CONTRIBUTORY PENSION SCHEME ON NIGERIA ECONOMIC GROWTH

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ABSTRACT

This study was embarked upon to provide empirical evidence on the effect of contributory pension scheme on economic growth in Nigeria. Data for the study were secondary sourced from various records of PenCom Annual Reports and CBN Bulletin (database). The data were computed with the use of Statistical Package for Social Sciences (SPSS). It was concluded that pension fund assets and pension contribution /savings mobilized over the years have positive and insignificant impact on economic growth. The implication of this finding is that the authorities concerned have not been able to use the pension fund asset and savings mobilized to boost economic growth in Nigeria. It was therefore recommended that, there should be more emphasis on the management of pension assets in the capital market as well as government bond, real estate and investment trust to boost Gross Domestic Product (GDP) of the country (Nigeria). Secondly, there should be prompt reconciliation between Pension Fund Administrators (PFAs) and Pension Fund Custodians. This will bring transparency and accountability to the system. Finally, PenCom should ensure effective monitoring, supervision and enforcement of the provision of the PRA 2004, which are the inevitable ingredients in the Contributory Pension Scheme towards Gross Domestic Product (GDP).

Keywords: Contributory pension, Nigeria, economic growth, pension scheme

INTRODUCTION

According to Edogbanya (2013) the pension system prior to 2004 was characterized with many problems which make the payment of the retirement benefit a failure in Nigeria.

Koripamo-Agari (2009) & Yunusa (2009) pointed out that the major weaknesses of pension scheme were lack of 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 too many private sector employees were not even covered by any form of pension scheme.

These problems associated with payment of pension in Nigeria necessitated the government during Obasanjo regime could be reformed or reviewed which gave birth to the pension reform Act of 2004. Elumelu (2005) posits the 2004 Pension Reform Act established a uniform contributory; private sector managed and fully funded pension system for both the public and private sector of the country.

The Contributory Pension Scheme being a mandatory scheme, has compelled employees and employers in the public and private sectors to collectively save a minimum of eighteen percent of an employee’s monthly emolument into the employee RSA, from where employees will be paid retirement benefits. This has increased national savings. As at December 2017, the Net Assets Value of Pension Assets under the Contributory Pension Scheme was N7.5 trillion. This happening against a background of Federal government budgetary pension deficit estimated at N2 trillion as at June 2004, when the Contributory Pension Scheme took off and a non-existing industry before the CPS took off, is a huge achievement. Of the N7.5 trillion Net Assets Value, 70.42% was invested in FGN Securities, 10.33% in Ordinary shares, 9.08% in local money market securities, 2.03% in States governments’ securities, 2.71% in Real Estate properties. The fund was also invested in Supra National Bonds, Mutual Funds, Specialized Funds(Infrastructure and Private Equity) etc.

Although the new reform is guided by the key principles of sustainability, accountability, equity, flexibility and practicability, there is also this fear that funds or Retirees Savings Account (RSA) contributory can be mismanaged by the existing trustees. Also, risk of a given portfolio determines the return thereof. Some pension fund administrators do not have the necessary risk management profile while some fail to pay regard to rating signals needed to making sound investment decision. The decision of investment managers of the pension fund administrators who are responsible for this process impact greatly on the contribution value due to employees (fund owners). Sound investment and efficient management of the huge pension fund assets have great implication on the economy. The spread of large accumulated fund to the capital and money markets are employment opportunities creation.

