

## Examination of the effects of the National Pension Scheme Authority Partial Withdrawal on the Socio-economic Status of Contributors in Lusaka District, Zambia

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### Abstract

This study examined the socioeconomic effects of the National Pension Scheme Authority (NAPSA) partial withdrawal policy on contributors in Lusaka District, Zambia. Introduced through the National Pension Scheme Amendment Act No. 21 of 2023, the policy permits eligible contributors to access up to 20% of their accumulated pension savings before retirement. Using a mixed-methods approach, quantitative data was collected from 328 contributors through structured questionnaires, while qualitative data was obtained from 40 key informants comprising beneficiaries, non-beneficiaries, NAPSA officials, and financial experts. Quantitative data was analyzed using descriptive statistics, Pearson correlation analysis, and chi-square tests, while qualitative data was analyzed using thematic analysis. Findings revealed that the primary motivations for accessing partial withdrawals were meeting household expenses, debt repayment, housing development, and business investment. Beneficiaries reported moderate improvements in quality of life, financial independence, and ability to support family members. Significant positive relationships were observed between withdrawal effectiveness and quality of life ( $r = 0.377$ ), financial independence ( $r = 0.668$ ), social confidence ( $r = 0.385$ ), and community participation ( $r = 0.305$ ). However, many respondents reported that financial improvements were temporary when funds were used primarily for consumption rather than productive investments. The study concludes that while the policy has generated short-term socioeconomic benefits, its long-term impact depends largely on financial literacy and fund utilization patterns. The study recommends strengthening financial literacy programmes and enhancing investment guidance for contributors prior to accessing withdrawals.

## 1. Introduction

Pension systems play a critical role in promoting income security, reducing poverty, and enhancing social protection for retired populations. By enabling individuals to accumulate savings during their working lives for consumption in old age, pension schemes contribute significantly to economic stability and social welfare (ILO, 2010). However, many developing countries continue to face challenges related to low pension coverage, inadequate retirement savings, and limited financial literacy, all of which threaten the effectiveness of pension systems in achieving their intended objectives.

In Zambia, pension coverage remains relatively low, with the National Strategy on Financial Education (2019–2024) indicating that only about 4% of adults possess at least one pension product. Despite this limited participation, the pension sector has undergone significant reform following the enactment of the National Pension Scheme (Amendment) Act No. 21 of 2023, which introduced the provision for contributors to access up to 20% of their pension savings before retirement. The reform intended to provide contributors with greater financial flexibility and an opportunity to invest in productive ventures while still economically active (NAPSA, 2023). The Government argued that early access to pension funds would stimulate entrepreneurship, support household welfare, and contribute to national economic development.

Although the policy has been widely welcomed by contributors, it has also generated considerable debate among policymakers, economists, and social protection experts. Pension systems are fundamentally designed to provide financial security during retirement, and early withdrawals may reduce accumulated savings and compromise future retirement income (Beshears et al., 2015). Studies conducted in the United States, Chile, and Australia have shown that while pension withdrawals can provide short-term financial relief, they often result in reduced retirement wealth and increased vulnerability during old age (Arenas de Mesa & Montecinos, 2021; Beshears et al., 2015). Similar concerns have been raised in Sub-Saharan Africa, where weak social protection systems and low financial literacy levels may limit the productive utilization of withdrawn pension funds (Kalusopa et al., 2015).

Regional evidence suggests that the effectiveness of pension reforms depends largely on how beneficiaries utilize withdrawn funds. Research from South Africa and Nigeria indicates that many contributors use early pension withdrawals primarily for debt repayment and immediate consumption rather than long-term investments, thereby reducing retirement adequacy (Egbe, 2013; Ghosh, 2024). Furthermore, studies have highlighted the importance of financial literacy, institutional support, and economic conditions in determining whether pension withdrawals generate sustainable socioeconomic benefits (World Bank, 2019; Lusardi & Mitchell, 2014).

## 1.2 Statement of the Problem

Within Zambia, empirical evidence on the socioeconomic consequences of NAPSA partial withdrawals remains limited. Existing studies and policy commentaries have largely focused on the rationale for the reform and its potential implications rather than examining the actual experiences and outcomes of beneficiaries (Chiwele, 2023). Consequently, there is insufficient evidence regarding whether contributors are utilizing withdrawn funds for productive investments, debt reduction, household consumption, or other purposes, and how these decisions influence their economic wellbeing, financial independence, social status, and retirement preparedness.

This knowledge gap is particularly significant given Zambia's broader development agenda. The policy intersects directly with Sustainable Development Goal (SDG) 1 on poverty reduction and SDG 8 on decent work and economic growth, both of which emphasize social protection and financial inclusion as mechanisms for improving livelihoods. Understanding the effects of partial pension withdrawals is therefore essential for assessing whether the reform contributes to socioeconomic empowerment or inadvertently increases future vulnerability among contributors.

## 1.3 Aim of the Study

This study examines the effects of the National Pension Scheme Authority (NAPSA) partial withdrawal policy on the socioeconomic status of contributors in Lusaka District, Zambia.

