PENSION FUND INVESTMENT DECISION IN NIGERIA ECONOMY: A Case Study of Nigeria Money Market.

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Abstract

This study provided evidence on the effect of the operation of the funded pension scheme since its inception in 2004 on dynamic economy in Nigeria using error correction mechanism (ECM) and Ordinary Least Square (OLS) This research work, with two objectives, therefore set out to determine the effects of pension contributions on national income and savings in Nigeria. The first objective was to determine the impact of pension fund investment decision on dynamics economy in Nigeria. The second was to determine the extent to which pension contributions have impact in Nigeria economy. The core variable for the study (contributory pension) is in time series form and starts from 2006 and the ordinary least squares estimation technique was used for the study. Methodologies. Findings revealed that the pension fund contributions from both private and public sectors in Nigeria increased greatly and constituted a huge investment fund in the capital and money markets. This increased liquidity in the economy and created employment opportunities as well as improvement in the investment climate. The study concluded that with good risk and portfolio management by pension fund administrators and custodians, the contributory pension has the capacity to boost the Gross Domestic Product (GDP) in Nigeria and very convenient to retirees compared to the previous defined benefit scheme. The study however recommended the removal of delay payment, administrative bottlenecks and corruption in the management of the pension fund in order to boost economy in Nigeria.

Keywords: Funded Pension Scheme, Portfolio Management, Development Pension Fund, Money Market, Nigeria.

Introduction

Public assistance theory widely assumed individual performed enterprise for certain long time subject some incentives, such severance or stipend paid company when member retires.

Retirement income is sum provided by government or corporation staff worked for certain span years, have become elderly or lazy work exceeding term limit. Monthly high associated to senior officer until deaths attributable of agent's service to institution paying the price.Uche (2016), glaring oversights retirement account include dearth promptly, accurately economic availability, diminishing mortality rate, expansion in percentage recruiters, poorly enforced provident fund in financial market due insufficient regulation, control of process, corporate sector personnel not being encircled by portion of retirement system.

Pension is way through which enhancing ability fraction of wages during professional career retirement program. Deposits give annuity (stipend) taxed as earnings. Responsibilities paying taxes at individual's uniform price. Gratuity, either contrary, considerable factor made to parting representative operated for lower limit of tenure term, frequently decade (Adam, 2015). Common source public spending professionals' fear of unpredictable future superannuation (Okeke, 2018), possible blame staffers' lack of devotion to jobs and ineptitude Nigeria's important entities' customer satisfaction. Immediate family arrangement, inadequate common good for elderly, massive backlog, and unjustifiable raise remuneration by previous government, which intensified proclivity acquire, added to most laborers' puzzles (Bassey, 2018). As result, previous to 2014, Nigeria's pension system plagued several issues, making disbursement of pension plans catastrophe. With mortality rate, enormous percentage enterprises, unsatisfactory government pension compliance in corporate companies, circumstance corporate sector individuals were not enrolled, prior benefit system obviously lacks necessary, expeditiously economic provisions.

Apparent lack of securities market, extremely, stymies capital formation throughout each part of country's growth, measuring length innovation, productivity expansion, modernization unachievable. Productive capacity general market function channeling resources protracted infrastructure purposes limited, financial sector advancement technology, business, facilities would hampered (Olagunju, 2020).New Pension Reform Act, based on standard considerable enhancement, enacted 2004 address shortcoming timestamps.2004 Act amended multiple times in two decades after inception. These include Pension Reform Amendment Act of 2011, exempts military and security employees from CPS, Pension Reform Amendment Act of 2011; Pension Reform Act of 2014 and Provisions Act of 2012 examined retirement age and perks university professors. Included Third Alteration Act, altered 1999 Constitution giving National Industrial Court jurisdiction pension problems (FGN, 2016).

Pension Reform Act (PRA) of 2004 mandates creation of contributing pension scheme for all workers in Federal Republic of Nigeria. It specifies distribution retirement benefits employees covered system, which includes public sector and private sector employee in company employees. The act creates National Pension Commission (PENCOM), responsibilities include regulating, supervising, ensuring effective administration of pension matters in Nigeria, as well as approving, licensing, supervising administration Pension Funds appropriate Pension administrators, establishing standards, rules, and issuing guidelines for management and investment of Pension Funds in Nigeria (PENCOM, 2016). The Act notably stipulates Pension Fund Administration (PFAs) regulated Act will handle organize retirement accounts. PFAs activate retirement income accounts clients, participate oversee superannuation monies consonance act's terms and conditions, keep general ledger attributed pension plans supervisors, provide precise data to advisory board, team members asset allocation, yields, and scorecards.