Statement of The Problem

The major challenges facing CPS (Contributory Pension Scheme) in Nigeria is the dearth of investment outlets. For instance, there are only eleven classes of investment available for investment of pension assets in May, 2021 which is estimated at N12.4 Trillion (PENCOM, 2021). The fear is that the limited investment outlets may not be enough to assimilate the accumulated pool of pension fund assets. Thus a pool of pension funds may be chasing relatively few quality investments. Seventeen years after the introduction of contributory pension scheme in Nigeria, there is still doubt as to the ability of the scheme to solve the problem of scarcity of long-term funds for long-term investment purposes. Olanrewaju (2011) expressed similar fear that forced savings in a low income country with large scale poverty and inadequate complementary social security system may not be desirable in Nigeria. However, Balogun (2006) &Ogumike (2008) cited in Gunu and Tsado (2012) have expressed optimism that the contributory pension scheme has the potentials of mobilizing savings for economic growth. The contributory pension scheme is expected to mobilize savings for financial market development and economic growth. Surprisingly, as at 2010, pension contributors were 3.89 million which represents 7.62% of the estimated 51 million working population in Nigeria. The pension fund assets as percentage of the GDP in 2010 was 7.8% while pension savings as percentage of the GDP was 1.11% in 2010 (BGL Report, 2010 and PENCOM, 2010).

Gunu (2012) conducted a study on the contributory pension scheme as a tool for economic growth. He used descriptive statistics and found that contributory pension scheme enhances economic growth. Nwanne (2015) investigated the impact of contributory pension on economic growth using simple percentage and chi-square. Most of the studies reviewed employed descriptive statistics which may not give clear and robust results of the impact of contributory pension fund on Gross Domestic Product, hence this study seeks to examine effect of Contributory Pension Scheme on Nigeria Economic Growth through the use of a more robust econometric tool.

Objectives of The Study

The main objective of this study is to evaluate the investment and management of Contributory Pension Scheme fund with a view to determining its contribution to the economy through the investment of excess pool of fund in the capital and money markets and creation of employment opportunities. More specifically:

To examine the effect of Contributory Pension Scheme on the growth of gross domestic product of Nigeria

To assess the influence of pension fund investment on the gross national product

Research Hypothesis

H0: There is no significant relationship between CPS and growth of Nigeria economy

Hi: There is significant relationship between CPS and growth of Nigeria economy

Scope of The Study

This study is focused on the issue of pension administration in Nigeria from 2016 to 2020. However, the area of coverage of the study is Contributory Pension Scheme, its operation and problems, provisions, operation mechanisms and most centrally, the management of contributory fund and its effect on the economy measured statistically by gross domestic products. Specifically, the work will be restricted to new pension scheme: Contributory Pension Scheme with particular reference to pension fund administrator in Nigeria.

Theoretical Framework

The theory underpinning this study is the deferred wage theory (Malaski, F. & Capelli, (1981) which views the pension plan as a method to defer some compensation until an employee retires. The employer promises to provide a pension payment in exchange for current services. The deferral of wages often results in individual tax savings.

The advantages to the employer of providing a pension plan are less obvious. Under the deferred wage theory, firms offer pension plans because of economies of scale in administrative, portfolio management and other costs, (Nwanne, 2015).

The employer receives cash flow benefits to the extent that the present value of deferred wages exceeds them required funding (especially as now required by employee retirement income security act (ERISA)).

The deferred wage theory generally incorporates a long-term or lifetime implicit labor contract between the employer and employee that has various implications for the employer (Logue, 1979). Salop, Salop (1976) & Blinder (1982) suggest that the delayed vesting of pension plans may decrease employee turnover costs. Becker (1964) suggest that firms have an incentive to expand training costs as a result of delayed vesting, since it causes “average” employees to work longer for the company, resulting in a greater payback of these training costs.

REVIEW OF RELATED LITERATURE

The Concept of Pension

Pension can be conceptualized as a regular payment by an employer to a retired employee usually to the death of the employee; such payment may also be made to the next of kin of a pensioner for a given period (Ogwumike, 2008). In the words of Chizueze, Nwosu & Agba (2011), pension entails money paid at regular bases by government or any establishment to someone who is officially considered retired from active service after serving for a stipulated time usually minimum of ten years and maximum of thirty five years. Thus, it is simply the amount set aside either by an employer or employee or both to ensure that the employee has income to fall back on at retirement. Pension schemes are social security maintenance plan for workers after their disengagement as employees through retirement (Ilesami, 2006).