## 1.4 Research Objectives

- To explore why some Lusaka residents applied for partial withdrawals from NAPSA.
- To establish the socioeconomic effects of NAPSA partial withdrawals on utilizing contributors' quality of life in Lusaka.
- To determine how partial withdrawals could socioeconomically benefit the beneficiaries in Lusaka.

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## 2 Literature Review

### 2.1 Theoretical Review

Two theories were employed in this study: the Life Cycle Hypothesis (LCH) and the Utility and Preference Theory. These two theories were selected because they offer complementary perspectives that, when integrated, provided a more comprehensive explanation of both the rational economic planning behind pension schemes and the behavioral deviations often observed in practice.

#### Life Cycle Hypothesis

The Life Cycle Hypothesis (LCH) developed by Modigliani and Brumberg (1954), assumes that individuals plan their consumption and savings behavior over their lifetime with the goal of achieving a stable standard of living. According to this theory, people save during their working years and consume during retirement. The Pension systems are therefore practical applications of this model, they help individuals accumulate wealth for consumption during retirement. In line with this study, LCH provides a framework for understanding how partial withdrawals can disrupt this cycle. This is because early access to pension funds may result in under saving, thereby compromising post-retirement consumption and leading to potential poverty among the elderly (Idowu, 2006).

#### Utility and Preference Theory

Proposed by Samuelson (1950) and expanded by Koszegi and Rabin (2007), the Utility and Preference Theory suggests that individuals make choices based on perceived usage, even when not all information is available. This theory is useful in explaining why contributors may opt for partial withdrawal even though it may not be the most rational long-term decision. The decisions may be influenced by immediate financial pressures or emotional factors rather than a calculated analysis of long-term usage. This aligns with the findings Mambwe & Mweemba (2016) where individuals, due to economic hardship or limited financial literacy, prioritize short term relief over long term security. Thus, understanding contributors' preferences and the context of their decision making is crucial in evaluating the policy's effectiveness.

Both theories show that individual behavior and systemic design play crucial roles in determining the outcomes of pension reforms such as partial withdrawal provisions.

### 2.2 Conceptual Framework

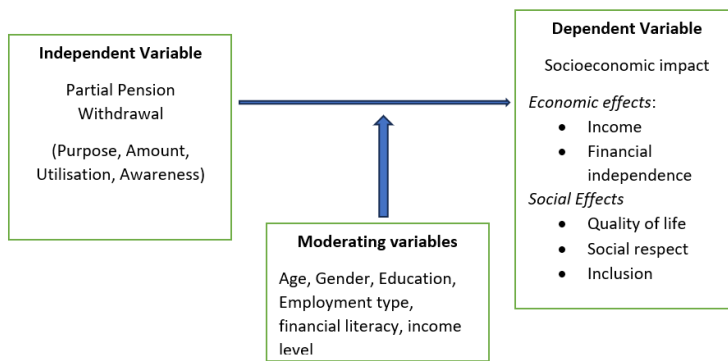
The conceptual framework for this study linked partial pension withdrawal (independent variable) to socioeconomic impacts (dependent variable) depending on:

How the funds were used (productive vs. consumptive spending),

The contributor's demographic and financial literacy characteristics and

The supporting economic environment (inflation, unemployment, etc)

When funds are used for productive purposes (such as investment or education), positive socioeconomic outcomes are expected (improved income, independence, stability). However, if funds are used for consumption, long-term benefits may be minimal or even negative (reduced retirement security).



Figur 1: conceptual framework

### 3 Research Methodology

#### 3.1 Research Design

The study adopted convergent mixed-methods research design. In this design, quantitative and qualitative data were collected during the same phase of the study, analysed separately, and integrated during interpretation of the findings.

The quantitative component employed a cross-sectional survey design to assess the socio-economic effects of partial withdrawals among NAPSA contributors. The qualitative component employed a phenomenological approach to explore the lived experiences and perceptions of beneficiaries, non-beneficiaries, NAPSA officials, and financial experts.

The mixed-methods design was selected because it enabled triangulation of findings, thereby improving the validity and comprehensiveness of the study.

#### 3.2 Study Area

The study was conducted in Lusaka District, Zambia. Lusaka was selected because it has a high concentration of formally employed workers who contribute to NAPSA and therefore constitutes a significant proportion of individuals eligible for partial withdrawals. The district also provides access to diverse categories of contributors across public and private sectors.

#### 3.3 Study Population

The target population for this study comprised all National Pension Scheme Authority (NAPSA) contributors residing in Lusaka District who were eligible for the 20 percent partial withdrawal benefit introduced under the National Pension Scheme (Amendment) Act No. 21 of 2023. The study also included key stakeholders involved in the implementation and evaluation of the policy, namely NAPSA officers, financial advisors, and pension experts.

