

**EFFECT OF PENSION FUND CHARACTERISTICS ON FINANCIAL PERFORMANCE OF  
PENSION FUND ADMINISTRATORS IN NIGERIA**

**BY**

**ADERIBIGBE SODIQ DAMILARE  
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**AUGUST, 2021**

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**A LONG ESSAY SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND  
FINANCE, COLLEGE OF HUMNITIES MANAGEMENT AND SOCIAL SCIENCES,  
MOUNTAIN TOP UNIVERSITY, IN PARTIAL FULFILMENT FOR THE  
REQUIREMENTS FOR THE DEGREE OF BACHELOR OF SCIENCE (B.Sc. HONS) IN  
ACCOUNTING.**

**AUGUST, 2021**

## **DECLARATION**

I hereby declare that this research title “Effect of pension fund characteristics on financial performance of pension fund administrators in Nigeria” under the supervision of Dr. Taleatu Akinwumi, is a product of my own research work effort and to the best of my knowledge; this work has not been submitted elsewhere for the award of any degree in any institution of learning in Nigeria and elsewhere. All works and articles consulted have been duly acknowledged in the references.

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ADERIBIGBE, SODIQ .

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Date

## **CERTIFICATION**

This is to confirm that the report on the research project titled “Effect of pension of fund characteristics and financial performance on pension fund administrators in Nigeria” was carried out by ADERIBIGBE, SODIQ DAMILARE with matriculation number 17020101003. This project report complies with the regulations governing the award of Bachelor of Science (B.Sc.) Degree in Accounting. Department of Accounting and Finance of the Mountain Top University, Ogun State, Nigeria and is approved for its contribution to knowledge and literary presentation.

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**Dr. TaleatuAkinwumi**

**(Project Supervisor)**

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**Date**

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**Dr. Omokehinde, J.O**

**(Head of Department)**

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**Date**

## **DEDICATION**

I dedicate this project to God almighty and my parents, Mr. and Mrs. Aderibigbe for their unending support and love.

## **ACKNOWLEDEGEMENT**

I give all the glory to God for he has been good and his unending love towards me. I am sincerely grateful for the successful completion of this project.

Mr. and Mrs. Aderibigbe, my parents, deserve my deepest gratitude for their unending moral, financial and spiritual support. I also thank my supervisor, Dr. Taleatu Akinwumi, for all his advice, directions, supervision, assistance and who gave his time to ensure the success of this research work, without which this research would not have been completed. My appreciation also goes to Dr J.O. Omokehinde, the Head of Accounting and Finance Department, for his endless advice and support.

I also appreciate all the excellent lectures in Accounting and Finance department in the persons of Dr. Pius Onichabor, Dr. A. Taleatu and Mrs. Joshua for their kindness, the knowledge they shared with me and for being part of my journey. May God almighty reward them all abundantly (amen).

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## **ABSTRACT**

The divergent opinion on the determinants of the financial performance of pension funds administrators has been an ongoing issue. Academic scholar's overtime has been groping with what factors drive the financial performance of pension funds administrators which still remains unestablished. Hence, this study determines the effect of pension fund characteristics on the financial performance pension funds administrators in Nigeria .The study employed an ex post factor research design while the population of the study is the 21 pension fund administrators operating in Nigeria and a sample of 6 PFAs were conveniently selected after filter was applied. The hypotheses of the study were tested with correlation and standard multiple linear regression analyses. Correlation was used to measure the association between the variables while standard multiple regression analysis was used to evaluate the relationship between the variables. Statistical Package for Social Sciences (SPSS) version 22 was utilized for the data analysis. This study revealed that corporate age, corporate revenue and investment growth have significant effects on pension fund administrators' financial performance in Nigeria. It was found further that corporate expenditure has a significant negative effect on the financial performance of pension fund administrators in Nigeria. The study concluded that corporate age, corporate expenditure, corporate revenue and investment growth have significant effects on pension fund administrators' financial performance in Nigeria. Judicious allocation of resources for short-term and long-term investments was recommended for management consideration.

**KEYWORDS:** Corporate age, corporate expenditure, corporate revenue, investment growth, financial performance

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Many countries around the world, like Nigeria, have seen rapid growth and establishment of pension funds. Because of the importance of the transactions involved in pension funds, countries have paid special attention to the growth of these institutions. In most countries where pension funds operate, they serve as a significant stimulant to capital markets financial intermediation. They tend to complement, and hence stimulate development of capital markets, while acting as substitutes for banks. Their growth is also the consequence of a number of non-financial and demand-side features (Davis, 2000). The growing population in many countries necessitated the need for better running of pension funds, which in many cases led to a high rate of jobs around the world. In addition, most countries are experiencing rising life expectancy and lower fertility rates, which seem to jeopardize the long-term viability of conventional pay-as-you-go pension schemes. The pension contributions from the working population will not be sufficient to support the elderly. In response, countries are increasingly shifting their pension systems toward partial or full funding. In addition to the main purpose of coping with demographic pressures and unsustainable fiscal positions, other motivations for countries to reform their pension systems often include the hope that funded pensions will contribute to economic development by promoting national savings and capital market development (Meng&Pfau, 2010).

It is only natural for the state to provide for the welfare of the elderly, particularly since they devote the majority of their active, useful, and youthful years to serving the country. The need to provide for the well-being of retirees after they have left their jobs led to the establishment of a phased contribution system that is accrued and paid out in a lump sum to the retired. In this regards, government has imposed pension laws to assist employees and the economy at large. The dual contributions of the concerned parties which are made on monthly basis accumulates to a huge sum of money that can be invested for future use, fruitful yields and also the growth of the economy. Thus specialized professionals are engaged to manage these funds through specialized institutions that are basically concerned with retirement related savings.

Pension funds engage in a variety of programs that benefit both people and the economy as a whole. The funds, for example, stimulate capital and financial market growth by substituting for and complementing other financial institutions, especially commercial and investment banks, as competing intermediaries for household savings and corporate financing market (Impavido, Musalem, & Tressel, 2002). This results in a lower spread between lending rates and deposit rates, and lower costs to access capital markets. Pension funds foster competition and may improve the efficiency of the loan and primary securities. On the other hand, Davis (2005) argues that pension funds may complement banks by purchasing long-term debt securities or investing in long-term bank deposits. Other potential impacts from the growth of pension funds include an inducement toward financial innovation, improvement in financial regulations and corporate governance, modernization in the infrastructure of securities markets, and an overall improvement in financial market efficiency and transparency (Davis, 2005). Such impacts should ultimately spur higher long-term economic growth.

The performance of pension funds is critical because they are intended to assist the retirees and thus play a significant role in the economy of any country. They are often kept alive by the government's administrative fiat; otherwise, employees would refuse to recognize it. Pension funds administrators must take good care of the assets entrusted to them. According to Pablo (2009) pension fund administrators need to measure their financial performance against long term optimal benchmarks. Some of the parameters that may be important in measuring the financial performance include: the presence of other sources of retirement income, including the income from public retirement schemes; the rate of contributions; the target replacement rate and its downside tolerance as well as a matrix of correlations between labor income and equity returns (Pablo et al, 2009). The issue of pension has received much attention in many countries over the past Decades. In fact, in recent times, pension has increasingly attracted the attention of policymakers in many countries as a means of facilitating privately funded retirement income savings by an ageing workforce (World Bank, 1994). Many countries have opted for various forms of contributory pension scheme where employers and their employees are supposed to pay a certain percentage of the employee's monthly earnings to retirement savings account from which they would be drawing their pension benefits after retirement.