It 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 (Adam, 2005). As a scheme, Pension is the periodic payment granted to an employee for services rendered, based on contractual legal enforceable agreement, paid by an employer at the agree time of termination of appointment (Iwu, 2007). In the words of Thomas & Lemke (2010) a pension is a fund into which a sum of money is added during an employee's employment years, and from which payments are drawn to support the person's retirement from work in the form of periodic payments. A pension may be a "defined benefit plan" where a fixed sum is paid regularly to a person, or a "defined contribution plan" under which a fixed sum is invested and then becomes available at retirement age.

The Concept of Contributory Pension Scheme

Contributory Pension Scheme is a full funded pension scheme that tries to generate adequate funds (contribution) through savings. The scheme assists improvident individuals to save, and these savings are meant to satisfy the interest of the employee at retirement, shareholders, and also contribute effectively to economic development. Contributory Pension Scheme has been identified as an institutional investor that generates long-term contractual savings and stimulates the development of securities market (Mesike&Ibiwoye, 2012).

In the words of Madukwe (2015) a defined contribution scheme is a type of retirement plan in which the amount of the employer's annual contribution is specified. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions) plus any investment earnings on the money in the account.

The inception of CPS saw the employees contribute a minimum of 7.5% of their Basic Salary, Housing and Transport Allowances and 2.5% for the Military. Employers shall contribute 7.5% in the case of the public sector and 12.5% in the case of the Military. Employers and employees in the private sector will 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 Basic Salary, Housing and Transport allowances of the employees. The latest changes and modification in the new pension law requires the employee to open an account to be known as a Retirement Savings Account (RSA) in his name with personal identification number with a Pension Fund Administrator of his choice into which all his contributions and returns on investment are paid (Pension Reform Act 2015). The contribution for any employee as set out by the Act requires the employer to contribute ten per cent (10%) and the employee contributes eight per cent (8%) of the employee's current basic salaries, housing and transport allowance to be remitted to the PFCs who is responsible for warehousing of the pension fund assets (Pension Reform Act 2014).

An Overview of Pension Systems in Nigeria

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 (2006), 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.

Pensions Decrees 102 and 103 (for the military) of 1979 were enacted with retroactive effect from April, 1974 (Ahmed, 2006).

The police and other Government Agencies' Pension Scheme were enacted under Pension Act No. 75 of 1987. This was followed by the Local Government Pension Edict which culminated into the establishment of the Local Government Staff Pension Board of 1987. In 1993, the National Social Insurance Trust Fund (NSITF) scheme was established by decree No. 73 of 1993 to replace the defunct NPF scheme with effect from 1st July, 1994 to cater for employees in the private sector of the economy against loss of employment income in old, invalidity or death.

Before 2004, most public organizations operated a Defined Benefit (Pay-As-You-Go) scheme and final entitlements were based on length of service and terminal emoluments. The defined benefit pension scheme in Nigeria was plagued by many problems among which were poor funding due to inadequate budgetary allocations [for instance shortage of budgetary release relative to benefits resulted into unprecedented and unsustainable outstanding pension deficit estimated at over N 2 trillion before 2004 (Balogun, 2006)], weak, inefficient and non-transparent administration. There was no authenticated list/database on pensioners and about 14 documents were required to file for pension claims. Restrictive and sharp practices in the investment and management of pension funds exacerbated the problems of pension liabilities and over 300 parastatals' schemes were bankrupt before the defined benefit scheme was finally jettisoned and replaced with the funded contributory benefit scheme in July, 2004.

