentives have a limited impact on increasing retirement savings. It has been determined that low- and middle-income individuals, in particular, cannot benefit sufficiently from tax advantages.

This study, conducted by Özel and Yalçın (2013), examines the impact of the PPS on domestic savings in Türkiye for the period 1970-2010 utilizing a GMM method and economic estimations for 16 developing countries, including Türkiye. The findings indicate that the PPS encourages long-term savings due to its voluntary participation structure and government contribution; however, its impact on the macro-level savings rate is limited. Consequently, the study concludes that the PPS increases savings rates in countries where it is mandatory, while the effect is smaller in countries where it is voluntary.

Selim and Çelik (2014) analyzed the factors affecting private pension funds using econometric methods, with annual data from 2005 to 2011, and a sample of OECD countries. The study findings indicate that consumption expenditures, GDP, and the average retirement age of men negatively affect PPS funds. Conversely, health expenditures and employment policies have a positive impact on PPS funds. Consequently, the study suggests that the impact of private pension funds on savings is limited.

Teyyare and Sayaner (2018) examine the role of the PPS in increasing national savings and investments in Türkiye. The findings indicate that while the PPS has the potential to increase domestic savings, this impact is limited due to individuals' behavioral biases.

Barış and Asiltürk (2018) examine the impact of the PPS on domestic savings using Türkiye as an example and conduct a comparative analysis with countries at different levels of development. The findings reveal that the PPS has a stronger and more stable impact on long-term savings in developed countries, while this impact is more limited in developing countries.

Özaydin and Sekman (2019) analyze the impact of the PPS on savings using official data from 2003 to 2018. The findings indicate that while the PPS has the potential to increase domestic savings, this impact is limited due to individuals' behavioral biases.

Başbuğ and Bostan (2023) examine the effects of cognitive biases and illusions on individuals' retirement savings decisions. The findings reveal that the contribution of the PPS to savings is limited.

3.3. Studies Suggesting That the Private Pension System Has No Effect on Savings

Samwick (2000) examined the impact of pension reforms on individual and national savings rates using econometric methods on a 25-year panel of countries. The study stated that some pension reforms have the potential to stimulate savings. However, this effect varies depending on the nature of the reform, the country's economic conditions, and individuals' expectations. Consequently, it concluded that in countries with low savings rates, social security systems reduce private savings because they replace other forms of saving.

Bosworth and Burtless (2004) analyzed the effects of pension reforms on individual and national savings, as well as the impact of changes in social security systems on savings behavior. The study revealed that the potential for pension reforms to increase savings varies depending on the nature of the reform, whether it is mandatory or voluntary, and individuals' expectations of the reform. Consequently, the study examined the savings response in the private sector in relation to fluctuations in private insurance and pension fund accumulation, concluding that pension savings displace or reduce other forms of private savings.

Antón, de Bustillo, and Macías (2011) analyzed the impact of tax reductions in private pension plans on national savings in Spain. Using a longitudinal dataset and fixed-effects methods, they found that tax-advantaged contributions to a pension fund were not associated with a lower consumption level, providing evidence that this policy did not increase national savings.

Atılgan (2019) examined the impact of PPSs on national savings in 19 countries, including Türkiye. The study concluded that an increase in the PPS fund assets hurts savings. This was explained by the low savings levels in selected countries, particularly Türkiye.

Uyar (2012) examined the relationship between the PPS and various economic indicators in Türkiye. The study, based on its findings covering the period from 2004 to 2009, concluded that the PPS had no positive impact on savings.

4. Findings

4.1. Basic Information About the Private Pension System in Türkiye

The PPS in Türkiye is not an alternative to the current social security system; rather, it serves as a complementary element to address its shortcomings within the social security system. Anyone who either opens a retirement account with a pension company or has one opened in their name, and who pays contributions to the account, can participate regardless of age. Retirement eligibility is granted upon both reaching the age of 56 and remaining in the system for at least ten years. Affiliation with any social security institution is not required for participation.

The PPS in Türkiye was established legally with Law No. 4632, "Private Pension Savings and Investment System," enacted in 2001. Once basic information has been provided about the PPS, which became law in Türkiye in 2001 and began accepting participants and collecting funds in 2003, it would be appropriate to examine its impact on savings. Therefore, Table 1, which provides basic information about the PPS currently in effect in Türkiye, is compiled.