Prior to 2004, the Nigerian pension industry used the old defined-benefit scheme that was funded by existing income from the employer or current taxes from the government. This scheme had many

flaws and was becoming increasingly unsustainable. The huge deficit, arbitrary increases in salaries and pension along with poor administrative structure brought about the need for pension reform (Akhiojemi, 2004). The law resulted in the establishment of a private system in which workers could save for their own retirement. This is a fully financed, defined contribution plan that requires the employer to contribute a minimum of 8.0 percent of the employee's pensionable salary to the same account, while the government contributes 10% (revised in 2014) to make a total of 18 percent minimum of the employee's pensionable salary (Pension Reform Act,2014). The contributions are deducted and transferred into the relevant retirement savings account managed by Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs), (PENCOM 2004). While PFAs invest the contributions in government, and corporate bonds, shares, bank deposits and certificates as well as open ended investment funds, among others, the PFCs hold the assets and funds of the pension funds (PENCOM 2004).

PFAs are authorized by PENCOM under the act to open Retirement Saving Accounts (RSA), invest and administer pension funds and assets in compliance with the provisions of the act to maintain books of account relating to pension funds administered by it, and provide PENCOM and employees with daily details on investment policy, returns, and other performance indicators benefits in accordance with the provision of the Act. On the other hand, Pension Fund Custodians (PFCs) are charged by the PENCOM Act 2004 with the sole responsibility of holding in custody, pension funds and assets for the Pension Fund Administrators (PFAs). The PFC has the responsibilities of receiving the total contributions remitted by the employer within 24 hours and notify the PFA of same and hold the pension assets in safe custody on trust for the employee and beneficiaries of the RSA; Settling of transactions and undertaking activities relating to the administration of pension fund investments including the collection of dividends and executing relevant proxy in favours of the PFAs for the purpose of voting in relation to the investments. The PFCs provides some control over the activities of the PFAs and provides a hedge against unauthorized access or trading. The custodian is in no way empowered to utilize any pension fund assets in its custody to meet its own financial obligations or that of the third party.

As at December 2017, Nigeria had N7.5 trillion of pension funds. One year before that, as at December 2016, Nigeria's pension assets stood at N6.1 trillion (Odey, 2018). This means that in just one year, pension funds increased by 18%. Nigerian pension funds are increasingly growing, fueling

the country's rapidly expanding pension industry. In the Nigerian economy, pension funds play a critical role. They are a significant source of capital market stimulus because they are re-invested in various sectors of the economy, including domestic shares, Federal Government of Nigeria securities, Treasury bills, and Agency Bonds. In addition, the funds are invested in international stocks. Pension funds have stimulated the development of capital markets in a way similar to banks. (Biobele,2015, Oluoch, 2013). They also recognized that pension funds are vital for advancing the economy through the investment of current retirement savings. In Nigeria, pension funds are privately managed by Pension Fund Administrators (PFAs) whose activities are monitored by the National Pension Commission (PenCom). In the past, Pension schemes have always been non-contributory and came from budgetary allocations. (Fapohunda,2013). Due to the complete reliance on administration, regulation and funding by the government a lot of issues arose such as diversion of remitted or allocated fund, existence of ghost pensioners on the pension's payroll, non-availability of records, unskilled administration, inadequate funding and delay or lack of payment after retirement (Sule&Ezugwu, 2009). The Pension Reform Act 2004 was created to address these issues by introducing the Contributory Pension Scheme which is funded through monthly deductions from the employees' salaries and the contributions by the employer. It is important for pension funds to be managed in the most effective way possible so that they can yield good return on investments for pensioners in the future. Pension funds administrators need to measure their financial performance against long-term optimal benchmarks (Oluoch, 2013). There are some features of pension funds that suggest good financial results. This study aims to resolve this issue by providing all interested parties with information on the financial performance of pension funds in Nigeria, as well as the pension fund characteristics that influence the financial performance. Hence, the overall objective of this study was to establish the impact of selected pension fund characteristics on the financial performance of pension funds in Nigeria

## **1.2 Statement of the Problem**

The non-payment or delay in the payment of pension and gratuity by the Federal and State governments was a major problem for the pension fund administration in Nigeria. As of December

2005, the pension backlog was estimated to be around N2.56 trillion. In-fact, pension fund administration became a thorny issue with millions of retired Nigerian workers living in abject poverty and they were often neglected and not properly catered for after retirement (Orifowomo, 2006). Regrettably, retirees had to go through difficult times and lengthy procedures before receiving their salaries, gratuities, and other retirement benefits. The money to cover their pensions was not available at one point, and the Pension Fund Administrators were not around to meet the retirees' needs at another point. Basically, the old scheme has been beset with a lot of challenges and of problems. Other issues included demographic challenges and financing outstanding pensions and gratuities, as well as merging of operation for the purpose of calculating retirement benefits. These problems coupled with the administrative bottlenecks, bureaucracies, corrupt tendencies and inefficiencies of the civil service, and the economic downturn have resulted in erratic and the non-payment of terminal benefits as at when due (Orifowomo, 2006; Ezeala, 2007, Abade, 2004). Other problems were: gross abuse of pensioners and pension fund benefits which were politically motivated in some cases

### **1.3 Objectives of the Study.**

The main objective of the study is to assess the impact of pension fund characteristics on the financial performance of pension funds administrators in Nigeria. Other specific objectives include

- 1 To examine the effect of corporate age on pension fund administrator's financial performance in Nigeria.
- 2 To examine the impact of corporate expenditure on pension fund administrator's financial performance in Nigeria.
- 3 To evaluate the effect of corporate revenue on pension fund administrator's financial performance in Nigeria.
- 4 To examine the impact of Investment growth on pension fund administrator's financial performance in Nigeria.

### **1.4 Research Questions**

For the purpose of this study, the following research questions are stated.



- 1 To what extent does corporate age affect pension fund administrator's financial performance in Nigeria?
- 2 To what extent does corporate expenditure impact on pension fund administrator's financial performance in Nigeria?
- 3 To what extent does corporate revenue affect pension fund administrator's financial performance in Nigeria?
- 4 To what extent does Investment growth impact on pension fund administrator's financial performance in Nigeria?

### **1.5 Research Hypotheses**

In line with the objectives of the study, the following hypotheses have been formulated and tested in the null forms:

1. **Ho:** Corporate age has no significant effect on pension fund administrator's financial performance in Nigeria.
2. **Ho:** Corporate expenditure has no significant impact on pension fund administrator's financial performance in Nigeria.
3. **Ho:** Corporate revenue has no significant effect on pension fund administrator's financial performance in Nigeria.
4. **Ho:** Investment growth has no significant impact on pension fund administrator's financial performance in Nigeria.