The new pension scheme was established for all employees of the Federal Public service, Federal Capital Territory and the private sectors (including informal sector employees) in Nigeria. The major operators under the scheme are the National Pension Commission (PenCom), Pension Fund Administrators (PFAs), Closed Pension Fund Administrators (CPFAs) and Pension Fund Custodians (PFCs). Being a contributory scheme, employees are to contribute minimum of 7.5 percent of basic salary, housing and transport allowances and employers are to also contribute a matching fund. So the total minimum monthly contribution of a typical employee contributor under the scheme is 15 percent of basic salary, housing and transport allowances.

PenCom was established to regulate, supervise and ensure an effective administration of pension matters. In this regard, the commission is mandated under the Act to, inter alia, establish standard rules for the management of pension funds, approve, license and regulate PFAs, PFCs and CPFAs, manage national data bank on pension, impose sanctions or fines on erring employers, PFAs, PFCs and CPFAs and ensure that payment and remittance of contributions are made and beneficiaries of retirement savings accounts (RSAs) are paid as and when due. In order to avoid the illiquidity and unsustainability that plagued the erstwhile defined benefit (PAYG) system, the Act and subject to enforcement by PenCom, specifically spelt out the investment of pension assets.

Objectives of the New Pension Scheme in Nigeria

Prior to the new pension scheme, Nigeria operated a Pay As You Go defined Benefit Scheme

burdened with a lot of problem. Ahmad (2008) attributed the non-performance of the define benefit system of pension to underfund; unsustainable outstanding pension liabilities; weak and inefficient pension administration; demographic shifts and aging of the scheme; non-courage of workers in the private sector by any form of compulsory retirement benefit arrangement; and poor regulation of the hitherto scheme.

Due to the above deficiencies, there was need for proper and adequate reformation in order to properly cater and provide for retiree benefit. These identified loopholes necessitated the ushering in of the modern Contributory Pension Scheme (CPS). The CPS in the words of Ahmed (2006) is premised on the following:

- To ensure that every workers receives his retirement benefits as and when due.
- To empower the worker and assist workers to save in order to cater for their livelihood during old age.
- Stem the growth of pension liabilities.
- Establish uniform rules, regulation and standards for the administration of pension matters.
- Secure compliance and promote wider coverage.

Regulatory body and the operators under the new system

National Pension Commission

One of the reasons for the failure of DBS was lack of strict and effective regulations. Having identified this, the modern scheme established this body, PenCom to serve as the major regulatory organ to regulate all the pension system in the country.

The scheme made provides that National Pension Commission (PenCom) shall regulate, supervise and ensure the effective administration of pension matters in Nigeria. The PRA 2004 also ushered in the operators who are the Pension Fund Administrators (PFAs), Pension Fund Custodians (PFCs)and the Closed Pension Fund Administrators (CPFAs).Section 21 of PRA 2004 states that the powers of the Commission shall be to formulate, direct and oversee the overall policy on pension matters in Nigeria; fix the terms and conditions of service including remuneration of the employees of the Commission; request or call for information from any employer or pension administrator or custodian or any person or institution on matters relating to retirement benefit; charge and collect such fees, levies or penalties, as maybe specified by the Commission; establish and acquire offices and other premises for the use of the Commission in such locations as it may deem necessary for the proper performance of its functions under this Act; establish standards, rules and regulations for the management of pension funds under this Act; investigate any pension fund administrator, custodian or other party involved in the management of pension funds; Impose administrative sanctions or fines on erring employers or pension fund administrators or custodians; Order the transfer of management or custody of all pension funds or assets being managed by a pension fund administrator or held by a custodian whose license has been revoked under this Act or subject to insolvency proceedings to another pension fund administration or custodian, as the case may be; And do such other things in its opinion are necessary to ensure the efficient performance of the functions of the Commission under this Act.

Pension Fund Administrators

The new pension scheme requires pension funds to be privately managed by licensed Pension Fund Administrators. Pension Fund Administrators (PFAs) have been duly licensed to open Retirement Savings Accounts for employees, invest and manage the pension funds in a manner as the Commission may from time to time prescribe, maintain books of accounts on all transactions relating to the pension funds managed by it, provide regular information to the employees or beneficiaries and pay retirement benefits to employees in accordance with the provisions of the Pension Reform Act 2004.