Study focused influence pension fund investment decisions in dynamic economy. As result, research limited to topic of company pension investment strategies in dynamic economy, gross domestic product and financial deepening in Nigeria. Study limited on 2004 austerity measures generous pension structural adjustment. D ata range 2013 to 2020 in order ensure accuracy of report.

Literature Review

Conceptual Review

Pensions differently regulators and individuals various generations explain commitment between individuals and businesses provides cash flow, particularly during ageing. Vast majority of superannuation funds unlicensed. Rather, normal confidence jurisprudence concepts applied to monetary planning and operations retirement plans, relying heavily on long - term economic knowledge of designated administrators or committees. Retirement benefit revenue and fulfillment compensation criteria are strongly influenced by statute and earned tax structures. As result, retirement funds have consequence establishing number benefits, liabilities, and interests for persons involved. In Nigeria, until 1991, when SAS 8 implemented, then again in 2004 with Pension Reforms Act. 2014 Pension Act described fully funded contributory scheme containing deductions at source, mechanism for lump sum withdrawal from RSA balance, other provisions. Monthly or quarterly payments retirees, guaranteed for life, RSA balance payable Next of Kin in event of contributors' death, PenCom oversees and regulates.

"Intermittent compensation ceased from business age - related or incapacity," according to Columbia Electronic Encyclopaedia (2013). New Cambridge Lexicon of Written English (2010) defines retirement benefits as lump sum payment reimbursed on continuous basis by sovereign, by previous company, monies to manager have aided participant who no longer functioning because of years old, mental impairment, other reasons, divorcee or adoptive parents by sovereign, by his previous company, or resources to which contractor have contribute significantly." According to Ezekiel (2015), compensation fees are paid for following reasons: (i) achieve smooth sustainable lifestyle after years of commercial job role, (ii) assist benefit claimants to self-sufficient and not rely on kin, companions, or neighborhood, (iii) incentivize good conduct and dedication to supervisor, hence discretionary pay and benefits, (iv) offering monetary assistance to beneficiaries of deceased partner, thus prevent them from deprivation and despair, (v) assure people that recipient sensibly sustains guidelines.

According to Klumpes and Tippet (2014) as cited in Nwant (2019) retirement plan administration necessitates portfolio acquisition order attain protracted social security payments. Every country nowadays has form of institutionalized welfare payments, some form or another. However, significant discrepancies terms depth of safeguard, extent, penetration, efficacy of legacy application. Industrialized countries have best entitlements and retirement system monitoring systems as whole. Codified welfare and retirement accounts administration in industrialized regions is modern phenomenon emerged just after WWII, with establishment of several sovereign states of colonial era. (Alemu, 2015)

Pension Reform Act (PRA) of 2004 mandates creation contributing retirement system for workers in Federal Republic of Nigeria. It specifies distribution social security payments personnel are covered by system, includes government and community personnel in company more than five employees. The act creates the National Pension Commission (PENCOM), responsibilities include regulating, supervision, ensuring smooth execution defined benefit affairs in Nigeria, as well as approving, licensing, supervising governance Retirement Plans acceptable National insurance executives, developing strategies, principles, issuing approach for treatment and financing retirement plans in Nigeria (PENCOM, 2004). Act notably stipulates Pension Fund Administration (PFAs) regulated under Act will designate and supervise retirement accounts. PFAs would activate superannuation accounts for clients, participate and oversee defined benefit monies compliance with act's safeguards, keep general ledger attributed asset management monitoring, provide precise data to advisory board and staff members financial strategy, yields, and other success factors.

Theoretical Review

According to Rouselle (2016), "frequently utilized approach exploration of implications social security payments is Life Cycle theory." Theory describes earning fluctuates during lives smoothed out cash reserves, allowing them achieve same level usage irrespectively revenues is strong or weak. Individuals planning their lifespan purchasing behavior order consume all accessible fortune. As result, savings fluctuate across person's lifespan. Service user often does not free up commencing employment, conserves while working, quits conserving retirees. Nation with big workforce entails free up dominate anyone who does not.