### **1.6 Significance of the Study**

Examining the core determinants of PFA success in Nigeria, as well as their magnitude, is a critical factor for the growth and survival of the Pension Funds Administrators in Nigeria, as well as the New Pension Scheme in general, due to the possible effect of such factors on pensioner wealth and the overall industry. Current and potential stakeholders will benefit from the study because it will enable them to analyze and comprehend the relationship between the established key determinants of success and their financial impact. This will aid in determining the right factors to consider when assessing the performance of PFAs before choosing one to handle the pension contributions of both current and future retirees.

The study is expected to be relevant to industrialists in the area of identifying the problems and prospects associated with the defining factors of performance of PFAs as well as ascertaining the best mix of determinants that will enhance its efficiency and value. The findings of this study would also assist the management of PFAs in making financial and operational decisions that are expected to improve the performance of PFAs.

The study would help to fill a void in the current body of information by defining the relevant performance bases for PFAs and the extent of their effect on the Nigerian pension industry. Since this is a field with a lot of room for development, the study will be relevant for academic research, and the results will help provide information and reference materials for future researchers. The findings and discussion of this work would help to ensure greater commitment on the part of the Pension Funds Administrators managing the stakeholder's investments and improve the confidence of the beneficiaries of the pension itself on whether their investment are protected or not. Above all, It would be a useful guide to the government as an external party, especially to PFA regulatory agencies such as PENCOM, in developing more favorable policies for the long-term viability of the current pension scheme, potential pension reforms, and directly or indirectly assisting management in the operation of PFAs.

### **1.7 Scope of the Study**

The geographical scope of this study is Nigeria. Only pension fund administrators will be involved in the study. Only secondary data will be employed over only a period of ten years between 2010 and 2019. The dependent variable was financial performance measured by return on capital employed while the independent variables were limited to Corporate Age, Corporate Expenditure, Corporate Revenue and Investment Growth.

This study focused on the internal determinants that influence the financial performance of pension funds administrators operating in Nigeria. There are still other aspects which the study does not cover such as the industry specific determinants and the macro-economic determinants such as Gross Domestic Product (GDP), industry size, interest rate and inflation. The study used only return on capital employed as the tool for measuring financial performance.

## **1.8 Limitation of the Study**

Another limitation is the problem with source of data, the study was restricted to use 6 pension fund administrators whose data were complete instead of 12 pension fund administrators previously stated. Time constraint, the period within which the study is conducted is short for a thorough research work, when asked to contribute to a study in which they were not conscious of its ramifications, respondents were naturally skeptical and uneasy. The researcher encountered fund constraint which are cost of internet data, cost of printing, binding, and reprinting.

## **1.9 Operational Definition of Terms**

### **Corporate Age:**

The age of the pension fund, or how long the company has been in operation, will influence financial results. In this situation, the pension fund's age is the same as the Pension Fund Administrators who manage the fund. Pension funds are expected to take a while to become profitable. This is due to the fact that they mostly deal in medium to long-term investments.

### **Corporate Expenditure:**

This refers to the total expenses incurred for the administration and management of the fund. They include the Expenses that may accrue specifically to the fund; professional valuation fees, trustee fees and custodial fees, fees for investment management, costs of records retention, benefit calculation, member communications, legal or consulting fees, costs to carry out governance regulations, Audit fees, bank charges and other professional costs approved by the National Pension Commission.

**Corporate Revenue:** This is the total revenue for the reporting period. Public pensions are typically funded through two sources: contributions and investment earnings. A pension plan requires contributions and may allow additional contributions by the employee. Wages are deducted from employee contributions. Investment income is money earned when the value of one's investments increases. Dividends on stocks, capital gains from property sales, and interest earned on a savings or money market account are all included.

**Investment Growth:** This is the ratio of the change in short term investment to the previous year's short term investment multiplied by 100. A short term investment fund is a form of investment fund that invests in high-quality, low-risk money market investments. They are widely used by investors to temporarily store assets while arranging for their transfer to a higher-yielding investment vehicle. The pool of cash is invested on behalf of the employee, and the earnings on the investments give income to the worker at retirement.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Preamble**

The new Contributory Pension Scheme introduced Individual Accounts called Retirement Savings Accounts (RSA) for employees and each employee is required by law to open a RSA in his name with a Pension Fund Administrator (PFA) of his choice. The financial performance of this RSA funds is what is being considered here. These RSA funds have their own separate accounts where all their transactions are treated and recorded and at the end of the accounting period, final accounts are prepared for the pension funds. After the review of the limited Information on the financial performance of pension funds, the following variables were used as the selected pension fund characteristics; Age of fund, expenditure of funds, density of contribution and the amount of idle contribution.

#### **2.1 Conceptual Review**

Concepts that are relevant to this study are discussed in this subsection. They include.

##### **2.1.1 Pension fund**

A pension fund is a fund that accumulates cash for the purpose of paying employees a pension when they retire at the end of their employment. A pension fund is an institutional investor that invests substantial sums of money in both public and private companies. Employers are normally in charge of managing pension funds. Pension funds are investment pools that are used to fund the retirement of employees.

##### **2.1.2 Pension Reform Act 2014**

The 2014 Pension Act expanded the scope of the Defined Contributory Pension Scheme in private sector enterprises with three or more employees, in line with efforts to enhance informal sector involvement. It also increased the minimum pension contribution rate from 15% to 18% of monthly remuneration, with employees contributing 8% and employers contributing 10%. Employees'

monthly pension benefits and retirement benefits would be boosted by delivering additional benefits to their retirement savings accounts. Under the new legislation, operators who mismanage pension funds will face a minimum of ten years in prison or a fine of three times the amount misappropriated or diverted, or both. Employees' monthly pension benefits and retirement benefits would be boosted by delivering additional benefits to their retirement savings accounts. Under the new legislation, operators who mismanage pension funds will face a minimum of ten years in prison or a fine of three times the amount misappropriated or diverted, or both. Since its inception following the passage of the Pension Reform Act (PRA) in 2004, the National Pension Commission (PenCom) has had the primary goal of ensuring better asset security for pension funds. The National Pension Commission (PenCom) has had the primary purpose of ensuring improved asset security for pension funds since its formation in 2004, following the enactment of the Pension Reform Act (PRA). The polity's pension systems were beset by concerns like as underfunding and insecure budgetary allocation prior to the enactment of the PRA 2004 and the subsequent establishment of PenCom. Prior to the new legislation, the commission reported that it had collected a total of N13.33 billion from companies that failed to return pension deductions from their employees under the Contributory Pension Scheme (CPS). The sum includes both the principle and interest (Goodluck, 2014). Under the 2014 Pension Reform Act, employees of private enterprises are now covered by the Contributory Pension Scheme. The Act also requires a three-fold restitution of the money the criminal embezzled. If convicted, operators who mismanage pension funds face a minimum of ten years in prison and a fine (Tobiloba, 2014).