Adegbayi (2005) has identified that the roles of PFAs are to open RSA for all employees registered by it with a Personal Identification Number (PIN); invest and manage the Fund and assets; Calculate annuities; and pay Retirement Benefits. It is glaring that the PFAs are the veritable operators that add value to the contributors' fund.

Pension Fund Custodians

Pension Fund Custodians (PFCs) will be responsible for the warehousing of the pension fund assets. The PFAs shall not be allowed to hold the pension fund assets. The employer sends the contributions directly to the Custodian, who notifies the PFA of the receipt of the contribution and the PFA subsequently credits the retirement savings account of the employee.

Specifically, the primary functions of PFCs are: Receive and Hold the Fund upon trust for Contributors and Beneficiaries; Settle investment transactions on behalf of the PFA; provide independent reports to the Pension Commission on Fund assets and Undertake statistical analysis on the investment and returns on behalf of the Pension Commission and the PFA.

As a matter of fact, the functions of the PFAs and the PFCs interlock and act as a grid against

financial impropriety. Thus, even though the PFA opens the account, it does not have access to the money except for purposes of investment, which asset representation must still be kept with the custodian, who settles payment and other transactions made on particular investment undertaking. The money is also not controlled by the PFC, who must act upon the instructions of the PFA and cannot treat funds with it as mere cash savings. Since both parties assume joint trust positions, an incidence of financial imprudence is reduced but cannot be totally ruled out.

The Closed Pension Fund Administrators

The Closed Pension Fund Administrators (CPFAs) are specifically established by companies with strong financial standing to manage their pension funds. There are about seven CPFAs owned mostly by multinational companies to enable them administer their pension funds under the guide and direction of PenCom.

Opportunities created by the Contributory Pension Scheme

A lot of opportunities are created in the modern CPS. The scheme has boasted the capital and money markets and this has brought a tremendous growth to the economy. As it stands, all PFAs have their funds invested in the capital market through equities and bonds. Also the banks and other money market operators have had their own share through fixed deposits. The PFAs and PFCs that were the offshoot of the new scheme have created employment opportunities and savings for employees among others.

Oshiomole (2007) caped up the available and inherent potentials the Nigeria and Nigerians stand to gain with advent of the CPS. In his opinion CPS has created opportunities ranging from individual retirement savings account which enhances fund accumulation, mobility of labour without any effect on the RSA fund, contributors' rights to change PFA as the occasion demands, access to retirement benefits as at when due, minimum pension guarantee to accumulation of long-term funds which has contributed to the growth in the capital market.

The new pension scheme has laid to rest Ghost Pension Syndrome (Amujiri, 2009). Also, Agbese (2008) in Amujiri (2009) opined that the introduction of the new pension scheme in Nigeria marked a turning point in Nigeria economy because it made the incidence of Ghost Pensioner to disappear completely from payroll of pensioners nationwide.

Since individuals own the contributions, the pensioner is no longer at the mercy of government or employer and is assured of regular payment of retirement benefits. The employee has up to date information on his retirement savings account. The scheme imposes fiscal discipline on the nation and a solid foundation for economic development. There is an expansion of convertible funds, creation of a huge pools of long term funds and enhances accountability.

The scheme introduces clear legal and administrative sanctions and there is a separation of investment, administration and custody of assets.

Transparency is also assured by the requirement for published rate of returns, regular statement of contributions and earnings and audited account.

The problems of contributory pension scheme

i. Remittance of the benefits to the Retirements Savings Account (RSA) by firms, employers and employees may be difficult.

ii. How genuine are our pension fund administrators and custodians that have licensed; were the licenses given to those competent and qualified?

iii. What are the legal frameworks put in place by government such that in spite of political changes, the scheme is sustained by subsequent government?

iv. How do we ensure effective implementation of penalties in the act of non-compliers regardless of their status and origin?

v. How will government and national pension commission monitor, supervise, and enforce the provisions of the Pension Reform Act 2004?

vi. What happen if PFAs or PFCs default or went into liquidation?