According to Sarah (2017), Kwakwa (2013) explored drivers capital formation utilisingstatistics for Ghana from 1975 to 2008 using Johansen co - integration analysis and var model assess long - run and short physical phenomena. Study variables were found embedded attempt one, presence of co integration made clear emergence perfectly legitimate protracted economic ties indicators of household savings in Ghana. Foreseeable future, earnings and global markets have favourable and considerable consequence saves, but dependence percentage, civil unrest, macroeconomic variables have adverse influence economic growth, according key studies. Only trade balance, other hand, have favorable influence economic growth in near range. Variables namely dependency ratio, political instability, financial deepening, income and interest rate have insignificant impact savings

Empirical Studies

Eke (2018) explored connection between dwelling capital spending normal force in regulation of Nigeria's public pension funds. Secondary data gathered through legislative acts/gazettes and national bureau of statistics for study, which used ex-post facto research design. Findings of study revealed, among critical aspects required create and preserve public pension contracts, public pension funds have strong correlations with safety of funds and equity returns factor.

Agbata (2017) investigated Retirement Fund organization in Nigeria improved by good leadership, which lessen agreement's nefarious transactions. Five-Point rating survey developed elicit essential data about retirement benefits concerns subset of 435 competent participants research. Multiple Regression Analysis mechanisms used to verify obtained data and assumptions. Regarding jurisdiction (Pension Reform Act - PRA), data reveal willingness perpetrate Retirement Deception decreased significantly. Report advocated amending Pension Reform Act combat retirement scamming imposing harsh penalties perpetrators and instilling ethical codes between public representatives.

Ameh (2017) looked effectiveness Nigeria's participatory benefit plan on socioeconomic development. Test's evidence came from variety PenCom Income Statements and World Bank Development Indexes publications (database). Statistical Package for Social Sciences was used to represent information (SPSS). Superannuation balances and regular investment accumulated time have favorable modest effect on economy, according to findings. Enhance nation's economic Real Gdp, authors investigated importance placed on management investment portfolio on securities market, government bonds, rental properties, private equity (Nigeria).

Methodology

This chapter outlined research technique as well as types of indicators used. The chapter focuses on methodology of analysis used in this research. Pensions and investment in Nigeria are subjects of study. As result, study's main parameters are institutional metrics. Findings and projections from research are considered to formulate master plan at government level. With perspective, article's investigation concentrate on quantitative approaches. As result, chapter covers following topics: research philosophy, location of study, factor, terminology, rationalization, collection methods, resultant, a prior expectations, analysis techniques and estimation procedure.

To summarize and analyze information obtained from independent sources, the research uses quantitative techniques. Statistical analyses performed using estimation techniques. Following estimation of regression model, deductions were stretched.

Models Specification

In testing for already stated hypothesis, the following model was adopted:

$$logGDP = \alpha_0 + \alpha_1 logPEN_{t-1} + \alpha_2 logMMI_{t-1} + \alpha_3 REP_{t-1} + \alpha_4 logGSC_{t-1} + \mu \text{…....eqn. 1}$$

Where GDP is gross domestic product

PEN is contributory pension

REP is real estate property

MMI is money market investment

GSC is government security

μ is the stochastic error term.

Data Analysis, interpretation and Discussion of Findings

Data Analysis and interpretation

Data Analysis

Table I

Gender distribution of the respondents

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	77	57.9	57.9	57.9
	Female	56	42.1	42.1	100.0
	Total	133	100.0	100.0	

From the above table it shows that 57.9% of the respondents were male while 42.1% of the respondents were female.

Question 2

The positions held by respondents

Table ii

The positions held by respondents

Response		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Operation managers	37	27.8	27.8	27.8
	Managers	50	37.6	37.6	65.4
	Marketers	23	17.3	17.3	82.7
	Junior staff	23	17.3	17.3	100.0
	Total	133	100.0	100.0	

The above tables shown that 37 respondents which represents27.8% of the respondents are operation managers respondents which represents 37.6 % are managers 23 respondents which represents 17.3% of the respondents are marketers, while 23 respondents which represent 17.3% of the respondents are junior staff.

There researcher therefore rejects the null hypothesis the poor funding of Agricultural insurance cooperation has no effect on Agricultural development in Nigeria as the calculated value of 28.211 is greater than the critical value of 5.99

Therefore the alternate hypothesis is accepted that state the poor funding of Agricultural insurance cooperation effect on Agricultural development in Nigeria

Conclusion and Recommendation

The summary of this study findings is based on the findings, in which the conclusions are drawn and the policy implication of the study are presented. Pension contributions have positive and significant effect on savings rate in Nigeria for the period reviewed. This implies that an increase in pensions contributions will lead to a corresponding increase in savings rate, the reverse will be the case with a decrease in pension contributions while national income and consumption have positive relationship with national savings for the same period. But interest rate has negative relationship with national savings.

To enhance pension saving mobilization, efforts should be intensified to encourage employers/ employees in informal, governmental and non-governmental sectors to participate actively in the contributory pension scheme.

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