Contributory Pension Fund and Economic Growth in Nigeria

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ABSTRACT
The aim of the study was to examine the relationship between contribution Pension Fund and economic growth in Nigeria. Secondary Data were collected from PenCom data bank from 2014 to 2016 for both private and public sector contributions. Four hypotheses were tested using multiple regression analyses with the help of ordinary least square and the findings revealed the positive and significant relationship between public sector PenCom contribution with real GDP and Per Capital Income but a negative and insignificant relationship exist between private sector Pension contribution with Real GDP and Per Capital Income. Thus, an increase in public sector Pension Contribution accelerates an attendant growth in the real GDP and Per Capital Income. It is recommended that PenCom should ensure adequate compliance of Pension Reform Act 2014 as amended especially in the private sector to mitigate against leakages in the economy.

Keywords: Contributory pension, Economic growth

INTRODUCTION
The success of every government is tied to the growth of the economy of the nation. Therefore, achieving a high and stable economic growth rate is an important issue for every government, since economic growth is key to citizens’ enjoyment of a higher standard of living. A major factor in economic growth is savings. Savings can be termed as money that is set aside through banks or any other financial institution that provides the facility. 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.

The contributory pension scheme since its embracement by the concerned entities and possible enforcement to make it operational in the economy, witnessed serious setback due to unacceptable dynamism and non-conformity by various sectors. With the success recorded in the industry so far within the short-period of operation in the economy, cannot be compared with desired result presupposed to have been attained assuming all affected entities, individuals and states that are yet be enact a bye-law to back its operational and enforcement embrace the scheme. Therefore, the problem of enforcement of the enacted law/act becomes imperative as there is no strong task force or sanctions even though there are paper enacted sanctions for those individuals, entities and government parastatals that refused to embrace into the scheme; but there has been no significant implementation of the act on the affected. This nonchalant attitude on the part of the regulatory agency has really
encouraged most affected entities to evade or circumvent the scheme that could have serve as a pool of funds for long-term source of funds for infrastructure development, provision of social amenities and other economic growth greed. On the other hand, the quoted companies probably complied not because they really want to but as an operational requirement for them to remain in the floor of capital market, but what happen to unquoted companies in which most of them employ large active workforce of the population that have refused to embrace the Scheme. Most of them become compelled to comply because either they require a compliance certificate for contracts bidding, otherwise after then they discontinued to remit for the employees, thereby create unfunded accounts. The Pension Fund Administrators might follow up to recover the unremitted sum; but they are not empowered by the law to compel the employer to pay or remit for the employees. Though, the new Act provides that such companies should be reported to the regulator in the event of non-remittance of pension contribution over a certain period of time (not specific) but most Pension Fund Administrators give a grace period of six (6) months of discontinuity. However, the basic question we should be asking is that, how many of these defaulters have been persecuted or tried is the law court? This reveals the lackadaisical attitude of the regulator in enforcing the provision of the Act. Apart from the non-enforcement of the act on the part of the regulator and no strict compliance by the most unquoted companies and government parastatals/ states, there is low sensitization and dissemination of information by the Pension Fund Administrators to the public. The investment apparatus set-up by the regulator also constraint the Pension Fund Administrators to really invest the pension funds in real economy to boast the economy growth and development. The National Pension Commission (PENCOM) has strictly set out percentages of funds under management (FUMS) to be invested in various sectors or markets or financial instruments to guide against Pension Fund Administrators taking unreasonable risk that will erode the pool of funds. As we can reconnect the trends in the capital market during the economics recession where Nigerian capital market and the global market experienced a down-turn in funds. The impairment of funds cannot be overemphasized because of its negative impact on the economy, therefore, the strict measure is put in place by the regulator to safeguard the individuals funds ie pension benefits or fund.

In this research work, we practically endorse the approach of strict enforcement of the act on all concerns to continue grow the pool of funds that will reduce the existing cost of capital in the market. Because if we have a growing pool of fund it will affords the economic sectors to easily have access to relatively cheap funds to finance their long-term projects that will have impact on the economy. The nature and pattern by which contribution pension scheme will influence the Nigeria’s economy is not known hence this study.