In addition, the PRA 2014 changed the rate of pension contribution (from 7.5 percent contributed equally by the employer and employee under the old law) to 8% for the employee and 10% for the employer, bringing the total minimum contributions for both parties to 18 percent, up from 15 percent previously. According to the legislation of 2004, an employer may choose to make the complete obligatory contributions without deducting from the employee's compensation; However, for any employer who decides to remit without recourse to the employee, the total remittance shall not be less than 20% of the employee's monthly remuneration. The PRA 2014 has also made it possible to access retirement savings accounts. Employees who disengage or are disengaged from work and are unable to find another job within four months (formerly six months) following disengagement may make withdrawals from their RSA in conformity with the Act. Also launched was the Retirement Savings Account (RSA) for Life. When an employee moves from one employer to another, he or she must

continue to use the same RSA. As a result, every employer must maintain a group life policy in favor of each employee for a minimum of three times the employee's annual total emolument, and if the employer fails, refuses, or omits to pay premiums on time, the employer must make arrangements to pay claims arising from the death of any staff in its employ during that period. Unlike the prior rule, which required group life policy proceeds to be deposited into a deceased employee's RSA, the 2014 law requires the insurance firm to send the life insurance proceeds to the stated beneficiary in the policy. This means that employees must make sure that their HR records are accurate and up to date at all times to represent the correct beneficiaries.

The world's attention has been drawn to Nigeria in the last ten years, with the passage of the Pension Reform Act of 2004, which has brought zeal and commitment to enhancing social security in Africa's most populous black nation. This trend has continued in some African countries, which have either overlooked Nigeria's Contributory Pension Scheme (CPS) success story or embraced similar systems to improve their citizens' social security status. The Nigerian pension business has grown dramatically over the last decade, from a shortfall of N2 trillion in pension liabilities in 2004 to an accumulation of pension fund assets of up to N4.1 trillion by the end of 2013. The massive fund that the CPS has put together is a strong support for the economy, and it is a testament to the regulator's hard work and dedication, The National Pension Commission (PenCom) (Nkwazema, 2014:49). Pension, according to President Jonathan, is "globally acknowledged" and "plays a critical role in national socioeconomic growth." It is not only an important part of social security, but it is also a powerful tool for nation-building. Indeed, pension investing has a significant impact on the well-being of retirees, society, and the economy as a whole. As a result, stakeholders in this life-changing industry must maintain a constant discussion in order to strengthen management frameworks and practices in their individual countries. (Jonathan, 2014:2). To put it another way, the beauty of Nigeria's pension system is the efficacy with which monitoring and regulation have been improved, boosting contributor confidence and increasing assurances about the safety of the funds, which is a significant improvement over what existed earlier. The revised 2014 Pension Reform Bill includes private-sector employees in the Contributory Pension Scheme. Reuben Abati, the Presidential Media Aide, said on Twitter that the new law, which applies to private companies with at least three employees, mandates a 10-year prison sentence for anyone who misappropriates pension money. In addition, the Act mandates a return of three times the amount embezzled.

Operators who mismanage pension funds, according to Abati, will face a minimum of ten years in prison or a fine of three times the amount misappropriated or diverted, or both. Because the former legislation's sanctions were no longer considered sufficient deterrents, the new law repeals it in the event of a violation of the law (Tobiloba, 2014:5)

Furthermore, the document stated that there are currently more sophisticated modes of diversion of pension assets, such as diversion and/or non-disclosure of interests and commissions accruable to pension fund assets, that the PRA2004 does not address. As a result, the Pension Reform Act of 2014 included new offenses and increased punishments to prohibit mismanagement or diversion of pension funds assets under any pretense. PenCom is also empowered under the 2014 Act, subject to the approval of the Attorney General of the Federation, to bring criminal charges against employers that consistently fail to deduct and remit their employees' pension contributions within the allowed time. This was not provided for by the 2004 Act. The Act also gives PenCom the authority to take proactive remedial action against licensed operators whose situations, actions, or inactions risk the safety of pension assets, as opposed to the 2014 Act, which had the opposite effect. On the penalty for defaulters, Hon. Etuk stated, "The Head of Service and the heads of various departments have now asked all accounting departments to ensure that whatever is a pension deduction is treated as sacrosanct and swiftly communicated to the receiving authority. The issue, as PENCUM has repeatedly conveyed to us, is that certain individuals have failed to give authentic and credible information about themselves, including their PFAs. Some people haven't even set up PFAs, so when monies are deducted, they are held in accounts until they have the information to transfer them.

Have a variety of buffer stock funds pending in several locations (Usman, 2014:1).

With today's enactment and passage of this Bill, which has received the President's approval, all of the penalties and prescriptions stated in this Act will be carefully followed by the various agencies. Penalties range from 10 years to life in jail. You must pay N500, 000 per day to any agency for even failing to provide accurate information. And if you embezzle pension funds now, you'll have to pay at least three times the amount you stole. If you embezzle N10,000, you must pay a minimum of N30,000, and in some cases, the presiding court may order you to repay the money and possibly sentence you to prison (Tobiloba, 2014:5). The former pension law contained several terms, and individuals who embezzled pension funds prior to the passage of this new Bill will be prosecuted under the old law. But, if Mr. President signs this Bill into law and your case is settled, I am confident



that the presiding judge will wish to refer to the current legislation while issuing the sentence. Those who are still on trial, I'm sure, will be unlucky if their cases are resolved after this Bill is signed. (Usman, 2014:1).The bill also stipulated a ten-year prison sentence for anyone who misappropriates a pension fund, as well as a three-fold restitution of the money embezzled. It further states that anyone convicted of attempting to misappropriate the fund shall face the same penalties as those imposed for the complete offence in the act. One of the articles states that the Pension Commission must deposit all money obtained as a penalty into the Pension Protection Fund, which would have been formed under section 82 of the Act.(FGN, 2014).The Pension Reform Act of 2014 combines previous revisions to the 2004 Act that were passed by the National Assembly. The Pension Reform (Amendment) Act 2011, which exempts personnel of the Military and Security Agencies from the CPS, and the Universities (Miscellaneous) Provisions Act 2012, which revised the retirement age and benefits of University Professors, are two examples. In addition, the 2014 Act incorporates the Third Alteration Act, which amends the 1999 Constitution by granting the National Industrial Court jurisdiction over pension claims. (FGN, 2014).

### **2.1.3.1 Corporate Age**

Financial performance may be attributed to the age of the pension fund i.e. how long the fund has been in existence. In this case, the Age of the pension fund is synonymous with the age of the Pension Fund Administrators managing the fund. Pension funds are expected to take a while to become profitable. This is because they deal mostly in medium to long-term investments. Tijjani (2014) in his work established that the older a Pension Fund Administrator is, the more financially sustainable it is expected to be .Although the financial performance of some funds would have declined over time due to poor management. Oluoch (2013) and Kigen (2016) used exit age as an independent variable, which influenced the financial performance of pension funds in Kenya

### **2.1.3.2 Corporate Expenditure**

This refers to expenses incurred for the administration and management of the fund. Expenses that may accrue specifically to the fund; professional valuation fees, trustee fees and custodial fees, fees for investment management, costs of records retention, benefit calculation, member communications, legal or consulting fees, costs to carry out governance regulations, Audit fees, bank charges and other professional costs approved by the National Pension Commission(PenCom, 2018).

### **2.1.3.3 Corporate Revenue**

This is the total revenue for the reporting period. Public pensions are typically funded through two sources: contributions and investment earnings. A pension plan requires contributions and may allow additional contributions by the employee. Wages are deducted from employee contributions.