Empirical Review

Edogbanya (2013) carried out a study on the assessment of the impact of contributory pension scheme on Nigerian economic development for the period (2007-2010). The study used survey research design, and sample size of30 and 70 for both staff and customers of Legacy Pension Ltd. It also adopted correlation analysis for testing secondary data and ANOVA for the primary data. The study revealed that risk prevalent has positive effect on pension fund management and that the contributory pension scheme has significant positive impact on the GDP.

Odia & Okoye (2012) compared the old pension scheme with the Pension Reform Act 2004. The study adopted comparative analysis method to compare and contrast the pre-2004 pension scheme with Pension Reform Act 2004. The study finds that the PRA 2004 is better than the pre-2004 pension scheme, and that the PRA 2004 is expected to help remedy the deficiencies and inadequacies prevalent in the old pension scheme. The study recommended more stringent coordination, supervision and regulation of the pension industry in Nigeria.

Gunu & Tsado (2012) studied contributory pension system as a tool for economic growth in Nigeria. The study used descriptive statistics, percentages and charts to analyze data collected. Their findings revealed that the contributory pension scheme has begun to contribute to increase in growth of the Nigerian capital market and economic growth.

Dostal (2010) studied pension reforms in Nigeria for the period 2006 to 2010. The study finds that the funded pension system has not had any significant impact on the development of financial market and that real sector investment was not boosted by savings from pension scheme. Also the macroeconomic credibility of the government has declined. The implication of the findings was that the regulatory environment failed to encourage interaction between pension reform and economic reform while problems of regulation within the system have also contributed to a lack of reform credibility.

The Concept of Economic Growth And Development

Economic growth according to Todaro (2000) refers to an increase in a country’s national output of goods and services or increase in the volume of output of goods and services within a specific period. Growth is usually taken to mean economic progress which is the rate at which the annual output of goods and services grow in real terms but economic development on the other hand is a less precise and more complex term which cannot be easily reduced to quantitative measurement in monetary terms alone. It involves a multitude of variables all of them dealing with man’s existence. To Jhingan (2006), economic growth is related to quantitative sustained increase in a country’s per capital output or income accompanied by expansion in its labour force, consumption, capital and volume of trade, while economic development is a wider concept than economic growth. It relates to qualitative change in economic wants, goods, incentives, institutions, productivity and knowledge. It is the upward movement of the entire social system.

Measurement of Economic Growth And Development

There are certain fundamental indices for measuring economic growth and development. Such indices include the following:

Gross Domestic Product (GDP) can be defined as the monetary value of all the finished goods and services produced within a country's borders in a specific period of time. Though GDP is usually calculated on an annual basis, it can be calculated on a quarterly basis as well. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory (Gunu U, 2012)

Gross National Product (GNP)

It is simply the total measure of the flow of goods and services at market value resulting from current production during a year in a country, including net income from abroad (Todaro, 2000 and Miller, 2000).

GNP Per Capita

It is the average income of the people of a country in a particular year. It is also known as per capita income (Jhingan, 2006). It is calculated by dividing national income of a country by the country’s total population. When the per capita income of an economy increases over a long period, it is recognized as economic growth.

Welfare

There is also a tendency to measure economic growth and development from the point of view of the economic welfare. This is because economic growth and development is regarded as a process whereby there is an increase in output and consumption of goods and services of individuals.

Social Indicators

Other economists have tried to measure economic growth and development in terms of social indicators. They include items like inputs which include nutrition standard or number of hospital beds or doctor per head of population, while others may be outputs corresponding to these inputs such as improvement in health in terms of infant mortality rates, and sickness rates.

