

PENSION FUND ASSETS AND THE NIGERIAN ECONOMY

Chinenye Ruth Ahaoma

**Department of Banking and Finance, Michael Okpara University of Agriculture,
Umudike, Nigeria**

e-mail: udemeefanga@gmail.com

Georgina Obinne Ugwuanyi Ph.D

**Department of Banking and Finance, Michael Okpara University of Agriculture,
Umudike, Nigeria**

Efanga, Udeme Okon Ph.D

**Department of Banking and Finance, Alex Ekwueme Federal University, Ndufu Alike,
Ebonyi State, Nigeria**

Abstract: The study examined impact of contributory pension fund assets on Nigeria economy. The specific objective was to ascertain the impact of private sector pension contribution on gross domestic product in Nigeria and to determine the influence of public sector pension contribution on gross domestic product in Nigeria. The study period covered from 2004 to 2020. The stated hypotheses was analyzed with unit root test, descriptive statistic and multiple regression. The finding of the study revealed that private sector pension contribution LOG(PRSP) has positive and insignificant impact on gross domestic product in Nigeria and that public sector pension contribution LOG(PUSP) has positive and insignificant impact on gross domestic product in Nigeria. It was recommended PenCom should ensure effective monitoring, supervision and enforcement of the provision of the PRA 2004, which are the inevitable ingredients in the private sector pension contribution towards Gross Domestic Product (GDP).

Keywords: pension funds, private pension, public pension, contributory pension scheme, gross domestic product

Introduction

The history of Nigeria's pension system dates back to the year 1951 when the first pension scheme was inaugurated in the country. According to Balogun (2016), Nigeria's first ever legislative instrument on pension matters was the Pension Ordinance of 1951 which had a retroactive effect from 1st January, 1946. The law provided public servants with both pension and gratuity. The National Provident Fund (NPF) which was established in 1961, was the first legislation enacted to address pension matters of private organizations. Conceptually, pension is the amount paid by government or company to an employee after working for some specific period of time, considered too old or ill to work or have reached the statutory age of retirement. It is a monthly sum paid to a retired officer until death because the officer has worked with the organization paying the sum. It is generally expected in social welfare theorizing that an employee who has worked for an organization for some years is entitled to some benefits which could be in form of gratuity and pension payable to such employee by his/her employer at the time of retirement (Amujiri, 2019).

The important of pension fund asset on the Nigerian economy cannot be overemphasized. Pension fund asset scheme allows for voluntary contributions to be made by employees (including those exempted by the Act) that could only be taxed at the point of withdrawal where the withdrawal was made before five years from the date the first voluntary contribution was made. The scheme is fully funded, meaning that the contribution of an employee is deducted monthly from the employee's salary

while the employer will provide the counter-part contribution for the employee, which will both be transferred to the relevant retirement savings account. By so doing, the pension assets are set aside from the onset to meet future pension liabilities. Each employee is required by law to open a “Retirement Savings Account” (RSA) in his/her name with a Pension Fund Administrator (PFA) of his choice. This individual account belongs to the employee and will remain with him/her for life even if he/she changes employers or PFA. Specifically, some have asked whether the Contributory Pension Act of 2004 has been able to address the problems of corruption, poor administration of pension fund, embezzlement, inadequate build-up of pension fund, poor monitoring and evaluation, and the general institutional failure which characterized pension schemes in Nigeria. This situation poses great challenge to the financial security of workers after retirement (Adeoti, Gunu, and Tsado, 2012)

The Pension Reform Act 2014 was also established to address the manifested loopholes in the old defined benefit pension scheme and provide adequate resources to retirees after retirement from the service. The large capital pool demands that there should be sound and uniform investment decision making to ensure that value is added to Retirement Saving Account (RSA) contribution. Investment is normally done in the presence of numerous risk mostly political, markets and economic in nature. Investment and market analysis of these Pension Fund Administrators (PFAs) are always propelled to ensure that there is safeguard and safety of these pension assets. The fund accounting organ of PFAs record every bit of inflow and outflow of pension assets in and out of the entity fund. (Enache, 2015). Also, pension contributions constitute viable funds for investment in economic activities to further grow the economy. On the importance of the contributory pension scheme in Nigeria, Tule, Okafor, Obioma, Okorie, Oduyemi, Muhammad and Olaoye (2015) asserted that pension funds are seen to be additional source of capital requires for the infrastructural development of the country. Pension funds are major component of the non-banking financial sector generating private capital to fund the economic growth activities. For instance Bijlsma, van Ewijk & Haijjen (nd) noted that “the role of pension funds and life ‘insurance companies in the economy has increased by aging population. Also Binuomoyo (2015) opined that the funded pension is a form of saving that can spur economic growth in a process that start by affecting financial market positively.