Dividends paid on stocks, capital gains obtained from property sales, and interest gained on a savings or money market account are all examples of investment income.

### **2.1.3.4 Investment Growth**

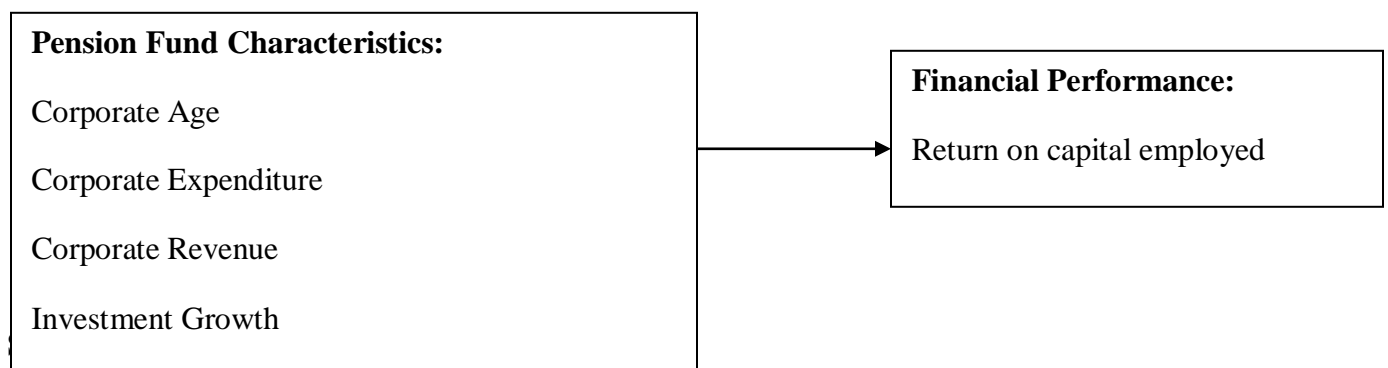
This is a ratio of change in short term investment to prior year short term investment multiplied by 100. A short-term investment fund is a form of investment fund that invests in high-quality, low-risk money market investments. They are widely used by investors to temporarily store assets while arranging for their transfer to a higher-yielding investment vehicle. The pool of cash is invested on behalf of the employee, and the earnings on the investments give income to the worker at retirement.

### **2.1.3.5 Financial Performance**

Sales revenue, market share, profitability, competitive advantage, customer satisfaction, and loyalty are all indicators of a company's performance. The optimal equity distribution of pension funds is a hot topic of discussion. Due to a high percentage of assets invested in stocks, pension wealth is highly susceptible to stock market price swings. While nominal defined-benefit pension liabilities can be hedged by investing in a replicating fixed-income portfolio, substantial equity holdings may be preferable when benefit indexation is based on the pension fund's funding ratio. For pension plan sponsors, high stock gains in the 1990s resulted in premium reductions and even contribution breaks. However, after the stock market crash of 2000–02, which resulted in substantial losses for pension funds, the risks of equity holdings became apparent. As a result, pension benefits were reduced and contributions were raised dramatically. This episode sparked a discussion over Dutch pension funds' investing policies, notably their exposure to equities markets.

The conceptual model for this study is shown in figure 1 below:

**Figure 1: Conceptual model showing the relationship between Pension fund characteristics and financial performance**



## **2.2 Theoretical Review:**

Four theories were reviewed in this study. These theories are stakeholder theory , fund theory, theory of financial intermediation, theory of immunization, They are discussed one after the other as follows.

### **2. 2 .1 The Stakeholder Theory**

Edward Freeman proposed this theory in 1984. Stakeholders are individuals and groups who gain from or are hurt by an organization's decisions and activities. Shareholders and other business financiers, suppliers and creditors, employees, customers, and the community are among them. 2016 (Fontaine & Stefan). The stakeholder theory's primary notion is that an organization should be viewed as a collection of stakeholders with the goal of managing their demands and interests. The pensioners and contributors to retirement savings accounts are the key stakeholders in the case of a Pension Fund Administrator.

### **2. 2. 2 The Fund Theory:**

In his 1947 book "The Fund Theory of Accounting and Its Implications for Financial Reports," economist William Joseph Vatter created fund accounting theory for the first time. Fund theory, according to the Dictionary of Accounting Terms, is a system used by government agencies as well as non-profit organizations like charities and hospitals. The fund contains a set of assets that are subject to restrictions since they are designated for specified uses. Assets are restricted for certain purposes in each fund, and liabilities determine asset constraints. Goncharenko (Goncharenko, 2013).

### **2. 2. .3 Theory of Financial Intermediation:**

Gurley and Shaw's work in the 1960s was the first to propose a theory of financial intermediation (Kigen, 2016). A financial intermediary is a third party who acts as a go-between for two parties in a financial transaction. The role of pension funds as intermediaries, as well as the ways in which they promote capital markets, must be addressed. Although pension funds do not offer liquid liabilities, proponents of the current theory of intermediation argue that they play an important role in shaping the structure of securities markets, hence improving the efficiency of financial systems.\

### **2. 2. 4 Theory of Immunization:**

Redington (1952) uses the word "immunization", to indicate the investment of the assets in a manner which the existing business will be immune to a general change in the rate of interest (De Felice, 2000).Tijjani (2014) observed in his work that the supporters of this theory, Lucas and Zeldes (2006) theorize that, a pension fund should have enough assets to support liabilities in such a way that the financial factors that have impact on the value of the liabilities will affect the assets in an identical manner. This theory proposes that funds should be "immunized" against loss. This simply means backing the liabilities in such a way that the fund will be protected from the occurrence of any loss.

However, this study adopted both the theory of financial intermediation and theory of immunization because the variables of the study were derived from them. Corporate age, corporate expenditure and corporate revenue were derived from the theory of financial intermediation. Investment growth was derived from the theory of immunization.

## **2.3 Empirical Review**

This section reviewed and reported on relevant previous empirical studies. The majority of these studies are conducted in other countries. For starters, Njuguna (2010) looked into ways for

determining the efficiency of Kenyan pension funds. The research looked at how several research variables affected operational and financial performance. The size of a fund has a significant impact on the financial success of Kenyan pension funds, according to the conclusions of this paper. According to the study, smaller funds were found to be more financially effective than larger funds. Pension fund operational performance, on the other hand, was unaffected by fund size.

Olouch (2013) looked at three criteria when researching the determinants of pension fund financial performance in Kenya. The age of the contributors, the contributions received by the pension fund, and the net worth of the pension funds' assets were the three variables investigated. According to the data, there was no strong association between the value of pension fund assets and the fund's performance in Kenya. This means that a broader asset base does not always imply better fund performance. The two variables, contributor age and contribution amount, had a minor and statistically negligible impact on the performance of the group pension funds.

Lungu (2009) conducted a study on the viability of occupational pension programs. The research looked into the elements that determine the viability of seven multi-employer trusts in Zambia. According to the study's conclusions, Zambia's seven multi-employer trusts are in deficit and thus unviable. The study also discovered that a variety of factors influence their viability, including insufficient regulatory policies, an uncertain macroeconomic climate, and high personnel mobility. It was also discovered that the three criteria listed above have a substantial association with the viability of pension plans.