Table 1. Basic Information About the Private Pension System Implemented in Türkiye (As of August 22, 2025)

Participant Fund Amount	**1.379.999,4 million TL**
Interest-bearing Fund Amount	877.881,9 million TL
Interest-free Fund Amount	502.117,5 million TL
Government Contribution Fund Amount	**193.849,4 million TL**
Interest-bearing Government Contribution Fund Amount	173.002,0 million TL
Interest-free Government Contribution Fund Amount	20.847,5 milyon TL
Total Participants	**9.887.410 Persons**

Source: https://www.egm.org.tr/bilgi-merkezi/istatistikler/

The data in Table 1 summarize the size and structure of the PPS in Türkiye as of August 22, 2025. According to the table, participant funds reached approximately 1.38 trillion TL, demonstrating that the system represents a significant savings pool for the Turkish financial markets. When we examine the distribution of participant funds between interest-bearing and non-interest-bearing funds, 64% of participant funds are in interest-bearing funds (877.9 billion TL), while 36% are in non-interest-bearing ones (502.1 billion TL). This distribution reveals that traditional investment preferences still predominate, but non-interest-bearing funds have also gained a significant share.

The state contribution fund amount is 193.8 billion TL, 89% of which is invested in interest-bearing funds (173 billion TL), and 11% in non-interest-bearing funds (20.8 billion TL). The size of the state contribution stands out as a significant factor in enhancing the system's attractiveness. In terms of the number of participants, there are approximately 9.9 million people in the system. Compared to its adoption in other populations, the PPS has become a widespread savings tool in the Turkish society.

In short, the PPS has become a significant savings tool in Türkiye, both in terms of fund size and number of participants. The high proportion of interest-free funds reflects the growing interest in financial diversification and participatory finance, particularly in recent years. Government contributions have also increased trust in and participation in the system.

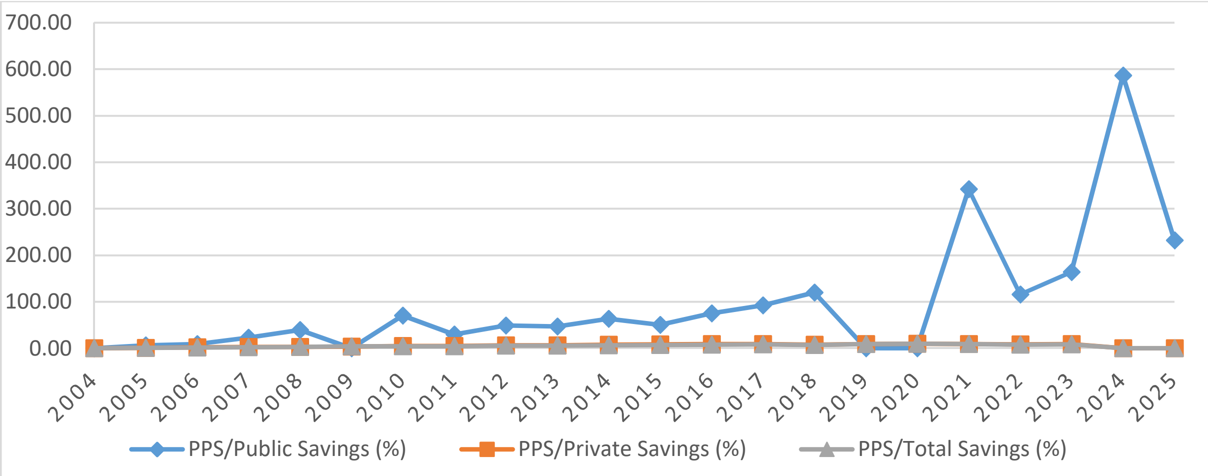
4.2. Domestic Savings and Private Pension System

Türkiye implemented the PPS in 2003, at a later period than other OECD countries. While PPSs have been operating for many years in most OECD countries and account for a significant share of total savings, the system's development in Türkiye has been relatively slow. However, the state contribution, which began in 2013, was unique to Türkiye, increasing voluntary participation and enabling a rapid increase in fund size. In most OECD countries, tax advantages are preferred over direct cash state contributions. In this respect, Türkiye utilizes a relatively stronger financial support mechanism to encourage participation.

The size of the PPS funds in Türkiye remains low compared to the OECD average. Across OECD countries, the total size of asset-backed pension funds is projected to reach approximately 55% of GDP by 2024. On the other hand, according to the OECD's "Pension Markets in Focus 2024" report, pension fund assets in OECD countries are expected to account for 92% of GDP by 2024. In some countries, this ratio exceeds 100%, meaning that total pension fund assets can exceed the country's annual GDP (OECD, 2025). This demonstrates that the system's current savings generation potential is limited, but its long-term growth potential is high.