Statement of the Problem

In Nigeria public and private sector, life after retirement is dreaded by most workers. The fears of facing the future after retirement create an ambiance of disturbance among employees. This necessitated the introduction of public sector pension contribution and private sector pension contribution scheme in the country. However, public sector pension contribution and private sector pension contribution scheme prior to 2004 was characterized by many problem which made the payment of the retirement benefit a failure in Nigeria. The old pension scheme lacked adequate and timely budgetary provision coupled with rising life expectancy, increasing number of employers, poor implementation of pension scheme in the private sector due to inadequate supervision and regulation of the system and the fact that too many private sector employees were not even covered by the pension scheme. The new Pension Reform Act, predicated upon a defined contributory scheme, was established in 2004 to ameliorate the inadequacies of the old scheme. Ten years after the establishment, several amendments have been made to the 2004 Act. These include; the Pension Reform Amendment Act 2011, which exempts the personnel of the Military and the Security Agencies from the contributory pension scheme. This incorporated the Third Alteration Act, which amended the 1999 Constitution by vesting jurisdiction on pension matters in the National Industrial Court (FGN, 2014). However, it is assume that with the introduction of public sector pension contribution and private

sector pension contribution scheme little or no impact have been feel on the gross domestic product of the country(Micah, 2019)

Finally, a lot of scholars have attempted to conduct a related studied on impact of contributory pension fund assets on Nigeria economy. These include Nwana *et al*, (2019) who conducted a study on evolution of pension management in Nigeria and it's important to the economy, Adekoya *et al*;(2019) also examine pension funds and infrastructural development financing in Nigeria, Barido, Micah (2019) conducted a study on contributory pension fund and economic growth in Nigeria and Tijani (2018) conducted a study on impact of the contributory pension fund scheme on Nigeria economic growth. It should be noted to the base of the knowledge of the researcher, none of these scholars have attempted to breakdown contributory pension fund assets into private sector pension contribution and public sector pension contribution. Hence, the study examined impact of contributory pension fund assets on Nigeria economy.

Objectives of the Study.

The main objective of this study is to examine the impact of contributory pension fund assets on Nigeria economy .The specific objectives are:

1. To ascertain the impact of private sector pension contribution on gross domestic product in Nigeria
2. To determine the influence of public sector pension contribution on gross domestic product in Nigeria

Research Hypotheses

The following formulated hypotheses stated in null form will be tested:

H0₁: Private sector pension contribution has no significant impact on gross domestic product in Nigeria

H0₂: Public sector pension contribution has no significant impact on gross domestic product in Nigeria.

Conceptual Framework

Concept of contributory pension fund assets

Pension funds' assets are defined as assets bought with the contributions to a pension plan for the exclusive purpose of financing pension plan benefits. The pension fund is a pool of assets forming an independent legal entity. Pension fund assets need to be prudently managed to ensure that retirees receive promised retirement benefits. For many years this meant that funds were limited to investing primarily in government securities, investment-grade bonds, and blue-chip stocks. Changing market conditions and the need to maintain a high-enough rate of return have resulted in pension plan rules that allow investments in most asset classes. These are some of the most common investments to which pension funds allocate their substantial capital. The introduction of contribution pension scheme in Nigeria through an Act in 2004 has made a large pool of fund available for investment. The pension fund assets had increased on yearly basis from 2004 to date with a value of ₦9.583 trillion as at 30th September 2019 and infrastructure fund of ₦34.895 billion at the same date (PENCOM, 2019). Pension fund is seen as alternative means of fund available for financing capital and infrastructural development as this is regarded as long term capital available for financing long term assets. It has become an effect in Nigeria economy as it is a catalyst in development of capital market due to long term nature of financial liabilities and therefore it becomes a unique sources of finance as long term capital for businesses and government. National Pension Commission (PenCom) announced the strategic goal of pension industry in 2019 as the allocation of 40% pension fund assets invested in various types of infrastructure. This is backed up with regulations that 15% of pension fund assets could be invested in infrastructure bond. PenCom regulation (2019) section 5.2.3 stipulated that pension fund assets could be invested in infrastructure projects through bonds or Sukuk based on the fact that such infrastructure projects has a minimum value of ₦5 billion and must be a core infrastructure projects with economic and financial viability. The bond issued to finance

infrastructure project shall have credit enhancement as well as being guarantee by the Federal government of Nigeria. Infrastructure project financed by means of infrastructure fund must be well defined and has publicized investment objectives and strategy with a minimum of 60% of infrastructure funds being invested in infrastructure development in Nigeria (Ahmed, 2017).

Table 1: Pension Fund Assets as at 30th September 2019

S/N	Asset Class	Amount ₦'000	Percentage weight (%)
1	Domestic Ordinary Shares	492,082.59	5.13
2	Foreign Ordinary Shares	65,141.76	0.68
3	FGN Securities	6,844,876.52	71.43
4	State Government Securities	125,242.84	1.31
5	Corporate Debt Securities	621,955.85	6.49
6	Supra-national Bonds	4,030.98	0.04
7	Local Money Market Securities	1,074,563.09	11.21
8	Foreign Market Securities	8,417.81	0.09
9	Mutual Funds	21,813.43	0.23
10	Real Estate Properties	231,482.33	2.42
11	Private Equity Funds	32,053.89	0.33
12	Infrastructure Fund	34,895.96	0.36
13	Cash and Other Assets	26,472.77	0.28
14	Total Asset Value	9,583,029.81	100

Sources: PenCom (2021).

Infrastructure as an asset class

Infrastructure has recently become an asset class in its own right for private sector investors- most notably pension funds. Pension funds have tended to invest mostly in "core-assets" such as moneymarket instruments, government bonds, and large-cap equity, and, to a lesser extent, in "alternative assets" such as real estate, private equity and hedge funds, the average allocation to infrastructure representing only 1% of total assets under management by pensions- excluding indirect investment through ownership of stocks of listed utility and infrastructure companies. Investments are a small part of most pension-plan assets, but they are a growing market of a diverse assortment of public or private developments involving power, water, roads, and energy. Infrastructure is key to transformative power in a country and its economies. In order to address infrastructure gap, there is need to mobilize both domestic and external financing resources to infrastructural developments. Infrastructure represents those capital projects or goods that will serve as the basis for the enhancement of industrialization and economy growth of a nation. This includes paved road, good railway system, constant electricity, operational sea port, good communication networks, effective financial system, good security system and good governance/ legal system that support business growth and good return on investment which aimed at the overall wellbeing of the populace and the economy of the nation. Public projects experience limitations due to budgets and the borrowing power of civil authorities. Private projects require large sums of money that are either expensive or difficult to raise. Pension plans can invest with a longer-term outlook and the ability to structure creative financing (Amujiri, 2017)..