**Aim of the Study**

The main aim of this study is to examine the impact of contributory pension scheme on economic growth in Nigeria.

In line with the aim of this study, the following hypotheses were developed.

**Research Hypotheses**

- **H0**: Private sector pension contribution has no relationship with real GDP in Nigeria
- **H0**: Public sector pension contribution has no relationship with real GDP in Nigeria
- **H0**: There is no relationship between private sector pension contribution and per capita income in Nigeria.
- **H0**: There is no relationship between public sector pension contribution and per capita income in Nigeria.

**REVIEW OF RELATED LITERATURE**

**Economic Growth**

The term economic growth is described as the positive and sustained increase in aggregate goods and services produced in an economy within a given time period. When measured with the population of a given country, then economic growth can be stated in terms of per capita income according to which the aggregate production of goods and services in a given year is divided by the population of the country in the given period. Economic growth can also be stated in nominal or in real terms. Hence, when the increase in the aggregate level of goods and services is deflated by the rate of inflation, we have the real economic growth, otherwise when measured without deflating; it is called nominal economic growth.
However, the concept of economic growth has not been quite easy to grasp and measure in real terms. This is so because often on the literature of economics, some authors have variously differentiated economic growth from the rim “economic development”. For such authors like Lewis (1978) [20], the mere increase in the aggregate level of production of goods and services in an economy tells us nothing about the “quality of life” of a citizenry, given the threats of global pollution, abysmal lop-sided distribution of aggregate output and income, environmental degradation, prevalence of chronic and deadly disease, abject poverty and the absence of freedom and justice. For such authors, attention should be focused not merely on the increase in aggregate output and income but also on the total quality of standard of living and that there is yet no satisfactory measure of “quality of life” that can be applied to quantitative measure of aggregate output and income which would be acceptable to all and sundry that will stand the test of the time.

Notwithstanding, the consensus appears to be that the term economic growth refers to a positive increase in the aggregate level of output within a given time period in a country while economic development is seen as sustainable increase in the aggregate level of output and incomes, with due consideration given to the quality of life which hopefully takes account of such issues as equal distribution of income, healthcare, education, environmental degradation, reduction in global pollution, freedom and justice etc. Therefore, economic development could be referred to as a process by which an economy experiences three main phenomena namely – sustained growth in output, structural changes and institutional changes, Woodford et al (2000) [28]. If these three phenomena take place, it will lead to a rise in standard of living of the populace. That is why growth could be enjoyed by many countries but not all experience development, Yesufu (1996) [30]. The term ‘economic growth’, is used throughout in this text to describe the positive and sustained increase in aggregate goods and services produced in an economy within a given time period.

The framework for understanding growth over the long-term is rooted in two main theories that relates to possible sources of growth. These are the growth theory and the growth accounting theory. Growth theory is concerned with the theoretical modeling of the interactions among growth of factor supplies, savings and capital formation, while growth accounting addresses the qualification of the contributions of the different determinants of growth. Three waves of interest have currently emerged in studying economic growth. The first wave is associated with the work of Sir F. Harrods (1900-1978) and E. Domar (1914-1997) in what was termed the “Harrods – Domar Model”. The theory presupposed that growth depended on a country’s savings rate, capital/output ratio, and capital depreciation. This theory has been criticized for three reasons. Firstly, it centers on the assumption of ergogeneity for all key parameters. Secondly, it ignores technical change, and lastly, it does not allow for diminishing returns when one factor expands relative to another (Essien, 2002) [9] and Woodford 2000 [28].

**Gross Domestic Product**

Economic growth is measured by using data on GDP, which is a measure of the total income earned by the people of a country through their participation in the production process. Economists use many different methods to measure how fast the economy is growing. The most common way to measure the economy is real gross domestic product, or real GDP. GDP is the total value of everything - goods and services - produced in our economy. The word "real" means that the total has been adjusted to remove the effects of inflation. The second began with the neoclassical (Solow) model, which contained the thinking that growth reflected technical progress and key inputs, (labour and capital). It allowed for diminishing returns, perfect competition but not externalities. In the neoclassical growth process, savings were needed to increase capital stock, capital accumulation had limits to ensure diminishing marginal returns, and capital per unit of labour was limited. It postulates that growth also depended on population growth rate and that growth rate amongst countries was supposed to converge to a steady state in the long-run. Despite the modifications, the basic problems associated with the neoclassical thinking are that it hardly explains the sources of technical change (Essien and Bawa, 2007) [10].