The PPS's impact on savings occurs through both direct and indirect mechanisms. The direct effect occurs through individuals' regular contributions to the system, while the indirect effect occurs through the channeling of accumulated funds into capital markets. Incentives such as the state contribution system and the automatic enrollment system have increased the comprehensiveness of the PPS and contributed to the expansion of the total individual savings volume. In this respect, Figure 1 shows the share (%) of PPS in public, private, and total savings in Türkiye for the period 2004–2025.

Figure 1. Domestic Savings and Private Pension System (%)



Source: Prepared using https://www.sbb.gov.tr/# and https://www.egm.org.tr/bilgi-merkezi/istatistikler/.

An examination of Figure 1 reveals that the years 2004-2006 can be considered the "initial period," 2007-2013, the "regular increase" period, and the years after 2014 the "period of regular increases and fluctuations. In 2004 (the initial year), the ratio of the PPS to public savings appears negative (-5.37%). This suggests that the system's impact was low and did not constitute a significant effect on public savings during the period when the PPS was newly established. The ratio rose in 2006 from 0.27% to 2.08% of private savings. This rapid increase demonstrates that the system initially had a more visible impact on private savings.

The PPS's, ratio to total savings rose from 2.45% in 2007, a period of regular increases, to 5.77% in 2013. The continued growth of the PPS, particularly despite the 2008 global crisis, suggests that the system is viewed as a safe savings tool. The PPS/total savings ratio was 6.80% in 2014, 8.14% in 2016, and 8.31% in 2017. This period coincides with the years when the PPS experienced rapid growth following the introduction of state subsidies.

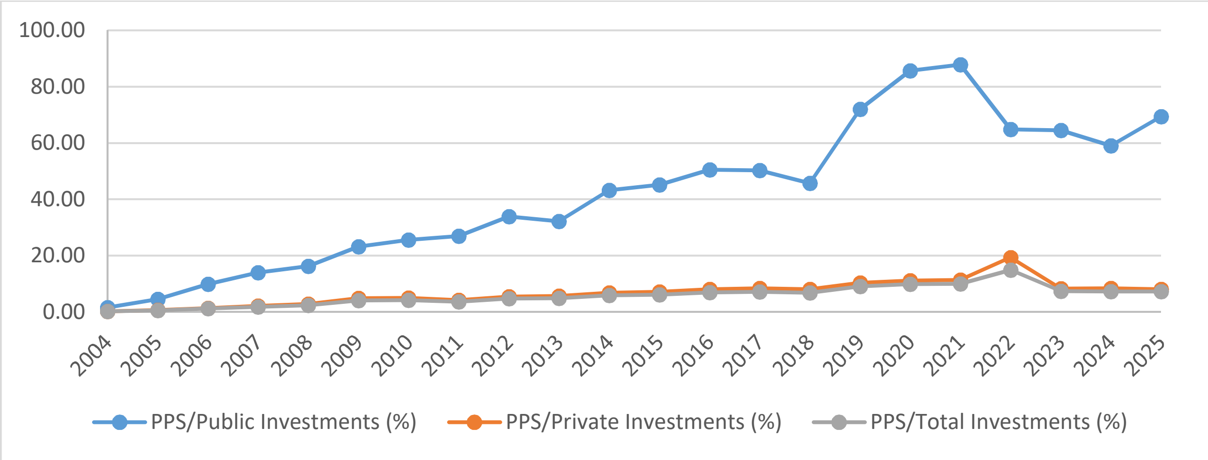
In 2018, the PPS/total savings ratio reached a very high value of 119.68%, while an unusual decline by 6244.10% was observed in 2019. These extreme fluctuations are likely due to volatility in public savings, such as budget deficits or differences in borrowing structures. Despite this, the PPS/total savings ratio, which was 7.32% in 2018, remains strong at 8.87% in 2023. In 2020, the PPS/total savings ratio reached its peak of 10.05%.

In short, the share of the PPS in both private and total savings has increased significantly over the past 20 years, accelerating particularly after the introduction of state contributions. However, the proportion of public savings has fluctuated significantly, demonstrating that the PPS is affected by public financial variables. Since 2020, the share of the PPS in total savings has stabilized at around 9-10%, indicating it has become a permanent and significant factor in Türkiye's savings structure.

4.3. Domestic Investments and the Private Pension System

Fixed capital investments encompass investments in physical (machinery, factories, infrastructure), financial (securities), and human capital (education, healthcare,) made by the public or private sector within a country's borders. The PPS is a system in which individuals create long-term funds by saving part of their salaries or making personal contributions, which are then invested in capital markets. PPS funds provide long-term resources, which can be channeled into fixed capital investments. In this regard, Figure 2 shows the percentage of the PPS in domestic investments in Türkiye.