But government disengagement from the costly long-term financial commitments required by large infrastructure projects in the wake of the 2008–2012 global recession, combined with the progressive realization that infrastructure could be an “ideal asset class” providing tangible advantages such as long duration- facilitating cash flow matching with long-term liabilities, protection against inflation and

statistical diversification (low correlation with 'traditional' listed assets such as equity and fixed income) has prompted an increasing number of pension executives to consider investing in the asset class- this macro-financial perspective to pension investment in infrastructure was developed by US, Canadian and European financial economics and labor law experts, notably from Harvard Law School, the World Pensions Council and the OECD (Adegbayi , 2015). FGN Bonds has the highest weight percentage of 46.71% of the total pension fund assets and closely followed by treasury bills with 23.62% weight and local money market securities with 11.21% weight while foreign money market securities has the least with 0.09% weight (Adegbayi , 2015)

Pension

Pension is the model realization by the employer to make available to its employee some cash when the employee becomes retired either due to old age or physical disability or change of service. The fund being set aside by the employer is a kind of insurable even if privately invested. In view of this, the chapter aims at reviewing some scholars' conception about pension funds and to investigate their role as Institutional Investors in Emerging Market Economies. The chapter further seeks to create more light on the concept of pension Funds, investigate the contribution of pension funds in emerging markets economies, establish the main factors determining the investment performance of emerging market pension funds, assesses the contribution of domestic pension funds to the development of local securities markets in emerging market countries, establish the factors that determines the emerging market asset allocation of pension funds in developing countries and highlight on the concept of Emerging Market Economies (Ahmed, 2016).

Robelo (2012) asserted that pension is also a method whereby a person pays into pension scheme a proportion of his/her earnings during his working life. The contributions provide an income (or pension) on retirement that is treated as earned income. This is taxed at the investor's marginal rate of income tax. On the other hand, gratuity entails a lump sum of money payable to a retiring officer who has served for a minimum period of time.

Ahmed, (2015) in his assessment of pension, declared that pension is the amount paid by government or company to an employee after working for some specified period of time, considered too old or ill to work or have reached the statutory age of retirement. Similarly Ozor (2016) explained that pension consists of lump sum payment paid to an employee upon his disengagement from active service. He further stated that pension plans may be contributory or non-contributory, fixed or variable, group or individual, insured or trustee, private or public, and single or multi-employer.

According to Adebayo (2006) and Ugwu (2016), there are four main classification of pensions in Nigeria, namely, retiring pension, compensatory pension, superannuating pension and compassionate allowance. This was supported by Amujiri, (2017) who defined compassionate allowance as a pension scheme that is not admissible or allowed on account of a public servants removal from service for misconduct, insolvency or incompetence or inefficiency. In the same vein, Dhameji and Dhameji (2019) tried to link commitment to motivation and opined that commitment is also tied to how well an employee is motivated. Motivation here entails the process of influencing employee's behaviour towards the attainment of organizational goals. Accordingly, Sule and Ezugwu (2019) asserts that a good pension guarantees employees comfort and commitment to the organization during his/her active years.

A pension is a contract for a fixed sum to be paid regularly to a pensioner, typically following retirement from service. It is different from, severance pay because the former is paid in regular installments while the latter is paid in one lump sum (Eme and Uche, 2014). A pension plan created by an employer for the benefit of employees is commonly referred to as an occupational or employer person. Labour Unions, the government and other organizations also fund pensions. Many pension

plans also contain an additional insurance aspect, since they often will pay benefits to survivors or disabled beneficiaries.

Ayegba *et al.*; (2013) described the term pension as payments a person receives upon retirement, usually under pre-determined legal and/or contractual terms. The Nigerian new Pension Scheme increased the coverage of the Defined Contributory Pension Scheme in the private sector entities with three employees and above, in line with the drive towards informal sectors participation.

Importance of Pension

Pension is a tool used to manage employment. It can be applied in an organization to attain and retain certain levels of labour productivity. Armstrong (2010) affirms that pension helps employees to readjust themselves properly into the society after leaving employment. It constitutes an important tool in the hands of management for boosting employee morale which may lead to efficiency and increased productivity of employees in particular and the organization as a whole. Besides pension is a device which employers use to meet their social responsibilities and thereby attract goodwill. Furthermore, pension now plays an increasingly important role in the economy of any country because the money earmarked for pension could be used for the establishment of small enterprises. It can also relieve pressure on the company for individual assistance by instilling in employees a sense of confidence at challenging responsibilities for their future. Sterns (2016) observes that pensions could discourage labour turnover. If both the employees and employers contribute to the scheme, then it serves as a general area of joint interest and cooperation and therefore helps to foster better employment relations. However, employer and employee relationship in the provision of pension as a form of employee benefits is often affected by factors including: pensionable and gratuity age; the amount or the percentage of the proposed pension; method of financing; administration of pension and psychological pressure. Pension administration consists of five basic elements namely: flexibility; amount of benefits; finance; contribution to cost of pension and gratuity and death benefits.