Tonks (2005) found that the value of a pension fund will improve over time due to contributions and investment returns on the fund in his study on pension fund management and investment performance. These investment results are determined by fund managers' asset allocation and portfolio decisions. Small changes in investment returns might lead to significant changes in the pension fund's worth at retirement. The research suggests that, on average, fund managers do not contribute much value over and above a passive strategy of investing in the market index. This average, however, hides the fact that certain fund managers do well while others do not.. Identifying and comprehending the persistence of some fund managers' poor performance is a critical topic in the pensions field, and one that merits additional investigation.

The impact of fund size on the financial performance of Kenyan pension funds was investigated by Kigen (2016). The study looked at the effect of fund size, as indicated by the number of contributors, on the financial success of pension plans. The study's target population included all of Kenya's 1232 registered pension schemes, and it was done using a descriptive survey design. Purposive sampling was used to choose a sample size of 93 registered pension schemes for the study, and the results of the applied random effect model revealed that the fund size had an impact on the financial performance of the sample firms. The random effect model is deemed insufficient for this investigation since it allows for huge standard errors and presupposes ergogeneity of all variables.

Tijjani (2012) investigated the factors that influence the financial viability of pension fund administrators in Nigeria. The purpose of this study was to discover the elements that influence the financial viability of Nigerian Pension Fund Administrators. The research focused on seven (7) characteristics that the researcher believed would affect the financial viability of pension plans. Age, size, net income, contribution, GDP, board member composition, and board size were among the variables. After analyzing the data, the researcher discovered that five of the seven variables, namely age, size, and gender, were significant. The financial viability of pension funds was found to have a positive association and a considerable impact on net income and board size.

The relationship between pension fund governance and investment performance of Swiss pension funds was investigated by Ammann and Zingg (2008). The study looked at 96 pension plans with a combined asset value of more than CHF 190 billion. According to the conclusions of the study, excellent governance in terms of target setting and investment strategy appears to be particularly important. Organization, investment rules and organization, 43 regulating and directing, and communication, on the other hand, have no bearing on performance. This is not to say that governance challenges in these sectors are unimportant.

## Summary of Empirical Review

S/N	Author	Study	Findings	Gap
1	Njuguna (2010)	Strategies to improve pension fund efficiency in Kenya	Fund size has a substantial impact on the financial performance of Kenyan pension funds	The operational Performance of pension funds, on the other hand, was unaffected by fund size.
2	Olouch (2013)	The determinants of pension funds in Kenya	The research indicated that there was not a strong relationship between value of pension fund assets and the performance of the fund in Kenya	This implies that a larger asset base does not automatically means better performance of the fund.
3	Lungu (2009)	An Assessment on the Viability of Occupational Pension Schemes in Zambia.	The study revealed that the 7 multi-employer trusts in Zambia are in deficit hence not viable	It was also established that there exists a significant relationship between the viability of the pension funds and the three variables mentioned above.
4	Tonks (2005)	Pension Fund Management and Investment Performance	These investment returns depend on the asset allocation and portfolio decisions of fund managers	The persistence of the poor performance of some fund managers is an important issue in the pensions area, and one in which further research

				would be worthwhile.
5	Kigen (2016)	Effect of fund size on the financial performance of pension fund in Kenya.	The applied random effect model demonstrated that the fund size had impact on sample firms' financial performance	The use of random effect model is adjudged not to be potent enough for a study of this nature as it permits large standard errors and assumes erogeneity of all variables.
6	Tijjani (2012)	The determinants of financial sustainability of Pension Fund administration in Nigeria	The study focused on seven (7) variables which were believed by the researcher to determine the financial sustainability of pension funds.	The researcher revealed that five of the seven variables namely; age, size, net income and board size where found to have a positive relationship and therefore a significant impact on the financial sustainability of pension funds.



## CHAPTER THREE

### METHODOLOGY

#### 3.0 Preamble

This chapter discusses the research design, population and sample of the study, methods of data collection, techniques of data analysis, variable measurements and definition and model specification.

#### 3.1 Research Design

An ex-post factor research design involving panel data methodology was utilized for this study to link the determinants of Nigerian Pension Administrations with financial performance because it is concerned with the collection secondary of data for the purpose of describing and interpreting existing conditions of determinants of the performance of PFAs. It thus, attempts to establish the underlying facts about their relationship.

#### 3.2 Population and Sample of the Study

The population of the study consists of 21 pension fund administrators operating in Nigeria. The study covered a period of ten years, 2010 to 2019. By judgmental sampling technique sample of the funds managed by 6 Pension Funds Administrators in Nigeria was studied using the following variables; Corporate Age, Corporate Expenditure Corporate Revenue and Investment Growth.

#### 3.3 Sources and Method of Data Collection

The study used secondary data, this is due to the fact that the study is quantitative in nature, and as such data was extracted from the published financial reports of the selected PFAs in Nigeria. This enabled the researcher to gather a wide range of the necessary information relating to this study.

#### 3.4 Model Specification

The following conceptual model was used:  $Y=f(x)$  Financial Performance = f ( Corporate Age, Corporate Expenditure, Corporate Revenue, Investment Growth)

$$FPF = \alpha + \beta_1 AGE + \beta_2 EXP + \beta_3 REV + \beta_4 INV + \epsilon_{it}$$

Where:

FPF - Financial performance

AGE - Corporate Age

EXP – Corporate Expenditure

REV - Corporate Revenue

INV - Investment Growth

$\alpha$ - Constant Term

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$ ; are regression coefficients or parameters;

$\varepsilon$  - Error term

### 3.5 Measurement Variables

Variables	Nature of the Variable	Notations	Measurement
Corporate Age	<b>Independent</b>	AGE	How long the company has been in operation.
Corporate Expenditure	<b>Independent</b>	EXP	Natural logarithm of the total expenses incurred for the administration and management of the fund
Corporate Revenue	<b>Independent</b>	REV	Natural logarithm of the Total Revenue for the reporting period.
Financial performance	<b>Dependent</b>	FPF	$\frac{\text{Net Income}}{\text{Investment}}$ (ROCE)
Investment Growth	<b>Independent</b>	INV	Ratio of change in short term investment to previous year short term investment times hundred percent.

### 3.6 Method of Data of Analysis

Method of data analysis involves both descriptive and inferential statistics. Descriptive statistics include means and standard deviation, which was used to answer the research questions. Multiple regression analysis was employed for inferential statistical analysis because the four hypotheses in the study involve a test of relationship.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.0 Preamble

This chapter covers data analysis, presentation and interpretation of the results and discussion of findings. The research questions were answered with descriptive statistics of the variables of the study. This was followed by hypothesis testing using correlation and multiple regression analyses.

#### 4.1 Descriptive Analysis

Descriptive analysis of the variables of the study involves the computation of means and standard deviations. Pension fund administrators' financial performance was represented with return on capital employed while corporate age, corporate expenditure, corporate revenue and investment growth were used as proxies for pension fund characteristics. The outputs of the descriptive analysis were explored to provide answers to the research questions. The descriptive statistics' output is contained in Table 4.1. The output reveals that pension fund administrators' financial performance has a mean value of 27.31% (Min. = 3.25%, Max. = 50.75%, SD = 9.31994). This outcome reveals a moderate corporate financial performance among the pension fund administrators under investigation.