According to the NAPSA Annual Report (2025), more than 470,000 members had accessed the partial withdrawal benefit nationwide by 2025. Approximately 30 percent of these beneficiaries, representing about 141,000 contributors, were located in Lusaka Province. This made Lusaka an appropriate study area due to its high concentration of eligible contributors and beneficiaries.

The quantitative sample size was determined using Yamane's (1967) formula:  $n = N / (1 + N(e^2))$ . Using an estimated population of 141,000 eligible contributors in Lusaka Province, a sample size of 400 respondents was obtained. A total of 400 questionnaires were distributed, and 328 valid questionnaires were returned, representing an 82 percent response rate. For the qualitative component, 40 key informants were purposively selected. These comprised: 23 beneficiaries who accessed partial withdrawals; 11 eligible contributors who did not access withdrawals; and 6 NAPSA officials and financial experts.

#### 3.4 Data Collection and Procedure

This study employed two primary research instruments, a structured questionnaire for quantitative data collection and a semi-structured interview guide for qualitative data collection. Primary quantitative data was collected using a structured questionnaire administered to NAPSA contributors. Most questions were measured using a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). Qualitative data was collected through semi-structured interviews. Interviews were conducted face-to-face and recorded with participants' consent.

#### 3.5 Data Analysis

Quantitative data was entered into Statistical Package for Social Sciences (SPSS Version 29) and Microsoft Excel for analysis. Qualitative data was analysed using thematic analysis. Themes were developed based on the research objectives and emerging patterns within participants' responses.

The qualitative findings were then compared with quantitative findings to enhance interpretation through triangulation.

#### 3.6 Ethical Considerations

The study adhered strictly to established ethical standards to ensure the integrity of the research process and the protection of participants' rights. Informed consent was obtained from all participants after clearly explaining the study's objectives, procedures, potential risks, and benefits. Participation

was entirely voluntary, and participants retained the right to withdraw at any stage without consequences. Confidentiality and anonymity were maintained by assigning codes to participants, and all collected data were securely stored in password-protected digital files accessible only to the research team. Ethical clearance was sought from the University of Zambia Research Ethics Committee prior to commencing data collection. The research also complied with NAPSA’s internal ethical policies and data handling protocols.

## 4 Results and Discussion

### 4.1 Quantitative Segment

#### Access to partial withdraw

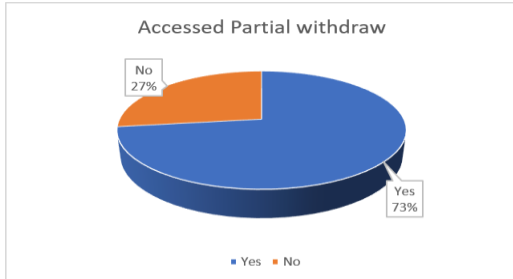


Figure 2 Access to the Partial Withdraw Source: Field Work (2025):

Figure 2 indicates that 72.9% (n = 239) of the respondents reported having accessed NAPSA partial withdrawals, while 27.1% (n = 89) had not accessed the facility. This suggests a relatively high uptake of the partial withdrawal policy among eligible contributors in Lusaka.

The high proportion of beneficiaries implies that the policy is widely utilized and reflects contributors’ need for liquidity, possibly driven by socioeconomic pressures such as debt obligations, household expenses, and investment needs.

#### Utilization of Funds

Respondents were asked how they used most of their withdrawn funds. Based on the responses, several key expenditure categories emerged. Out of 328 respondents, the most common use of the withdrawn funds was paying off debts, accounting for 27.4% (approximately 90 respondents). This indicates that many beneficiaries prioritized settling outstanding financial obligations after accessing the withdrawal. The second most common use was household expenses, reported by 21.0% (about 69 respondents), suggesting that a considerable proportion of respondents used the funds to support daily living needs. Additionally, 17.7% (approximately 58 respondents) used the funds to purchase property or land, while 16.1% (around 53 respondents) invested the money in business activities. A further 12.9% (about 42 respondents) indicated that they used the funds for building or construction-related activities, such as purchasing building materials, roofing houses, or contributing toward housing projects. Smaller proportions of respondents used the funds for school fees (3.2%, approximately 10 respondents) and medical expenses (1.6%, about 5 respondents). Overall, the findings suggest that most respondents used the withdrawn funds to address immediate financial obligations, household needs, and long-term investments such as property, construction, and business activities.

#### Quality of Life

The Quality-of-Life Index was constructed using three Likert-scale items measuring respondents’ ability to meet daily expenses, financial independence, and social confidence. Reliability analysis produced Cronbach’s alpha coefficient of 0.766, indicating acceptable internal consistency. Consequently, the items were averaged to form a composite Quality of Life Index for subsequent analysis.

Table 1 Quality of life

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Quality_of_life	62	1.00	5.00	3.0108	1.08133
Valid N (listwise)	62				

Source: Field Work (2025)

The Quality-of-Life Index was constructed using three indicators, namely improved daily expenses, financial independence, and social confidence. Reliability analysis yielded a Cronbach’s Alpha of 0.766, indicating acceptable internal consistency of the index.