The third is the newer alternative growth theory, which entrances a diverse body of theoretical and empirical work that emerged in the 1980s. This is the endogenous growth theory. This theory distinguished itself from the neoclassical growth model by emphasizing that economic growth was an outcome of an economic system and not the result of forces that impinged from outside. Its central idea was that the proximate causes of economic growth were the effort to economize, the
accumulation of knowledge, and the accumulation of capital. According to this theory, anything that enhances economic efficiency is also good for growth. Thus this theoretical framework indigenized technological process through “learning by doing” or “innovation processes”. It also introduced human capital, governance and institutions in the overall growth objectives Romers, 1994 [26] and Essien, 2002) [9].

**Per capita Income in Nigeria**

GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. The Gross Domestic Product per capita in Nigeria was last recorded at 5338.45 US dollars in 2017, when adjusted by purchasing power parity (PPP). The GDP per Capita, in Nigeria, when adjusted by Purchasing Power Parity is equivalent to 30 percent of the world's average. GDP per capita PPP in Nigeria averaged 3948.57 USD from 1990 until 2017, reaching an all-time high of 5671.90 USD in 2014 and a record low of 2750.10 USD in 1995.

**Contributory Pension Scheme**

The Contributory Pension Scheme (CPS) provides employers and employees many opportunities to have a retirement savings package. The director general, National Pension Commission, Mr. Muhammad Kabir Ahmad, in a presentation obtained from its website explained what stakeholders stand to achieve from the scheme. The presentation titled ‘Contributory Pension Scheme as Instrument for Liability Controls for the States: Issues and Prospects’ noted some objectives of the scheme to include: ensuring that every worker received his retirement benefits as and when due; empowering the worker and assisting workers to save in order to cater for their livelihood during old age.

Other objectives are to establish uniform rules, regulations and standards for administration of pension matters, and to establish strong regulatory and supervisory framework. Mr. Ahmad who made the presentation during his interaction with the Nigerian Governors Forum (NGF) gave reasons for the introduction of the scheme. He said most public sector schemes were unfunded, and unsustainable pension liabilities, adding “They have weak and inefficient administration of schemes in both public and private sectors; demographic shifts and ageing make defined benefits schemes unsustainable.” Other reasons for establishing the scheme include that many workers in the private sector were not covered by any form of retirement benefit arrangement. There were also other diversified arrangements which were largely unregulated in the private sector.

He said the nature of the scheme is such that the Mandatory Defined Contribution Scheme covers the public service of the federation and the Federal Capital Territory and employers of five or more employees in the private sector. The contributory type requires that both employer and employee contribute 7.5% of employee’s monthly emoluments (basic salary, transport and housing allowances). Contributors are allowed to make additional voluntary contributions based on Individual Retirement Savings Accounts (RSAs) - personalized and portable.

The RSAs are privately managed by Pension Funds Administrators (PFA) and Pension Fund Custodians (PFCs). There is also the life insurance cover package, he explained. He added that the scheme was not mandatory on the informal sector but that a policy was being drafted for the informal sector’s voluntary buy-in into the scheme. To safeguard the scheme and the accruing funds, Ahmad in his presentation said access to RSA was allowed only on retirement. There is also the separation of the functions of pension operators while there is Pension Fund Custodian guarantee. Other safeguard measures include that the pension funds are held by custodians in the name of the contributors.