METHODS

The data for this study is mainly secondary sources. The quarterly time series data used for this study were obtained from various sources which include; PenCom Annual Reports (various issues from 2016-2020), Central Bank of Nigeria (CBN) Statistical Bulletin (2021), National Bureau of Statistics (NBS) and Worldbank.org. The period covered spans from 2016 to 2020, which represents the time span of the implementation of the funded pension scheme in Nigeria. Specifically, data on contributory pension scheme for public sector (CPSPU), contributory pension scheme for private sector (CPSPR), total contributory pension scheme (TCPS) were sought from various issues of National Pension Commission (PenCom) Annual Reports database. Data on real gross domestic product (RGDP) were sourced from Central Bank of Nigeria (CBN) Statistical Bulletin (2021).However, the study employs the use of research design.

The product movement correlation coefficient in testing the hypothesis is to determine the extent of correlation between the coefficient of correlation between CPS and GDP, while the t-test is used for ascertainment of the significance that exists between the variables. We adopted the model that mathematically expressed economic growth as a function of financial structure.

Yt = f(TFSt) … (1)

Where Yt = Economic Growth, TFS = Total Financial

Structure, t = Time.

Our model specifies thus:

GDP = f(PFA, PFS) … (2)

Where, GDP = Gross Domestic Product (Economic

Growth), PFA = Pension funds invested in specified investment outlets and

PFS = Pension savings contributed by the private and public sectors in Nigeria.

DATA PRESENTATION AND ANALYSIS

Data Presentation

Based on the research objectives and hypothesis that guide this study, the data collected are presented, analyzed and discussed in this section. The researcher in this section presented and analyzed the data. This analysis is based on percentages as shown below:

Table 1 Pension Contribution as at 2016-2020

Year	Public Sector		Private Sector		Total	
	Amount N Billion	% of Total	Amount N Billion	% of Total	Amount N Billion	% of Total
2016	225.86	6.95	262.33	8.39	488.2	7.66
2017	257.76	7.91	353.73	11.31	610.84	9.58
2018	266.84	8.21	340.72	10.90	607.55	9.53
2019	331.56	10.21	369.13	11.81	700.69	10.99
2020	117.7	3.62	66.98	2.14	184.68	2.90

Source: National Pension Commission, 2020 (PenCom)

Table 2

Year	CPS(Trillion)X	GDP (Trillion) Y	% of CPS In GDP
2016	0.714	29.75	2.4
2017	0.868	33.3	2.6
2018	0.874	32.4	2.7
2019	1.032	33.3	3.1
2020	0.302	7.95	3.8

Source: Contributory Pension Scheme (CPS) and Nigeria Bureau of Statistics (FBS), 2020.

The above table shows that N 0.714 trillion representing 2.4% of the Nigeria GDP of N29.75 trillion was generated as CPF in 2016, N 0.868 trillion representing 2.6% of GDP of N 33.3 trillion as CPF in 2017, N0.874 trillion representing 2.7% of GDP of N32.4

trillion as CPF in 2018, N1.032 trillion representing 3.1% of GDP of N33.3 trillion was generated as CPF in 2019, while N0.302 trillion was realized by Contributory Pension Fund in 2020, the decrease of contributory Pension fund witnessed in 2020 can be attributedto the ravaging Covid 19 Pandemic which affected the world economy and Nigeria cannot be an exception. The data in table was used to test H0: There is no significant relationship between CPS and growth of Nigeria economy.