Descriptive statistics for the Quality-of-Life Index among beneficiaries who accessed the NAPSA partial withdrawal are presented in the table 1. The results show that the mean Quality of Life score was 3.01 with a standard deviation of 1.08, based on 242 valid responses. The observed scores ranged from a minimum of 1.00 to a maximum of 5.00.

The mean score of approximately 3.0 suggests a moderate level of improvement in quality of life among respondents following access to the partial withdrawal. This indicates that, on average, beneficiaries experienced some positive socioeconomic effects, although these improvements were neither very low nor very high. The relatively large standard deviation implies considerable variation in respondents’ experiences, suggesting that while some beneficiaries reported substantial improvements, others experienced little or no sustained change in their quality of life.

These findings align with qualitative interview results, where many respondents indicated that the financial impact of the partial withdrawal was temporary, particularly for those who used the funds for consumption and living expenses rather than long-term investments such as businesses or housing projects.

**Ability to Save or Invest**

Respondents were asked to indicate their level of agreement with the statement “I am able to save or invest more regularly,” using a five-point Likert scale where 1 = Strongly Disagree and 5 = Strongly Agree. Out of 328 respondents, the results reveal a generally negative to mixed perception regarding improvements in saving or investment behavior. The largest proportion of respondents, 27.4% (approximately 90 respondents), agreed with the statement, suggesting some improvement in saving or investment habits. However, this was closely followed by 25.8% (about 85 respondents) who disagreed, and 21.0% (approximately 69 respondents) who strongly disagreed, indicating that 46.8% of respondents did not experience an improvement. Additionally, 17.7% (around 58 respondents) reported a neutral position, suggesting uncertainty or no noticeable change. Only a small proportion, 8.1% (approximately 27 respondents), strongly agreed that they were able to save or invest more regularly. Overall, the findings suggest that while some respondents experienced improved saving or investment behavior after the withdrawal, a larger proportion did not perceive a significant improvement, highlighting limited long-term financial benefits in this area.

**Financial Dependency**

Respondents were asked to indicate their level of agreement with the statement “I am less dependent on family for financial support,” using a five-point Likert scale where 1 = Strongly Disagree and 5 = Strongly Agree. Out of 328 respondents, the findings indicate a moderate but mixed shift toward reduced financial dependence on family. The largest proportion of respondents, 32.3% (approximately 106 respondents), selected Neutral (3), suggesting that many participants did not experience a clear change in their level of dependence. However, 19.4% (about 64 respondents) strongly agreed and 16.1% (approximately 53 respondents) agreed, meaning that 35.5% of respondents reported reduced dependence on family support. On the other hand, 14.5% (around 48 respondents) disagreed and 17.7% (approximately 58 respondents) strongly disagreed, indicating that 32.2% of respondents did not experience a reduction in dependence. Overall, the results suggest that while a notable proportion of respondents became less reliant on family for financial support after the withdrawal, a similar proportion either experienced no change or continued to depend on family assistance.

These findings support the Utility and Preference Theory, which argues that individuals make financial decisions based on perceived immediate benefits and current needs rather than long-term outcomes. Contributors facing economic pressures were more inclined to prioritize current consumption and debt obligations over future retirement considerations.

The findings are consistent with those of Arenas de Mesa and Montecinos (2021), who found that pension withdrawals in Chile were primarily used to meet urgent household needs rather than long-term investments. Similarly, Ghosh (2024) reported that beneficiaries of South Africa’s pension reforms mainly utilized withdrawals for debt reduction and consumption. The results therefore suggest that Zambia’s experience follows a similar pattern where contributors use pension funds as a mechanism for addressing immediate financial challenges.

**4.2 Qualitative Segment**

**Informants Sample size Breakdown**

Table 2 Qualitative sample size Break-down

Informant Category	Frequency	Cumulative
Beneficiaries who accessed NAPSA partial withdrawals	23	23
Beneficiaries who did not access NAPSA partial withdrawals	11	34
NAPSA Staff and Professional Experts	6	40
Total	40	

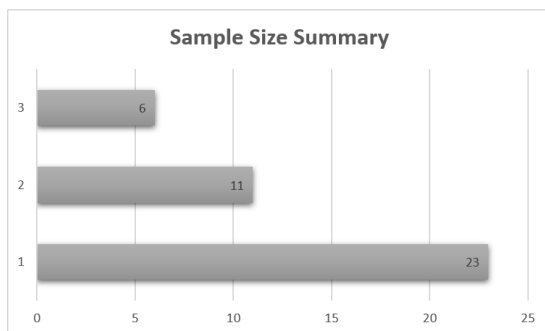


Figure 3 Sample Size Bar Chart

The results indicate that 58% (n1 = 23) of the respondents reported having accessed NAPSA partial withdrawals, while 27% (n2 = 11) had not accessed the facility despite qualifying for the withdraw, while 15% (n3 = 6) were NAPSA Staff. This suggests a relatively high uptake of the partial withdrawal policy among eligible contributors in Lusaka.

across various employment sectors, reflecting the broad coverage of the NAPSA scheme among formally employed contributors.