##### 4.1.1 Research Question One

The first research question reads: "To what extent does corporate age affect pension fund administrator's financial performance in Nigeria?" Table 4.1 reveals that corporate age has a mean value of 12.00 years (SD = 5.12554). With minimum corporate age of 4.00 years and maximum corporate age of 26.00 years, it could be observed that the mean value of 12.00 is closer to the maximum value. This outcome implies that the corporate age in most of the companies sampled for the study is high. When the corporate age is high, there is a tendency for the firm to be experiencing high financial performance as a result of years of experience in the industry. Therefore, this outcome suggests that corporate age is likely going to have significant effect on financial performance of the pension fund administrators investigated in this study.

#### 4.1.2 Research Question Two

Research question two states that “To what extent does corporate expenditure impact on pension fund administrator’s financial performance in Nigeria? Table 4.1 shows that corporate expenditure has a mean value of 14.64 (SD = 1.27129). With minimum corporate expenditure of 13.05 and maximum corporate expenditure of 18.18, it could be observed that the mean value of 14.64 is closer to the minimum value. This outcome signifies corporate expenditure of most of the companies sampled for the study is relatively low. When corporate expenditure is low, more profit may be realized. Therefore, this outcome suggests that corporate expenditure is likely going to have significant impact on financial performance of the pension fund administrators investigated in this study.

**Table 4.1: Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
AGE	60	4.00	26.00	12.0000	5.12554
EXP	60	13.05	18.18	14.6353	1.27129
REV	60	13.30	17.25	14.8143	1.27947
INV	60	1.50	50.00	15.4122	14.47559
FPF	60	3.25	50.75	27.3133	9.31994
Valid N (listwise)	60				

Source: Researcher’s Computation (2021)

#### 4.1.3 Research Question Three

The third research questions states that “To what extent does corporate revenue affect pension fund administrator’s financial performance in Nigeria?” Table 4.1 reveals that corporate revenue has a mean value of 14.81 (SD = 1.27947). With minimum corporate revenue of 13.30 and corporate revenue of 17.25, it could be observed that the mean corporate revenue of 14.81 is closer to the minimum value. This outcome suggests that corporate revenue of most of the companies sampled for the study is relatively low. When corporate revenue is low, little profit is likely to be realized.

Therefore, this outcome signifies that corporate revenue is likely going to have significant effect on financial performance of the pension fund administrators investigated in this study.

#### **4.1.4 Research Question Four**

Research question four states that “To what extent does investment growth impact on pension fund administrator’s financial performance in Nigeria? Table 4.1 reveals that investment growth has a mean value of 15.41% (SD = 14.47559). With minimum investment growth of 1.50% and maximum investment growth of 50.00%, it could be observed that the mean investment growth of 15.41% is closer to the minimum value. This outcome signifies that investment growth in most of the companies sampled for the study is relatively low. When investment growth is low, little profit is likely to be realized. Therefore, this outcome suggests that investment growth is likely going to have significant impact on financial performance of the pension fund administrators investigated in this study.

## **4.2 Hypotheses Testing**

Correlation and multiple regression analyses were explored to test the hypotheses of the study. Correlation analysis was used as a preliminary test to examine the associations between corporate financial performance and the pension fund administrators’ characteristics examined in this study while standard multiple regression analysis was used as confirmatory test for the hypotheses.

### **4.2.1 Correlation Analysis**

Table 4.2 contains the output of the correlation analysis. Corporate age was found to be positively and significantly associated with corporate financial performance ( $r = 0.896$ ,  $\text{sig.} = 0.000$ ). This finding implies that an increase in corporate age leads to a corresponding increase in corporate financial performance among the firms investigated. Corporate expenditure was observed to be negatively and significantly associated with corporate financial performance ( $r = -0.860$ ,  $\text{sig.} = 0.000$ ). This result implies that an increase in corporate expenditure will lead to a decrease in corporate financial performance in the industry investigated. Moreover, corporate revenue was discovered to be positively and significantly associated with corporate financial performance ( $r = 0.819$ ,  $\text{sig.} = 0.000$ ). This finding implies that an increase in corporate revenue will lead to an increase in corporate financial performance among the firms investigated. However, investment growth was

observed to be positively and significantly associated with corporate financial performance ( $r = 0.818$ , sig. = 0.000). This finding implies that an increase in investment growth will lead to an increase in corporate financial performance in the industry investigated.

**Table 4.2: Correlations**

		AGE	EXP	REV	INV	FPF
AGE	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	60				
EXP	Pearson Correlation	-.830**	1			
	Sig. (2-tailed)	.000				
	N	60	60			
REV	Pearson Correlation	.924**	-.864**	1		
	Sig. (2-tailed)	.000	.000			
	N	60	60	60		
INV	Pearson Correlation	.939**	-.789**	.971**	1	
	Sig. (2-tailed)	.000	.000	.000		

	N	60	60	60	60	
FPF	Pearson Correlation	.896**	-.860**	.819**	.818**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	60	60	60	60	60

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Researcher's Computation (2021)**

## 4.2.2 Regression Results

### 4.2.2.1 Hypothesis One

Multiple regression analysis was explored to test the four hypotheses. The model summary (Table 4.3) reveals that 86.8% of the variation in corporate financial performance can be explained by the combination of corporate age, corporate expenditure, corporate revenue and investment growth ( $R^2 = 0.868$ ).

**Table 4.3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.932	.868	.859	3.50559

a. Predictors: (Constant), INV, EXP, AGE, REV

**Source: Researcher's Computation (2021)**

The fitness of the model was assessed with ANOVA statistical tool. Table 4.4 contains the ANOVA output. The output shows that the fitness of the model is very good (F-value = 90.505, sig = 0.000). This finding aligns with the proposition of Field (2009) that a significant large F-value is a condition for determining the fitness of a model.

**Table 4.4: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4448.916	4	1112.229	90.505	.000
	Residual	675.903	55	12.289		
	Total	5124.818	59			



- a. Dependent Variable: FPF
- b. Predictors: (Constant), INV, EXP, AGE, REV

**Source: Researcher’s Computation (2021)**

**4.2.2.1 Hypothesis One**

The first hypothesis states that: “Corporate age has no significant effect on pension fund administrator’s financial performance in Nigeria.” Regression coefficients are presented in Table 4.5. Standardized regression coefficient in respect of corporate age is positive and significant (Beta = 0.715, t = 4.461, p<0.05, sig = 0.000). This result indicates that as corporate age increases, corporate financial performance is likely to increase. Therefore, the null hypothesis was rejected while the alternative hypothesis was accepted. It can then be concluded that corporate age has significant effect on pension fund administrator’s financial performance in Nigeria.

**4.2.2.1 Hypothesis Two**

The second hypothesis states that: “Corporate expenditure has no significant impact on pension fund administrator’s financial performance in Nigeria.” Table 4.5 presents the regression coefficients. Standardized regression coefficient in relation to corporate expenditure is negative and significant (Beta = -0.585, t = -4.908, p<0.05, sig = 0.000). This result indicates that as corporate expenditure increases, corporate financial performance is likely to decrease. Therefore, the null hypothesis was rejected while the alternative hypothesis was accepted. It can then be concluded that corporate expenditure has significant impact on pension fund administrator’s financial performance in Nigeria.