Test of hypothesis

H0: There is no significant relationship between CPS and growth of Nigeria economy (GDP). Gupta and Gupta (2004) state the long formula of *Pearson's Coefficient of Correlation*

Table 3

Descriptive Statistics

	Mean	Std. Deviation	N
Gross Domestic Product	27.3400	10.93649	5
Contributory Pension Scheme	.7580	.27861	5

Source: SPSS V.23

From table 4.3 shows descriptive statistics which indicate mean value of 27.3and standard deviation of 10.9

Table 4

Correlations

		Gross Domestic Product	Contributory Pension Scheme
Gross Domestic Product	Pearson Correlation	1	.953*
	Sig. (2-tailed)		.012
	N	5	5
Contributory Pension Scheme	Pearson Correlation	.953*	1
	Sig. (2-tailed)	.012	
	N	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS V.23

In this table, the study measured the degree of association between CPF and GDP. From the priori stated in the previous section, a positive relationship is expected between the variables under review. Table 4.4 presents the correlation coefficients for all the variables considered in this study. However, the result of 0.953 with significant level of 0.12 shows a positive correlation between the variables under consideration, we therefore accept the alternative hypothesis that there is significant relationship between CPS and growth of Nigeria economy**.**

Decision Rule

Since the t-calculated value of 9.5 is greater than the t-table value of 2.676, the null hypothesis (H0) therefore is rejected and alternate hypothesis (H1) should be accepted. Hence there is significant relationship between CPS and growth of Nigeria economy**.**

SUMMARY OF FINDINGS

Summary of Findings The researcher discovered from his findings that the new contributory pension scheme which was ushered in by the Reform Act 2004, has helped in reducing the problem associated with the defined benefit scheme. The model result tells us that Gross Domestic Product (GDP) has a positive and highly significant relationship with PFA and PFC and positive and significant relationship with INVT. Thus a one billion increase in pension fund asset (PFA), pension fund contribution and investment will result into about 3.2, 5.1 and 145 billion naira increases in gross domestic product (economic growth) respectively. This implies that increase in the pension fund asset, pension fund and investment arising from contributory pension leads to increase in the gross domestic product of Nigeria. The result from the coefficient of investment is so because, increases in the volume of investible fund increases the level of production and boosts the national output, thereby giving rise to the large contribution to the national economy. To test for the significance of pension fund assets and pension fund contribution (savings) and economic growth in Nigeria, we used the sign and size of the statistics. We conclude that pension fund assets and pension contribution / savings mobilized over the years have positive and significant impact on economic growth. The implication of this finding is that the authorities concerned have been able to use the pension fund asset and savings mobilized to boost economic growth in Nigeria. It is expected that with increased level of compliance at state and national level including public and private sector and coverage rate of the scheme, more savings would be mobilized and economic growth enhanced tremendously.

CONCLUSION

This study has provided evidence on the impact of contributory pension scheme on economic growth in Nigeria using SPSS version 16. It is clear from the analysis that increases in pension fund contributions and pension fund assets in Nigeria positively affected economic growth but with minimal impact. Investment coefficient however was statistically significant in its contribution to economic growth with 154-billion-naira increase from 2016-2017.

RECOMMENDATIONS

Having reviewed the Contributory Pension Scheme (CPS), the researcher hereby recommends thus:

i. There should be more emphasis on the management of pension assets in the capital market as well as government bond, real estate, investment trust to boost Gross Domestic Product (GDP) of the country (Nigeria).

ii. Risk assessment should be improved upon in the area of pre-investment risk appraisal. This will help to guide against economic and political risks that are prevalent in an emerging economy of ours.

iii. PenCom should ensure effective monitoring, supervision and enforcement of the provision of the PRA 2004, which are the inevitable ingredients in the Contributory Pension Scheme towards Gross Domestic Product (GDP).

iv. There should be prompt reconciliation between PFAs, PFCs and PENCOM and statements of accounts should be given to contributors regularly. This will bring transparency and accountability to the system.

v. PFAs should send RSA reports via e-mail and SMS alert to RSA holders regularly to enable them monitor and document the pension contribution. Also there should be a good network of accessibility to members of PFAs whereby discrepancies between their payment and the status reports can be easily tracked and corrected no matter the distance under a limited reasonable time.

vi. The Pension Regulatory Reports (PENRRs) should be promptly submitted to the regulatory authority as and when due. However, whenever there is default and non-compliance, there should be tough penalty on PFAs and PFCs to serve as deterrent to others.

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