The Pension Reform Act 2004

In 2004, the Federal Government of Nigeria revolutionized pension management and administration in the country with the enactment of the Pension Reform Act 2004. The Act assigned the administration, management, and custody of pension funds to private sector companies, the Pension Fund Administrators (PFA) and the Pension Fund Custodians (PFC). The Act further mandated the Nigeria Social Insurance Trust Fund (NSITF) to set up its own Pension Fund Administrator (PFA) to compete with other PFAs in the emerging pensions industry, and also to manage the accumulated pension funds of current NSITF contributors for a transitional period of five years (Farayibi, 2015)..

As earlier noted, prior to the Pension Reform Act 2004 (PRA), most public organizations operated a Defined Benefit (pay-as-you-go) scheme in which final entitlement was based on length of service and terminal emoluments. The system failure gave birth to the new initiative, Pension Reform Act 2004 with a Contributory Pension Scheme (CPS) to provide remedy. The Pension Subcommittee of the Vision 2010 (1997) had suggested that (only the rich (countries) can successfully operate an unfunded, non- contributory pension scheme. The Vision 2010 committee had set the objective of most Nigerians having access to a formal social security programme and it argued that this could be achieved by establishing a funded pension system backed by large-scale privatization (Farayibi, 2015)..

The major objectives of the new scheme were to: ensure that every person who has worked in either the public or private sector receives his retirement benefits as and when due assist improvident individuals by ensuring that they save to cater for their livelihood during old age; establish a uniform set of rules and regulations for the administration and payment of retirement benefits in both the public and private sectors; and stem the growth of outstanding pension liabilities (Farayibi, 2015)..

The CPS is contributory, fully funded and based on individual Retirement Savings Accounts (RSAs) that are privately managed by Pension Fund Administrators (PFAs), while pension funds and assets are kept by Pension Fund Custodians (PFCs). The Pension Reform Act 2004 decentralised and privatised pension administration in the country. The Act also constituted the National Pension Commission (PENCOM) as a regulatory authority to oversee and check the activities of the registered Pension Fund Administrators (PFAs). The provisions of the act cover employees of the public service of the federal government, and private sector organizations (Farayibi, 2015)...

The move from the defined benefit schemes to defined contributory schemes is now a global phenomenon following success stories like that of the Chilean Pension Reform of 1981. There seems to be a paradigm shift from the defined benefit schemes to funded schemes in developed and developing countries resulting from factors like increasing pressure on the central budget to cover deficits, lack of long-term sustainability due to internal demographic shifts, failure to provide promised benefits etc. The funded pension scheme enhances long-term national savings and capital accumulation, which, if well invested can provide resources for both domestic and foreign investment (Farayibi, 2015)...

2.1.12. Features of the 2004 Pension Reform

The Pension Reform of 2004 has some peculiar features that can position it as a catalyst for a sustainable social welfare programme. The scheme is fully funded ensuring that overall retirement income is maintained from the onset of the scheme and also that retirement benefits are paid on sustainable basis because funds are always available to defray any pension obligation that falls due. More specifically the following features of can be identified (Farayibi, 2015).

(a). Coverage and Exemption

The scheme accommodates workers in both public and private sector organisations with a minimum of five employees. Only those who were already pensioners and those with 3 years to retirement as from 2004 were exempted from the scheme. The new scheme applies only to the workers from 2008. It is however not uniform to all categories of workers. For instance Section 8 (2) of the 2004 Pension Reform Act exempts judiciary workers from the new scheme entirely (Farayibi, 2015)..

(b). Retirement

While in the public sector, the statutory retirement age is either 60 years or 35 years of service, whichever comes first, in the private sector, retirement age varies between 55 and 60 years and the factor of 35 years of service is not applicable. The Pension Reform Act 2004 has no clear provisions on minimum retirement age but provides in [Section 3(1)] that no person shall be entitled to make any withdrawal from their retirement savings account before attaining the age of 50 years. Section 3(2) (c) however permits withdrawal from the retirement savings account by an employee who retires before the age of 50 years thereby accepting that employees could retire before attaining the age of 50. This kind of ambiguity could result in confusion (Farayibi, 2015)..

(C). Gratuity

In the Pension Reform Act, 2004 the right to a gratuity has been abolished. So retirees no longer receive single lump sum payment as gratuity in addition to pension which is a periodic payment, normally on monthly basis, for the remainder of the pensioner's life. This is seen as being unfavourable to employees and discriminatory against poorer paid employees (Farayibi, 2015)..

(d). Contributory

This privatised and decentralised new pension scheme, adopts the Chilean-style of pension scheme. The scheme provides for a compulsory contribution of 7.5% of workers' basic salary and 7.5% of same from employers as pension for workers after retirement. However, while public sector workers contribute a minimum of 7.5% of their monthly emoluments, the Military contribute 2.5%. The public

sector contributes 7.5% on behalf of its workers and 12.5% in the case of the Military. Employers and employees in the private sector contribute a minimum of 7.5% each. An employer may elect to contribute on behalf of the employees such that the total contribution shall not be less than 15% of the monthly emolument of the employees. This implies that the level of contribution is not uniform (Farayibi, 2015).

(e). Level and Remittance of Contributions

An Employer is obliged to deduct and remit contributions to a Custodian within 7 days from the day the employee is paid his salary while the Custodian shall notify the PFA within 24 hours of the receipt of such contributions. There are already complaints by PFAs of non-remittance of pension deductions on the part of some employers. Contribution and retirement benefits are tax-exempt. Again, Ahmed (2016) in the Summary of Proceedings of the National Workshop on Pension Reform reports that the studies which the Federal Government had commissioned to determine the level of contribution that could meet anticipated pension benefits report that 25% of gross emolument of all government employees needed to be set aside annually to meet existing and maturing gratuity and pension liabilities, for adequate funding of the public service scheme. However, the Pension Reform Act stipulates a total contribution rate of 15% of total emoluments. This level of contribution seems low and inadequate.