**NAPSA Partial withdraw motivation**

Table 3 NAPSA Partial withdraw motivation

NAPSA Partial withdraw motivation	Debt repayment	Daily Obligations	Personal Projects	Total
Beneficiaries who accessed NAPSA partial withdrawals	7	14	2	23
Total	7	14	2	23

Source: Field Work(2025)

The dominant motivation for applying for partial withdrawals was the desire to complete personal projects (8%), particularly house construction and

business ventures. Other commonly cited reasons included debt repayment (30%) and meeting living expenses (62%) which was the core purpose. Notably, some beneficiaries indicated that their decision to withdraw was driven by the excitement of accessing funds, even in the absence of a clear plan for utilization. This finding suggests that emotional and behavioral factors also influenced withdrawal decisions, beyond rational financial planning.

**NAPSA Partial withdraw financial Influence**

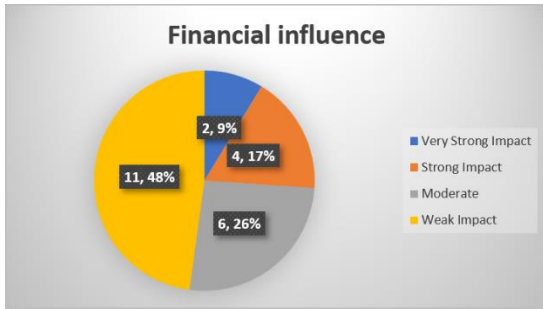


Figure 4 NAPSA Partial withdraw financial Influence Source: Field Work (2025)

11.48% of beneficiaries argued and reported that they had not experienced sustained changes in their financial situation following the withdrawal. While there was a temporary improvement by some informants (6.26%) at the time the funds were received, many indicated that their financial circumstances eventually returned to pre-withdrawal levels. Only a few informants, primarily those who invested in businesses reported noticeable and ongoing improvements in their financial status.

This finding suggests that the long-term economic impact of partial withdrawals largely depends on how the funds are utilized.

**NAPSA Partial withdraw Policy benefits**

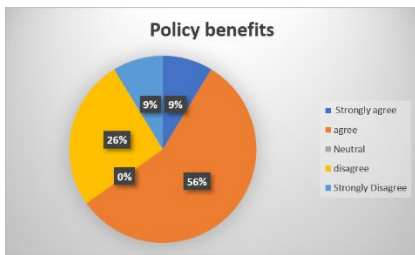


Figure 5 NAPSA Partial withdraw policy benefits Source: Field Work (2025)

Based on the 23 Informants on this subject on whether the partial withdrawal policy benefited contributors were somewhat divided based on perceptions. 65% perceived the policy as beneficial, citing debt repayment, housing development, and business creation. While 35% said the policy had limited benefits, arguing that many contributors lacked financial plans and used the funds primarily for consumption, thereby reducing potential long-term gains.

**Perspectives of Eligible Non-Beneficiary Contributors**

**Reasons for Not Accessing Partial Withdrawals**

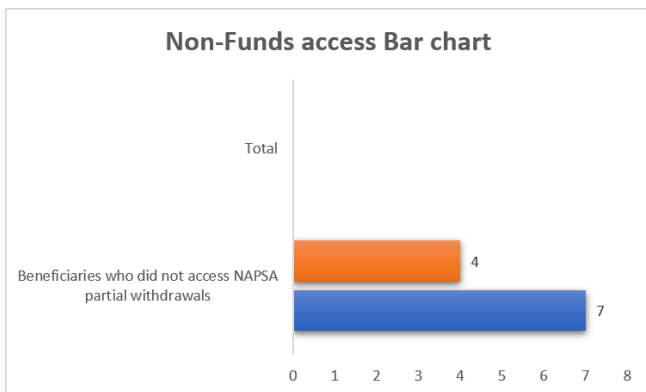


Figure 6 Reasons for not Accessing Partial Withdraw Source: Field Work(2025)

All non-beneficiary respondents confirmed their eligibility but had chosen not to withdraw. The most prominent reasons was that their accumulated savings were not substantial enough to be used meaningfully (63.6%) and that they lacked clear plans for utilization(36.4%). This indicates a cautious approach among some contributors, prioritizing purposeful use of funds over immediate access with overall limited Financial Literacy knowledge.