**Table 4.5: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	148.196	38.939		3.806	.000		
1 AGE	1.299	.291	.715	4.461	.000	.593	1.698
EXP	-4.286	.873	-.585	-4.908	.000	.469	5.915
REV	5.235	2.051	.719	2.553	.013	.330	3.064
INV	4.247	.780	.684	2.376	.025	.331	3.486

a. Dependent Variable: FPF

**Source: Researcher's Computation (2021)**

#### **4.2.2.1 Hypothesis Three**

The third hypothesis states that: "Corporate revenue has no significant effect on pension fund administrator's financial performance in Nigeria." Regression coefficients are presented in Table 4.5. Standardized regression coefficient for corporate revenue is positive and significant (Beta = 0.719, t = 2.553,  $p < 0.05$ , sig = 0.013). This result indicates that as corporate revenue increases, corporate financial performance is likely to increase. Therefore, the null hypothesis was rejected while the alternative hypothesis was accepted. It can then be concluded that corporate revenue has significant effect on pension fund administrator's financial performance in Nigeria.

#### **4.2.2.1 Hypothesis Four**

Hypothesis four states that: "Investment growth has no significant impact on pension fund administrator's financial performance in Nigeria". Regression coefficients are presented in Table 4.5. Standardized regression coefficient for investment growth is positive and significant (Beta = 0.684, t = 2.376,  $p < 0.05$ , sig = 0.025). This result indicates that as investment growth increases, corporate financial performance is likely to increase as well. Therefore, the null hypothesis was rejected while the alternative hypothesis was accepted. It can then be concluded that investment growth has significant impact on pension fund administrator's financial performance in Nigeria.

### **4.3 Discussion**

The outcome of this study revealed that corporate age has a positive significant effect on pension fund administrator's financial performance in Nigeria. This outcome indicated that increase in corporate age leads to a corresponding increase in corporate financial performance possibly as a result of experience gathered over the years. This outcome implies that older pension fund administrators are likely to be more profitable than the younger pension fund administrators. This finding was supported by Tonks (2005) in research on pension fund management which established that the value of the pension fund will increase over time due to contributions and the investment returns on the fund. Further support was derived from Tijjani (2012) which observed that corporate age has a positive relationship and a significant impact on the financial sustainability of pension funds.

This study also found that corporate expenditure has a significant negative impact on pension fund administrator's financial performance in Nigeria. This finding implies that as corporate expenditure increases, corporate financial performance decreases. The implication of this outcome is that the pension fund managers should ensure that they keep corporate expenses in the forms of travels and transports, benefits-in-kinds among others as low as possible.

This study observed that corporate revenue has significant effect on pension fund administrator's financial performance in Nigeria. This finding was supported by the study of Njuguna (2010) which posited that fund size has a substantial impact on the financial performance of Kenyan pension funds. Further support was derived from Kigen (2016) which advanced that the fund size had a significant impact on financial performance of some sampled firms in Kenya. This outcome was also supported by Tijjani (2012) which observed that corporate net income has a positive relationship and a significant impact on the financial sustainability of pension funds in Nigeria. However, this finding was contrary to the outcome in the study of Olouch (2013) which stated that the contributions received had a weak and statistically insignificant impact on the performance of the pension funds.

Finally, this study found that investment growth has significant impact on pension fund administrator's financial performance in Nigeria. This finding was supported by the study of Tonks (2005) which established that the value of the pension fund will increase over time due to contributions and the investment returns on the fund. However, this outcome was contrary to the study of Olouch (2013) which observed that there was not a strong relationship between value of pension fund assets and the performance of the fund in Kenya.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.0 Preamble

This chapter marks the completion of the research project. It covers the summary of the work done, conclusion made, recommendations drawn from the conclusion of the study and the suggestions made for future studies.

#### 5.1 Summary of Work Done

Extant conceptual, theoretical and empirical literature on the effect of pension fund characteristics on corporate financial performance of pension fund administrators was reviewed. However, corporate age, corporate expenditure, corporate revenue and investment growth were selected as the predictor variables while return on capital employed was used as a proxy for corporate financial performance. Four relevant theories were reviewed in this study. These theories are the stakeholders' theory, the fund theory, the theory of financial intermediation and the immunization theory. However, the study was anchored on the theory of financial intermediation and the immunization theory from which the variables of the study were derived. An ex-post factor research design involving panel data methodology was adopted for this study. This research was carried out using a sample size of six (6) pension fund administrators in Nigeria which was determined by judgemental sampling technique. Secondary data used for this study were manually collected from the annual financial statements of the pension fund administrators' corporate websites, covering a period eight (10) years (2010-2019).

The hypotheses of the study were tested with correlation and standard multiple linear regression analyses. Correlation was used to measure the association between the variables while standard multiple regression analysis was used to evaluate the relationship between the variables. Statistical Package for Social Sciences (SPSS) version 22 was utilized for the data analysis.

#### 5.2 Conclusion

This study investigated the effects of pension fund characteristics on pension fund administrators' performance in Nigeria. This study revealed that corporate age, corporate revenue and investment

growth have significant effects on pension fund administrators' financial performance in Nigeria. It was found further that corporate expenditure has a significant effect on the financial performance of pension fund administrators in Nigeria. Consequently, it was concluded that corporate age, corporate expenditure, corporate revenue and investment growth have significant effects on pension fund administrators' financial performance in Nigeria.

### **5.3 Recommendations**

Since corporate age has a significant positive effect on pension fund administrators' financial performance in Nigeria, the study recommended that older pension fund contributors should make older pension fund manager their choice to boost the chance of prompt claim settlement on their imminent retirement. Consequent upon the positive significant effect of corporate revenue on financial performance of pension fund administrators in Nigeria, the pension fund managers should embark on aggressive pension fund revenue drive to ensure business sustainability. As a result of the significant positive effect of investment growth on the pension fund administrators' financial performance, the study recommended that the management of these companies should make a judicious allocation of resources for short-term and long-term investments. Nevertheless, since corporate expenditure has a significant negative effect on pension fund administrators' financial performance, pension fund managers should ensure that they keep corporate expenses in the forms of travels and transports, benefits-in-kinds among others as low as possible.

### **5.4 Suggestions for Further Study**

Identifying and understanding the persistence of the poor performance of pension fund managers is an important contemporary issue in the pension fund research area, and one in which further research would be worthwhile. However, some pension fund variables excluded in this study such as age of the contributors and idle fund can be a subject of future research. Also impact of macroeconomic variables on pension fund performance can be studied in future research. The impact of corporate governance variables such as board members' composition and board size on financial performance of pension fund managers may be subject of further studies

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## Appendix I: List of Companies Sampled

- 1 AIICO Pension Managers Limited
- 2 ARM Pension Managers Limited
- 3 Crusader Sterling Pensions Limited
- 4 Leadway Pensure PFA Limited
- 5 Pensions Alliance Limited/PAL Pensions
- 6 Stanbic IBTC Pension Managers Limited