(f). Voluntary Contributions

Section 9 (4) of the Pension Reform Act 2004 allows for voluntary contributions which gives opportunity for the self-employed and those working in informal sector organizations with less than 5 employees to open retirement savings accounts (RSA) with pension funds administrators (PFA) of their choice and make contributions. However, for voluntary contributions, the tax relief is only applicable if the amount contributed or part thereof is not withdrawn before five years after the first voluntary contribution is made (Farayibi, 2015).

(g). Individual Accounts

An employee is required by law to open a 'Retirement Savings Account' in his/her name with a Pension Fund Administrator of his/her choice. This individual account belongs to the employee and remains with him/her for life even if he/she changes employer or Pension Fund Administrator. The employee may only withdraw from this account at the age of 50 or upon retirement thereafter. An employee can withdraw a lump sum of 25% of the balance standing to the credit of his retirement savings account if he/she is less than 50 years at the time of retirement and he could not secure a new job after six months from leaving the last job. Similarly, a retiree can withdraw a lump sum if he/she is 50 years or above at the time of retirement and the amount remaining after the lump sum withdrawal shall be sufficient to fund programmed withdrawals (Farayibi, 2015)..

The Theory of Financial Intermediation

Theory of financial intermediation was propounded by Diamond in 1984. Theory of financial intermediation are based on transaction costs and asymmetric information. They are designed to account for institutions which take deposits or issue insurance policies and channel funds to firms. The theory as put forward by Franklin Allen and Anthony M. Santomero, their work was to review the state of intermediation and attempt to reconcile it with the observed behaviour of institutions in modern capital markets. They argue that many current theories of intermediation are too heavily focused on functions of institutions that are no longer crucial in many developed financial systems. They focus on products and services that are of decreasing importance to the intermediaries, while they are unable to account for those activities which have become the central focus of many institutions. They offer a view of intermediaries that centre on two different roles that firms currently play. These are facilitators of risk transfer and in dealing with the increasingly complex maze of financial instruments

and markets. Risk management has become a key area of intermediary activity, though intermediation theory has offered little to explain why institutions should perform this function. In addition, they argue that the facilitation of participation in the sector is an important service provided by these firms. They suggest that reducing participation costs, which are the costs of learning about effectively using markets as well as participating in them on a day to day basis, play an important role in understanding the changes that have taken place in all financial institutions that perform the role of intermediation (Ahmed, 2016)..

The researcher adopted intermediation theory because the theory enable the researcher establish whether the operation of pension funds is acting as agents of economic growth by strengthening the functions of financial systems more efficiently than the alternative such as banks and individual investors.

Research Design

This study is an *ex-post facto* research design. *Ex-post facto* is a systematic empirical enquiry in which the scientist does not have direct control of independent variables because they are inherently not manipulated. Many studies abound in the literature that provided empirical evidence on the contributions of funded pension schemes. For instance, in an assessment of the impact of contributory pension assets to Nigerian economic development by Edogbaya (2013), Methodology used was Ordinary least square based regression Analysis, the objective of this study has been to examine how contributory pension scheme influences the Gross Domestic Product (GDP) in Nigeria. More so, this study is aimed at suggesting the best reliable way for tackling or handling the fear that the funds or Retiree Savings Account (RSA) contributions can be mismanaged by the existing trustees. the result of correlation analysis using t-test revealed that Contributory Pension Scheme (CPS) has significant impact on the GDP while the result of ANOVA revealed that risk prevalent has positive effect on the pension fund management. The study recommended that the Pension Fund Administrators should invest in less risky portfolio to enhance prompt payment of pension to retirees.

Nnanta, Okoh and Ugwu (2011) carried out a study on the Impact of contributive pension scheme on workers commitment to work, retention and attitude towards retirement, Methodology used was Pearson product moment correlation. The objective of this study is to carry out contributory pension scheme and workers commitment to work in the Nigeria Civil Service. The result of Pearson product moment correlation findings revealed that contributive pension scheme significantly affects workers commitment to work, retention and attitude towards retirement. The study recommended among others that strict measures be put in place by government to ensure the effective monitoring and implementation of the provisions of the 2004 Pension Reform Act.

Adeotiet *al* (2012), examined the determinants of pension fund investment and economic growth in Nigeria, Methodology used was Regression analysis. The study found that economic risk and security of real estate factors were identified as the major determinants of pension fund investment and economic growth. The study concluded that variables such as interest rate, internal control system etc., are not critical in determining investment of pension funds in Nigeria. The study also recommended that pension fund managers should develop good systems of mitigating on the enormous risks they face in their duty as investment managers.

A review of the promises and challenges of the 2004 pension reform in Nigeria by Eme and Sam (2011) noted that a mandatory contributory pension scheme should be distinguished from poverty relief programme and universal social security benefits to avoid scheme overloading. Above all, the study opined that there is need for enlightenment directed towards the employees understanding their rights and demanding it from the employers as concerning private sector coverage.