**Views on the Partial Withdrawal Policy**

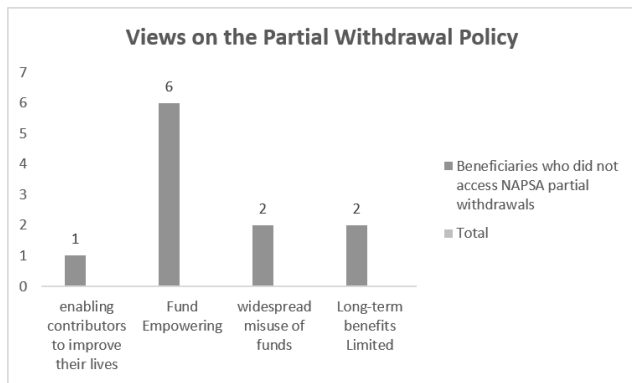


Figure 7 Views on the Accessing Partial Withdraw Source: Field Work(2025)

Non-beneficiaries expressed divergent views on the policy. Some regarded it as empowering (55%), enabling contributors to improve their lives while still economically active. Others criticised the policy, citing widespread misuse of funds (18%) and limited long-term benefits. This two-fold perception reflects broader societal debates surrounding early access to pension savings while overall the positive agreement about the fund was strong.

#### Perceived Impact on Retirement Security

Opinions on retirement security were also mixed. Some respondents viewed partial withdrawals as a threat to long-term retirement adequacy (45%), as early access reduces total retirement benefits. Others argued that the remaining 80%, combined with continued contributions, was sufficient to preserve retirement security (55%). These highlight differing levels of financial literacy and risk perception among contributors.

### 4.3 Perspectives of NAPSA Staff and Professional Experts

#### Policy Rationale and Implementation

- NAPSA officials indicated that the primary objective of introducing partial withdrawals was to allow contributors early access to a portion of their pension savings, rather than waiting until retirement age (100%)
- The policy was implemented through the NAPSA Bill of 2023, allowing access to contributors with at least 60 contributions or those aged 45 years and above.

#### Implementation Challenges

- Key challenges identified included inaccurate member data and missing contributions, which resulted in processing delays (100%)
- These operational challenges highlight the importance of effective data management systems in pension administration.

#### Sustainability and Public Response

- Officials (100%) noted that fund sustainability is ensured through diversified investments and strict limits on withdrawals, including the current once-off 20% cap.
- The public response to the reform was generally positive, with contributors expressing satisfaction at being able to access their savings earlier and invest in personal projects.

#### Financial Literacy Initiatives and Policy Recommendations

- NAPSA officials highlighted ongoing efforts to improve financial literacy through workshops, radio programmes, and educational modules.
- Recommendations included maintaining the current withdrawal limit, improving Know Your Customer (KYC) systems, and encouraging contributors to regularly track their contributions.

#### Professional Assessment of Partial Withdrawals

Financial advisors generally viewed partial withdrawals as a positive policy (100%), particularly when funds are used for productive investments. However, many stressed that the policy should be supported by strong financial literacy programmes to prevent misuse.

#### Observed Financial Behaviors

Advisors observed (90%) increased purchasing power among beneficiaries immediately after withdrawal, sometimes leading to impulsive or non-essential spending. Limited financial literacy was identified as a key factor undermining the potential benefits of early access to pension funds.

#### Risks to Retirement Security

From a strong perspective, advisors noted that younger contributors face lower long-term risk (45%), as they have sufficient time to rebuild savings. Conversely, older contributors face significant retirement risks (55%), including reduced pension adequacy, limited time to replenish savings, and increased vulnerability in retirement.

### 4.4 Discussion

The study established that the major reasons for accessing NAPSA partial withdrawals were meeting daily household expenses, debt repayment, housing

development, property acquisition, and business investments. Quantitative findings showed that debt repayment and household expenses accounted for the largest proportion of fund utilization, while qualitative findings revealed that many beneficiaries accessed the funds to complete personal projects, particularly house construction and business ventures.

These findings support the Utility and Preference Theory, which argues that individuals make financial decisions based on perceived immediate benefits and current needs rather than long-term outcomes. Contributors facing economic pressures were more inclined to prioritize current consumption and debt obligations over future retirement considerations.

The findings are consistent with those of Arenas de Mesa and Montecinos (2021), who found that pension withdrawals in Chile were primarily used to meet urgent household needs rather than long-term investments. Similarly, Ghosh (2024) reported that beneficiaries of South Africa's pension reforms mainly utilized withdrawals for debt reduction and consumption. The results therefore suggest that Zambia's experience follows a similar pattern where contributors use pension funds as a mechanism for addressing immediate financial challenges.

However, unlike some international studies that reported predominantly consumptive spending, this study found that a significant proportion of beneficiaries invested in property acquisition, housing projects, and business activities. This demonstrates that while immediate consumption remains important, some contributors view the withdrawal as an opportunity for asset creation and wealth accumulation.

#### **Economic Effects of NAPSA Partial Withdrawals**

The findings revealed mixed economic outcomes among beneficiaries. While many respondents reported improvements in their ability to meet daily needs, only a relatively small proportion experienced sustained increases in income. The majority either remained neutral or disagreed that their income had improved significantly after receiving the withdrawal.

The qualitative findings help explain this outcome. Most beneficiaries indicated that the financial benefits were temporary and gradually diminished after the funds were exhausted. Only respondents who invested in businesses or income-generating activities reported long-term financial improvements.

These findings support the Life Cycle Hypothesis, which argues that pension savings are intended to smooth consumption over an individual's lifetime. Early access to retirement savings may provide short-term relief but can reduce future financial security if funds are not invested productively.