Figure 2. Domestic Investments and Private Pension System (%)



Source: Prepared using https://www.sbb.gov.tr/# and https://www.egm.org.tr/bilgi-merkezi/istatistikler/.

Figure 2 shows the share (%) of PPS funds in fixed investments for the period 2004–2025. During the early period of 2004–2006, the PPS's share in fixed investments was very low, at 1.60% of public investments, 0.22% of private investments, and 0.20% of total investments. This suggests that, due to its recent inception, the PPS has not yet had a significant impact on investments. During the steady growth years of 2007–2013, the PPS/total investment ratio increased from 1.85% in 2007 to 4.87% in 2013. Its share of public investments increased from 9.89% to 32.17%, and its share of private investments increased from 2.79% to 5.74%. The share of the PPS in public investments increased particularly rapidly during this period, rising from 14.04% to 32.17%. The period from 2014 to 2017 saw the fastest increase in the ratio of PPS to domestic investment. In 2014, the PPS/total investment ratio reached 5.89%, and in 2017, it was 7.23%. For private investments, these ratios peaked at 8.11% in 2016 and 8.44% in 2017. In other words, this period demonstrates that PPS funds were primarily directed toward private sector investments. Similarly, PPS made a substantial contribution to investments between 2018 and 2021. Although there was a slight decline in its ratio to total investments in 2018 (6.87%), it reached its highest levels of 9.08% in 2019, 9.86% in 2020, and 10.05% in 2021. These increases continued in subsequent years. Within public investments, the PPS share reached 85.71% in 2020 and 87.82% in 2021, largely reflecting the concentration of PPS funds in government securities. This very high ratio can be attributed to the concentration of PPS funds in public bonds. The PPS/fixed capital investment ratio fluctuated between 2022 and 2025. There was a decline in the ratio, particularly after 2023. This decline could be explained by the reorientation of PPS funds toward public-based investments or the shrinking share of PPS in response to the increase in private sector investments.

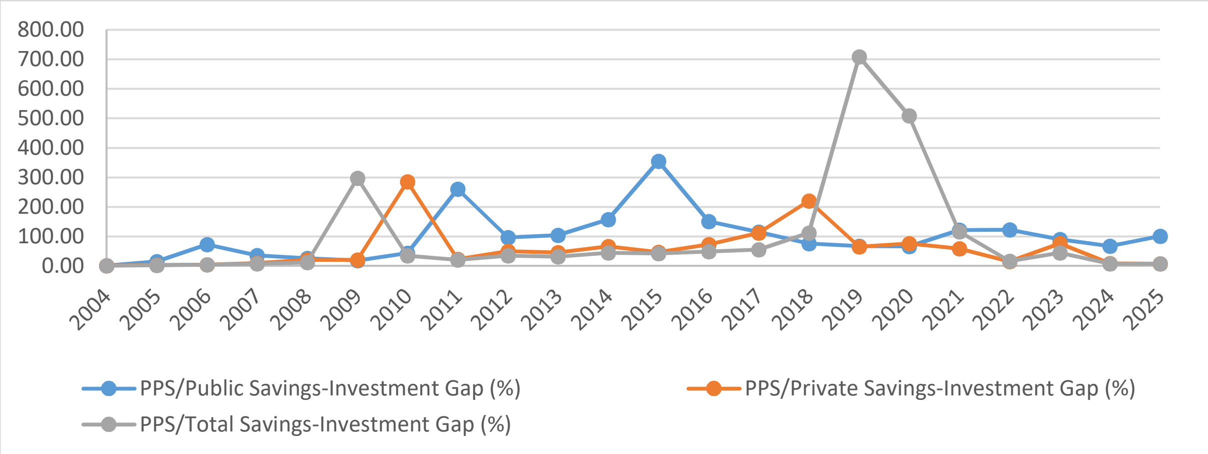
In short, the PPS became an increasingly important source of fixed investment from 2004 to 2021. While PPS share in public investments reached very high levels, its share in private investments increased significantly, especially between 2016 and 2022. The graph shows the shares of PPS funds in fixed public, private, and total investments between 2004 and 2025, which clearly reveals that the share of PPS in public investments has increased very rapidly over the years, while there has been a significant increase in private investments, especially in the period 2016-2022.

4.4. Domestic Savings–Investment Gap and the PPS

In the economic literature, the terms "savings" and "investment" are often used side by side, but they have distinct meanings. Savings are the non-consumable portion of income, while investments refer to capital accumulation aimed at increasing production capacity. The savings-investment gap refers to the difference between the amount of savings and the amount of investments made in an economy. In other words, if total investments in an economy exceed domestic savings, a savings-investment gap occurs. This gap is covered by external resources. In countries like Türkiye, investments typically exceed domestic savings, resulting in a savings gap. If savings exceed investments, the country transfers its excess savings abroad.