The pension assets cannot be used to meet the claim of creditors of pension operators; cannot be seized or subject to execution of judgment debt or stopped from transfer to another custodian; cannot be sold, or granted as loan or used as collateral. That government contribution shall be a charge on Consolidated Revenue Fund of the Federation, and that the scheme is strictly regulated and supervised.
Empirical Review

A review of the promises and challenges of the 2004 pension reform in Nigeria by Ikeanyibe and Osadebe (2014) noted that a mandatory contributory pension scheme should be distinguished from poverty relief programme and universal social security benefits to avoid scheme overloading. Above all, the study opined that there is need for enlightenment directed towards the employees understanding their rights and demanding it from the employers as concerning private sector coverage. However, the study of Egbe, Awogbemi, and Osu (2013) about Portfolio Optimization of Pension Fund Contribution in Nigeria found that the Pen Com guided portfolio is not optimum. The findings of Ozokwere (2008) showed that the Pension Fund Administrators play their roles according to the dictates of 2004 Pension Reform Act. Such factors as finance, too many regulations and overlapping functions amongst others, affect them in playing their roles effectively and more so, those problems affecting the Pension Fund Administrators are rated as significantly high. In the light of this discovery, the study recommended the formulation of a robust policy that would enhance the capacities of the Pension Fund Administrators and boost economic growth and development.

Dagauda and Oyadiran, 2013 did an analysis of the impact of the 2004 pension policy on the welfare of the Nigerian civil servants, with emphasis on selected Federal ministries. From the analysis, findings that emerged clearly indicated that the implementation of the funded pension significantly improved the welfare of the civil servants but does not address the problem of corruption and inadequate budgetary allocation and therefore not effective in overcoming the problems of retirees in Nigeria. In view of the above findings, the study recommended among others that government and Pension Commission must strengthen monitoring and supervision unit of the commission to ensure effective monitoring, supervision, and enforcement; and effective implementation of penalties as provided by the Act on non-compliers regardless of their status in the society.

Ayegba (2013) did an evaluation of Pension Administration in Nigeria. The study advocated the need for public enlightenment on the merit of the new contributory pension scheme, the 2004 Pension Reform Act is key to enable Nigerians in Diaspora who may want to contribute to the retirement saving scheme to do so and the government should punish those who steal pensioners’ funds to serve as deterrent to others. The study concluded that a well-organized structure that will ensure prompt payment of retirees and pensioners is highly desirable and this must be vigorously pursued by the government to facilitate economic development.

RESEARCH DESIGN

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 2005-2016), Central Bank of Nigeria (CBN) Statistical Bulletin (2016), National Bureau of Statistics (NBS) and Worldbank.org. The period covered spans from 2004 to 2016, 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 (2016).

Model Specification

Following the theoretical framework and the extensive review of the new funded pension scheme, the interest in this sub-section is to attempt to model the relationship between contributory pension scheme and economic growth in Nigeria. In formulating the models employed for this study, two sets of models are developed. Thus the models are represented in functional form as:

\[ RGDP_t = f(CPSPU_t, CPSPP_t, TCPS_t) \]
\[ PCI_t = f(CPSPU_t, CPSPP_t, TCPS_t) \]

The regression form of the model specification is thus:

\[ RGDP_t = \beta_0 + \beta_1 CPSPU_t + \beta_2 CPSPP_t + \beta_3 TCPS_t + \mu_t \]
\[ PCI_t = \beta_0 + \beta_1 CPSPU_t + \beta_2 CPSPP_t + \beta_3 TCPS_t + \mu_t \]

Where the dependent variable is RGDP and other variables on the right-hand side are independent variables.
RDGP = Real Gross Domestic Product.
PCI = Per capita Income
CPSPU = Public Sector Pension Fund Contribution within the period.
CPSPP = Private Sector Pension Fund Contribution for the period.
TCPS = Total Pension Fund Contribution for both private and public sectors within the period.
μt = Error term.

Theoretically, it is expected that pension fund contributions should have positive impact on RGDP because as the pension fund increases, it accrues to capital formation. Positive economic growth boosts propensity to save and encourages the working population to participate fully in the pension fund to safeguard their retirement. This is reflected in the increase in the volume of pension fund contributions for both the private and public sectors. Also, pension fund governance, proxy by total pension fund asset should positively contribute to economic growth as this increases capital adequacy and liquidity in the economy. The operation of funded pension scheme in Nigeria contribution to the capital and money markets as showcased by the volume of market capitalization as traded on the floor of the Nigerian stock exchange.