The findings are consistent with Banda (2024), who found that many Zambian pension beneficiaries lacked the financial literacy necessary to transform pension withdrawals into sustainable income streams. They also align with the observations of Mambwe and Mweemba (2016), who reported that pension funds are often consumed rather than invested, thereby limiting their long-term economic impact.

The study therefore suggests that the economic benefits of partial withdrawals are largely determined by how beneficiaries utilize the funds. Productive investments such as businesses, housing projects, and property acquisition generate more sustainable outcomes than expenditures directed toward consumption and debt settlement.

#### **Effects of Partial Withdrawals on Quality of Life**

The study found a moderate improvement in beneficiaries' quality of life following access to partial withdrawals. The Quality-of-Life Index recorded a mean score of 3.01, indicating moderate positive outcomes among respondents.

Many beneficiaries reported improved ability to meet daily expenses, reduced financial stress, and greater satisfaction with their living conditions. Qualitative findings further revealed that respondents who completed housing projects or improved their household assets experienced enhanced wellbeing and improved living standards.

These findings support the argument by Wei and Zhang (2021) that access to pension funds can improve household welfare and living standards when used productively. The findings also reinforce the proposition of the Utility and Preference Theory that individuals derive utility from satisfying immediate needs and improving their current living conditions.

However, the considerable variation in quality-of-life scores suggests that the benefits were not uniformly distributed. Some respondents experienced substantial improvements, while others reported little or no lasting change. This variation highlights the importance of financial planning and investment decisions in determining the overall effectiveness of the withdrawal policy.

#### **Financial Independence and Ability to Support Others**

The study found a strong positive relationship between partial withdrawal effectiveness and financial independence ( $r = 0.668$ ). Beneficiaries who reported greater benefits from the withdrawal were more likely to indicate improved financial autonomy and reduced dependence on external support.

Similarly, the findings revealed positive relationships between quality of life and the ability to support others financially ( $r = 0.545$ ), as well as between withdrawal effectiveness and support for others ( $r = 0.269$ ). These findings suggest that improvements in beneficiaries' financial circumstances extended beyond personal welfare to include support for family members and dependents.

Qualitative findings support these results. Several respondents reported that access to withdrawal funds enabled them to pay school fees for children, assist relatives financially, and contribute more effectively to household responsibilities.

These findings are consistent with social protection literature, which argues that improvements in individual financial wellbeing often generate positive spillover effects for households and communities. The results therefore suggest that the NAPSA partial withdrawal policy produced both individual and household-level benefits.

#### **Social Effects of Partial Withdrawals**

The study established that the social effects of partial withdrawals were generally positive but varied across beneficiaries. Positive outcomes included improved social confidence, enhanced social respect, and reduced dependence on family members.

The positive correlation between withdrawal effectiveness and social respect and confidence ( $r = 0.385$ ) indicates that beneficiaries who successfully utilized their withdrawals experienced greater self-esteem and social standing within their communities.

Qualitative findings further showed that beneficiaries who completed housing projects or established businesses reported increased recognition and

respect from family and community members. This supports the notion that economic empowerment often translates into improved social status.

However, the study found relatively limited effects on community participation. Although some respondents reported increased engagement in community activities, the majority indicated little or no change. This suggests that while the policy may improve personal socioeconomic conditions, its influence on broader civic engagement remains limited.

### Retirement Security Concerns

Despite the positive socioeconomic outcomes observed, the study identified significant concerns regarding long-term retirement security. Non-beneficiaries and professional experts expressed concern that early access to pension savings could reduce retirement adequacy.

These concerns are consistent with findings by Beshears et al. (2015), who argued that pension withdrawals often reduce retirement wealth accumulation. Similarly, Chiwele (2023) cautioned that early pension access may undermine the primary objective of pension systems, which is to provide income security during retirement.

The findings reveal a fundamental policy trade-off between addressing immediate socioeconomic needs and preserving future retirement income. While contributors benefit from increased financial flexibility today, excessive reliance on withdrawals could create vulnerability during retirement.

### Implications for Policy and Practice

The findings suggest that the NAPSA partial withdrawal policy has generated meaningful socioeconomic benefits for many contributors, particularly those who invested their funds productively. However, the sustainability of these benefits remains dependent on beneficiaries' financial literacy and investment decisions.

The study therefore highlights the need for mandatory financial literacy programmes before withdrawal approval. Contributors should receive guidance on budgeting, investment planning, retirement preparation, and business management to maximize the developmental impact of withdrawn funds.

Furthermore, NAPSA should strengthen public awareness campaigns and monitoring mechanisms to encourage productive utilization of withdrawals while safeguarding retirement security.

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## 5 Conclusion and Recommendations

### 5.1 Conclusion

The purpose of this study was to examine the effects of the National Pension Scheme Authority (NAPSA) partial withdrawal policy on the socio-economic status of contributors in Lusaka District. The study sought to determine why contributors accessed partial withdrawals, establish the socio-economic effects of the policy on beneficiaries, and assess the social and economic benefits derived from the withdrawals.