The study of Egbe, Awogbemi, and Osu (2013) about Portfolio Optimization of Pension Fund Contribution in Nigeria found that the Pen Com guided portfolio is not optimum. Ozor (2006) examined the role of Pension Fund Administrators on Nigerian economy. The findings showed that the Pension Fund Administrators play significant roles on Nigerian economy according to the dictates of 2004 Pension Reform Act. Such factors as finance, too many regulations and overlapping functions amongst others, affect them in playing their roles effectively and more so, those problems affecting the Pension Fund Administrators are rated as significantly high. In the light of this discovery, the study recommended the formulation of a robust policy that would enhance the capacities of the Pension Fund Administrators and boost economic growth and development.

Research Design

This study is an *ex-post facto* research design. *Ex-post facto* is a systematic empirical enquiry in which the scientist does not have direct control of independent variables because they are inherently not manipulated.

Model Specification

Using multiple regression analysis, the model is stated below. This study adopted the model of Farayibi (2015) in Baridoo (2019). Model is represented in functional form as

$$Y=f(X)$$

$$RGDP=f(PFA)$$

The model was then modify to suit the present study. The model for the study is stated below:

$$GDP = \beta_0 + \beta_1 PRSP + \beta_2 PUSP + U_t$$

Where

RGDP = Gross domestic product

PRSP = Private sector pension contribution

PUSP = Public sector pension contribution

β_0 = constant term

β_1 = coefficient of prediction

U_t = error term

Data Analysis

Descriptive Analysis

The descriptive analysis displayed the basic features of the time series data presented in table 4.1 above. The outcome of the descriptive analysis was presented in Table 4.2 below:

Table 4.2: Descriptive Analysis

	LOGGDP	LOGPRSP	LOGPUSP
Mean	76133.69	192.40	201.9376
Median	72599.63	159.52	225.86
Maximum	154252.3	371.12	536.97
Minimum	18124.06	0.0000	15.600
Std. Dev.	42924.5	142.0965	131.245
Skewness	0.36103	0.058212	0.65417
Kurtosis	1.97523	1.406035	3.60681
Jarque-Bera	1.113181	1.809281	1.47333
Probability	0.57316	0.404687	0.47870

Sum	1294273	3270.8	3432.94
Sum Sq. Dev.	2.9516	323062.6	275607
Observations	17.0000	17.0000	17.0000

Source: Researcher computation from E-Views 11.

Table 4.2 above displays the descriptive statistics of gross domestic product (LOGGDP), private sector pension contribution LOG(PRSP) and public sector pension contribution (LOGPUSP). The descriptive analysis revealed that gross domestic product was very high as the mean value showed ₦76133.6 billion over the period of study. The maximum value, on the other hand, indicated that ₦154252.3 billion observed over the period, which occurred in 2020. The value of skewness (0.36103) is indicative of the fact that gross domestic product in Nigeria has been increasing persistently over the period. Also, the mean value of private sector pension LOG(PRSP) was ₦192.40 billion, which is an indication that the private sector pension in the country has been increasing over the period under study. The value of skewness (0.058212) is indicative of the fact that private sector pension in Nigeria has been increasing persistently over the period.

Finally, the mean value of public sector pension contribution (LOGPUSP) was ₦201.9376 billion, which is an indication that the public sector pension contribution in the country has been increasing over the period under study. The value of skewness (0.65417) is indicative of the fact that public sector pension contribution in Nigeria has been increasing persistently over the period.

4.3 Test for Stationarity

The test for stationarity of the data was carried out based on the Augmented Dickey Fuller (ADF) unit root technique to ensure that none of the series is integrated beyond order one i.e. I(1). The results obtained from the unit root test are as follows:

Table 4.3 : Summary of ADF test results

Variable	ADF First difference: I(0)		
	t-Statistic	P-Value	Order of Integration
LOGGDP	-4.083578	0.0073	1(0)
LOG PRSP	-3.157211	0.0423	1(0)
LOG PUSP	-3.055144	0.0510	1(0)

Source: Researcher computations from E-Views 11

The results of the ADF test revealed that all the series were integrated of order i.e. I(0). For instance, the ADF test results showed that both dependent variables (gross domestic product (LOGGDP) and independent variables (private sector pension contribution LOG(PRSP) and public sector pension contribution (LOGPUSP) in the series were all stationary at level, I(0). This is because, in absolute terms, their actual values (t-Statistic) are greater than their respective critical values, which indicates that the null hypothesis, which stipulates that the series are not stationary, is rejected. Consequently, with the integration of order, the ordinary least square regression can be applied since all the variables were stationary at level.

4.4. Simple Regression Analysis for Hypothesis One

Having carried out the analysis, the result obtained was presented in table 4.5 as shown below:

Table 4.4: Regression Analysis (dependent variable, RGDP)

	Coefficient	Std. Error	t-Statistic	Prob.
LOGPRSP	0.073818	0.080774	0.913872	0.3763
LOGPUSP	0.512776	1.160912	0.441702	0.6066
C	3.544056	0.215256	16.46434	0.0000
R-squared	0.50000			
Adjusted R-squared	0.462866			
F-statistic	0.335712			
Prob(F-statistic)	0.176500			
Durbin-Watson stat	1.551108			

Source: EViews 11 Output

From the regression results as shown in table 4.5, the adjusted R-squared of 0.50000 reveals that approximately 50% of the total variations in the dependent variable (LOGGDP) was accounted by the explanatory variables LOGPRSP and LOGPUSP while the remaining 50% was due to the error term. The F-statistic (0.335712) indicates that the entire result was statistically significant at 1%). The coefficient of private sector pension contribution LOG(PRSP) was 0.073818. This implies that a unit increases in private sector pension contribution lead to corresponding increase in gross domestic product (LOG GDP) by 0.07381units and a unit increases in public sector pension contribution (LOGPUSP)lead to corresponding increase in gross domestic product (LOG GDP) by 0.512776units. The constant (C) implies that *ceteris paribus* (holding the explanatory variable constant), gross domestic product (LOGGDP) will be increasing by -3.544056units.