The PPS, on the other hand, is a system designed to increase savings directly. This has an indirect impact on the savings-investment gap. Therefore, employees and individuals contribute to increasing domestic savings narrowing the savings-investment gap, by making regular fund payments to the PPS. In this respect, Figure 3 has been prepared to illustrate the savings-investment gap in Türkiye and the role of the PPS in reducing this gap.

Figure 3. Savings-Investment Gap and Private Pension System (%)



Source: Prepared using https://www.sbb.gov.tr/# and https://www.egm.org.tr/bilgi-merkezi/istatistikler/.

Figure 3 illustrates the extent to which the PPS has closed the gap between savings and investments in three dimensions, expressed as a percentage: the PPS/Public Investment Gap, the PPS/Private Investment Gap, and the PPS/Total Investment Gap. The period 2004–2007 was one of development for the PPS, and the savings-investment gap coverage ratio was generally low. However, especially in 2006, the funds accumulated in the PPS covered a very high percentage, 72.97%, of the public savings-investment gap due to the negative nature of the gap. In the same year, they covered 9.35% of the private savings-investment gap and 7.45% of the total savings-investment gap.

The gaps have generally been negative, particularly since the 2008 Global Financial Crisis and the years that followed. This demonstrates that the PPS covers a significant portion of the savings-investment gap. For example, 2015 was the year when the PPS's contribution to the public savings-investment gap reached its highest level (355%). However, in some years, particularly those with positive private savings-investment gaps, the savings-investment gap ratios of the PPS declined.

The PPS's impact in closing the savings-investment gap during the 2022–2025 period was more balanced but lower. For example, the public investment gap was 101.21% in 2025, while the private investment gap was 8.09%, and the total investment gap was 7%.

In short, for many years, investments in Türkiye have exceeded savings, increasing the country's dependence on external borrowing. However, as the PPS's share increased, the savings-investment balance occasionally exhibited a surplus, particularly between 2019 and 2022. The recurrence of a significant deficit in 2023 indicates that economic fluctuations and the investment-savings mismatch continue. While the role of the PPS is gradually strengthening, it alone is insufficient to close the savings-investment gap permanently.

5. Conclusion

In Türkiye, the PPS has become a significant tool for increasing domestic savings since its establishment, considering its fund size and the number of participants. State contributions and automatic enrollment practices, in particular, have supported individuals' long-term savings trends and accelerated the system's growth. However, the system's impact on savings remains more limited compared to OECD countries. High withdrawal rates, income uncertainties due to economic fluctuations, and relatively low levels of financial literacy are among the main factors reducing the effectiveness of the PPS.

A review of the literature reveals that findings regarding the impact of PPSs on savings vary depending on country conditions. Some studies suggest that the PPS strengthens savings trends, while others show that its impact is limited. This depends on factors such as the system's structural characteristics, the nature of incentive mechanisms, fund returns, and the length of time participants remain in the system. International experience suggests that the savings-enhancing effects are more pronounced in the long-term operation of private pension funds. The short duration of participants' stay in the system stands out as the most significant limiting factor.

For Türkiye, the PPS plays a strategic role, given low savings rates, a rapidly aging population, and social security system deficits. Developing the PPS as a complement to the public pension system will alleviate potential future social security deficits, reduce the public financial burden, and provide the national economy with a long-term, low-cost, and stable source of financing.

However, reasons why individuals do not choose the PPS as an investment tool include the perception of low fund returns, a lack of knowledge regarding the conditions for benefiting from government contributions, high fund management costs, and the perceived advantage of alternative investment instruments. In this regard, tax incentives should be strengthened, fund performance should be improved, and financial literacy levels should be raised, drawing on examples from successful countries.

Empirical research in Türkiye indicates that the PPS has a limited impact in the short term due to factors such as current consumption trends and income levels, while it strengthens savings trends in the medium and long term. Therefore, beyond simply providing individuals with additional security during retirement, the PPS should be considered a critical complementary mechanism for increasing domestic savings, deepening capital markets, and mitigating macroeconomic vulnerabilities.

Consequently, to ensure the sustainable contribution of the PPS in Türkiye, holistic policies must be implemented to expand the participant base, increase system retention periods, improve fund returns, reduce withdrawal rates, enhance financial literacy, and support macroeconomic stability. When these conditions are met, the PPS will become more than just a tool that provides security in private retirement; it will also become a strategic element that strengthens the sustainability of domestic savings and contributes to the financing of economic growth.

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