The study established that contributors accessed NAPSA partial withdrawals primarily to meet immediate household needs, repay debts, support daily living expenses, invest in business ventures, acquire property, and undertake housing development projects. The findings revealed that economic pressures and the desire to improve living conditions were the major drivers of withdrawal decisions. In some cases, contributors accessed the funds without clear investment plans, reflecting the influence of behavioural and emotional factors in financial decision-making.

The study further concludes that the NAPSA partial withdrawal policy has generated both positive economic and social outcomes for contributors. Economically, the policy improved beneficiaries' ability to meet daily expenses, settle debts, and finance personal development projects. However, the study found that the impact on long-term income growth was limited for many beneficiaries. Most respondents reported only temporary improvements in their financial circumstances, with sustainable economic gains largely confined to those who invested their funds in productive activities such as businesses, housing projects, and property acquisition.

The findings also demonstrate that the policy contributed to improvements in quality of life, financial independence, and household welfare. Beneficiaries who successfully utilized their funds reported reduced financial stress, greater autonomy in meeting their financial obligations, and increased ability to support family members. The positive correlations observed between partial withdrawal effectiveness and quality of life, financial independence, social confidence, and ability to support others indicate that the policy has had a meaningful influence on contributors' socio-economic wellbeing.

From a social perspective, the study found that beneficiaries experienced varying levels of improved social standing, confidence, and respect within their communities. Individuals who used the funds productively, particularly for housing development and business investments, reported enhanced social recognition and greater participation in family responsibilities. However, the policy had limited influence on community participation, suggesting that improvements in individual welfare do not automatically translate into broader social engagement.

Despite these benefits, the study concludes that concerns regarding long-term retirement security remain valid. Early access to pension savings reduces the amount available at retirement and may expose contributors to financial vulnerability in old age if withdrawals are not utilized productively. The findings suggest that the long-term success of the policy depends largely on contributors' financial literacy, investment decisions, and ability to convert withdrawn funds into sustainable income-generating assets.

Overall, the study concludes that the NAPSA partial withdrawal policy has provided significant short-term socio-economic benefits to contributors in Lusaka District. However, the sustainability of these benefits depends on the productive use of withdrawn funds and the implementation of complementary measures aimed at strengthening financial planning and retirement preparedness among contributors.

## 5.2 Recommendations

Based on the findings and conclusions of this study, the following recommendations are proposed:

### Recommendations to NAPSA

NAPSA should strengthen financial literacy programmes for contributors before they access partial withdrawals. Mandatory financial education should be introduced to provide guidance on budgeting, investment planning, retirement preparedness, debt management, and entrepreneurship. Such programmes would help contributors make informed decisions regarding the utilization of withdrawn funds.

NAPSA should enhance public awareness campaigns regarding both the benefits and risks associated with partial withdrawals. Contributors should be adequately informed about the potential impact of early withdrawals on their future retirement benefits.

The Authority should improve member data management systems and strengthen Know Your Customer (KYC) processes to minimize administrative challenges, processing delays, and inaccuracies in contribution records.

NAPSA should establish post-withdrawal monitoring and advisory services to support contributors in effectively utilizing their funds and achieving long-term financial goals.

### Recommendations to Government and Policymakers

The Government should continue supporting the partial withdrawal policy while ensuring that adequate safeguards are put in place to protect contributors' retirement security. Policy reviews should be conducted periodically to assess the long-term impact of the scheme on beneficiaries and the sustainability of the pension fund.

The Ministry of Labour and Social Security should collaborate with NAPSA and financial institutions to develop national financial literacy programmes targeting pension contributors and workers approaching retirement.

Government should encourage the development of investment opportunities and entrepreneurship support programmes that enable beneficiaries to utilize withdrawn funds productively and contribute to economic growth.

### Recommendations to Contributors

Contributors should prioritize productive investments when utilizing partial withdrawal funds. Investments in businesses, property development, education, and other income-generating activities are more likely to produce sustainable socio-economic benefits than expenditures focused solely on consumption.

Contributors should seek professional financial advice before making major spending or investment decisions involving withdrawn pension funds. This will enhance the likelihood of achieving long-term financial security.

Contributors should maintain a long-term retirement planning perspective and avoid viewing partial withdrawals as a substitute for retirement savings.

### Recommendations for Future Research

Future studies should examine the long-term effects of NAPSA partial withdrawals on retirement adequacy and financial security among retirees.

Further research should be conducted in other provinces of Zambia to determine whether the findings observed in Lusaka District are consistent across different geographical and socio-economic contexts.

Future studies should investigate the relationship between financial literacy levels and the success of investments made using partial withdrawal funds.

Researchers should also examine the impact of partial withdrawals on NAPSA fund sustainability over an extended period to provide evidence for future pension policy reforms.

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The authors declare that they not aware of any competing financial interests or personal relationships that may have influenced the work described in this document.

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## Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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