4.4.1 Hypotheses Testing

For the hypotheses testing, the decision was based on the p-values of the t-Statistics associated with each coefficient of the independent variables. If a p-value is less than 0.05 (5%), the null hypothesis is rejected. However, if a p-value is greater than 0.05 (5%), the null hypothesis was accepted.

H0₁: Private sector pension contribution LOG(PRSP)has no significant impact on gross domestic product of Nigeria

The p-value (0.3763) of Private sector pension contribution LOG(PRSP) in table 4.5 is greater than 0.05. Hence, the null hypothesis (H₀₁) was accepted and the alternative hypothesis rejected that Private sector pension contribution LOG(PRSP) has positive and insignificant impact on gross domestic product in Nigeria.

H0₂: Public sector pension contribution LOG(PUSP)has no significant impact on gross domestic product of Nigeria

The p-value (0.6066) of Public sector pension contribution LOG(PUSP) in table 4.5 is greater than 0.05. Hence, the null hypothesis (H₀₁) was accepted and the alternative hypothesis was rejected that public sector pension contribution LOG(PUSP)has positive and insignificant impact on gross domestic product in Nigeria.

Discussion of Result

The study examined the impact of pension fund assets on Nigerian economy. The study were reviewed under two hypotheses. The result of the first hypothesis revealed that private sector

pension contribution LOG (PRSP) has positive and insignificant impact on gross domestic product in Nigeria. The result holds on the ground that over the years the difference companies in the country have been involved in private sector pension contribution but there is little or no impact on the economy of the country. The result is in line with the finding of Adekunle (2018).

The result of the second hypothesis revealed that public sector pension contribution LOG(PUSP) has positive and insignificant impact on gross domestic product in Nigeria. The result holds on the round that over the years pension system prior to 2014 in Nigeria was characterized with many problems which made the payment of the retirement benefit a failure in Nigeria. The major weaknesses of pension scheme was lack of adequate and timely budgetary provision coupled with decreasing life expectancy, increasing number of employers, poor implementation of pension scheme in the private sector due to inadequate supervision and regulation of the system and too many private sector employees were not even covered by the form of pension scheme. The result is in line with the finding of Dele, (2019).

Conclusion

The pension system in Nigeria was characterized with many problems which made the payment of the retirement benefit a failure in Nigeria. The major weaknesses of pension scheme was lack of adequate and timely budgetary provision coupled with decreasing life expectancy, increasing number of employers, poor implementation of pension scheme in the private sector due to inadequate supervision and regulation of the system and too many private sector employees were not even covered by the form of pension scheme. These problems associated with payment of pension in Nigeria necessitated the government during the administration of President Goodluck Jonathan regime could be reformed or reviewed which gave birth to the Pension Reform Act of 2014. Contributory Pension Act established a uniform contributory; private sector managed and fully funded pension system for both the public and private sector of the country. Hence, the study examined the impact of pension fund assets on Nigerian economy. The study covered from 2004 to 2020. Based on the specific objectives of this study and the result of the hypotheses tested, the findings of this study are stated below private sector pension contribution LOG(PRSP) has positive and insignificant impact on gross domestic product in Nigeria and public sector pension contribution LOG(PUSP) has positive and insignificant impact on gross domestic product in Nigeria

Recommendations

Having reviewed the Contributory Pension Scheme (CPS), the researcher hereby recommend thus;

1. PenCom should ensure effective monitoring, supervision and enforcement of the provision of the PRA 2004, which are the inevitable ingredients in the private sector pension contribution towards Gross Domestic Product (GDP).
2. There should be prompt reconciliation between PFAs, PFCs and PENCOS and statements of accounts should be given to contributors regularly. This will bring transparency and accountability to the system.

References

- Adebayo, Y. K. (2016). Essentials of human resources management Benin city. *International Management Journal* 1(1), 1-19
- Adegbayi, A (2015). Pension industry development in Nigeria – the thrust of the pension Reform Act 2004. www.leadway.com

- Adeoti, J. O., Gunu, U. and Tsado, E. (2012). Determinants of pension fund investment in Nigeria: *The Critical Factors, International Journal of Human Resource Studies*, 2(1), 1- 13
- Ahmed, K. (2015). Pension reform process in Nigeria: transition from defined benefits to acquired contribution. A paper presented at tops workshop, Lagos.
- Ahmed, M. K. (2016). Pension reform process in Nigeria: transition from defined benefits to acquired contribution. A Paper presented at TOPS Workshop on.
- Ahmed, M.K. (2017). Outlook of the Nigerian pension sector. PenCom, Abuja.
- Amujiri, B. A. (2017).The new contributory pension scheme in Nigeria: A Critical Assessment. *Nigeria Journal of Public Administration and Local Government* 1(1), 1-27
- Amujiri, B. A. (2019). The new contributory pension scheme in Nigeria: A Critical Assessment, *NJPALU*, 14 (1), 137-152.
- Amujiri, B. A. (2019).The new contributory pension scheme in Nigeria: A Critical Assessment. *Nigeria Journal of Public Administration and Local Government*, (14), 1-2
- Ayegba, O. James, I & Odok, L. (2013). An evaluation of pension administration in Nigeria“, *British Journal of Arts and Social Sciences* 15 (11), 97 -108.
- Balogun A (2016). Understanding the New Pension Reform Act (PRA, 2004), *CBN Bullion*, 30(2), 19-32.
- Balogun A (2016). Understanding the New Pension Reform Act (PRA, 2004), *CBN Bullion*, 30(2), 19-32.
- Baridoo, Micah, (2019).Contributory pension fund and economic growth in Nigeria. *International Journal Of Innovative Finance and Economic Research*,7(2),42-34.
- Dalang, D. (2016), Investment and Risk Management under the New Pension Scheme. *CBN Bullion*, 3(2), 30-41.
- Davis, P. (2015). The role of pension funds as institutional investors in emerging market economies. Korean Development Institute Conference.Design? *Paper presented at 60th conference of Political Studies Association (PSA)*,
- Dhameji, S. K. and Dhamji, S. (2009), *Industrial Psychology*, New Delhi: S. K. Kataria and sons.
- Dostal MJ (2017). Pension Reform in Nigeria Five Years on: Great Leap or inappropriate Policy
- Eche, P. (2018). An overview of the various pension schemes in Nigeria and the social impacts on the beneficiaries. www.pencom.ng

- Edogbanya A (2013). An assessment of the impact of contributory pension scheme to Nigerian economic development, *Global Journal of Management and Business Research*, 13(2), 47-59.
- Egbe, A, Awogbemi, A. and Osu, O. (2013). Portfolio optimization of pension fund contribution in Nigeria. *Mathematical Theory and Modeling*, 3(2), 42-52.
- Elumelu, T. (2019). Investment, finance and banking in Nigeria: Evolution and new opportunities”. Lecture delivered at the 2015 US – Africa summit of the Corporate Council on Africa, Baltimore, USA..
- Eme OI and Sam CU (2011). The law and administration of retirement in Nigeria: *A Historical Approach, Kuwait Chapter of Arabian Journal of Business and Management Review*, 1(2), 1-10.
- Eme, O.I, Uche, O. & Uche I.B. (2014), „Pension Reform Act 2014 and the future of pension administration in Nigeria” *Arabian Journal of Business and Management Review (OMAN Chapter)* (2) 12.
- Enache C, Milos R.C, Milos M. C (2015), Pension reform and capital market development in central and Eastern European Countries, economic research-ekonomiska istrazivanja, Taylor Francis group 21(1), 75-84.
- Exley et al., (1997). The financial theory of defined benefit pension scheme.
- Fanimu, D., Akhaine, S. and Abdulsalamai, I. (2007), Pension N600b Contribution Excites Minister, PenCom. *The Guardian*, Tuesday, April 17, 2007 Pp 31-33.
- Farayibi, A. (2015). The Impact of risk on investment decision in Nigeria. *Research Journal of Finance* 1(!), 1-18
- Farayibi, A. O. (2015). The impact of risk on investment decision in Nigeria. *Research Journal of Finance and Accounting*, 6(3), 52-59.
- Federal Republic of Nigeria official gazette: Pension Reform Act, 2004. Government Notice: *Finance and Accounting*. 6(23), 52-59.
- Gunu U and Tsado E (2012). Contributory pension system as a tool for economic growth in Nigeria, *International Journal of Business and Behavioural Sciences*, 2(8), 6 -13
- Henshaw, E. T. (2012): Challenges and opportunities of assets allocation and regulatory and legal updates in the pension industry, being a paper presented at the Nigerian stock exchange institutional investors clinic, September 26.
- Koripamo, A. A. (2019). Analytical review of pension system in Nigeria.

- Nnanta NE, Okoh C. I, and Ugwu C.S (2011). Implications of the new pension reform for social security planning in the local government, *Arabian Journal of Business and Management Review*, 1(4), 19-27.
- Nwanna. S.Y (2019). Evolution of pension management in Nigeria and its importance to the economy, *Journal of humanities and social sciences* 24(5), 28-38
- Ogumike FO (2018). Prospects and challenges of the 2004 pension reform scheme in Nigeria, some lessons from the Chilean experience, *CBN bullion*, 3(2), 37-46.
- Onwumere, J.U.J. (2015). *Business and economic research methods*. Lagos: donvinton limited.
- Ozor, E. (2016), review of factors that slow down the processing of retirement benefits. a paper presented at the workshop organized by the institute of character secretaries and administration of Nigeria, held at Modotel, Enugu between 14th and 16th May.
- Robelo, M. F. (2012), *Comparative Regulation Private Pension Plans*.
- Sule, K. O. & Ezugwu, C. I. (2019). Evaluation of the application of the contributory pension scheme on employee retirement benefits of quoted firms in Nigeria. *International Journal of Business, Economics, Finance and Banking Research, USA*, 4(4), 47-62.
- Tsado, E. and Gunu, U. (2011): Analysis of Investment Decision by Nigerian Pension Fund Administrators (PFAs), *International Business and Management*, 3(2), 133-140
- Ugwu, D. S. (2006) *Contributory Pension: A new approach to financing pension scheme in Nigeria*. A paper presented at a seminar organized by Mokasha.
- University of Edinburgh, Scotland. Watson Wyatt Worldwide, (2017). *Global Pension Assets Study*. www.watsonwyatt.com.
- Yunusa, A. A (2019). "An evaluation of public perception on the new pension scheme in Nigeria: A study of the perception of the academic staff of Ahmadu Bello University, Zaria". *Kogi Journal of Management*, 3(1) .