RESULTS AND DISCUSSION

Table 4.1. Nigeria pension scheme contributions

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (N Billion)</th>
<th>Percentage of Total</th>
<th>Year</th>
<th>Amount (N Billion)</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>15.6</td>
<td>0.76</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>34.68</td>
<td>0.70</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2006</td>
<td>37.38</td>
<td>1.83</td>
<td>2006</td>
<td>23.03</td>
<td>1.25</td>
</tr>
<tr>
<td>2007</td>
<td>80.63</td>
<td>3.95</td>
<td>2007</td>
<td>68.34</td>
<td>3.72</td>
</tr>
<tr>
<td>2008</td>
<td>99.28</td>
<td>4.87</td>
<td>2008</td>
<td>80.81</td>
<td>4.40</td>
</tr>
<tr>
<td>2009</td>
<td>137.1</td>
<td>6.72</td>
<td>2009</td>
<td>91.21</td>
<td>4.97</td>
</tr>
<tr>
<td>2010</td>
<td>162.46</td>
<td>7.96</td>
<td>2010</td>
<td>103.03</td>
<td>5.61</td>
</tr>
<tr>
<td>2011</td>
<td>228.92</td>
<td>11.22</td>
<td>2011</td>
<td>119.53</td>
<td>6.51</td>
</tr>
<tr>
<td>2012</td>
<td>302.24</td>
<td>14.81</td>
<td>2012</td>
<td>159.52</td>
<td>8.69</td>
</tr>
<tr>
<td>2013</td>
<td>278.5</td>
<td>13.65</td>
<td>2013</td>
<td>225.42</td>
<td>12.28</td>
</tr>
<tr>
<td>2014</td>
<td>237.49</td>
<td>11.64</td>
<td>2014</td>
<td>343.89</td>
<td>18.73</td>
</tr>
<tr>
<td>2015</td>
<td>200.05</td>
<td>9.81</td>
<td>2015</td>
<td>358.91</td>
<td>19.55</td>
</tr>
<tr>
<td>2016</td>
<td>225.86</td>
<td>11.07</td>
<td>2016</td>
<td>262.33</td>
<td>14.29</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2040.19</td>
<td>100</td>
<td>TOTAL</td>
<td>1836.02</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Table 4.2 Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>RGDP</td>
<td>9</td>
<td>28662468.77</td>
<td>89043615.26</td>
<td>55949341.4567</td>
<td>21410647.00149</td>
</tr>
<tr>
<td>GDP per capital</td>
<td>9</td>
<td>3792.451</td>
<td>6031.420</td>
<td>4983.81033</td>
<td>760.604216</td>
</tr>
<tr>
<td>CPSPU</td>
<td>9</td>
<td>15.60</td>
<td>302.24</td>
<td>122.0322</td>
<td>96.25313</td>
</tr>
<tr>
<td>CPSPP</td>
<td>9</td>
<td>23.03</td>
<td>343.89</td>
<td>134.9756</td>
<td>97.15220</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author's Computation using SPSS version 21

Table 4 detailed the descriptive properties of the variables in the models. The results further revealed that the average CPSPP over the period was about 134.9756, with a maximum of 343.89 and minimum 23.03 respectively. The average CPSPU over the period was about 122.0322, with a maximum of 302.24 and minimum 15.60 respectively. The RGDP averaged 55949341.4567 with a maximum of 89043615.26 and minimum of 28662468.77.
Table 4.3

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.958*</td>
<td>.917</td>
<td>.890</td>
<td>252.712763</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), CPSPP, CPSPU

Table 4.4

**ANOVAa**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4244967.746</td>
<td>2</td>
<td>2122483.873</td>
<td>33.235</td>
<td>.001*</td>
</tr>
<tr>
<td>Residual</td>
<td>383182.443</td>
<td>6</td>
<td>63863.740</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4628150.189</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: GDP_per_capital
b. Predictors: (Constant), CPSPP, CPSPU

Table 4.5

**Coefficientsa**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>4160.976</td>
<td>154.000</td>
<td>27.019</td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>CPSPU</td>
<td>13.189</td>
<td>4.172</td>
<td>1.669</td>
</tr>
<tr>
<td></td>
<td>CPSPP</td>
<td>-5.828</td>
<td>4.133</td>
<td>-744</td>
</tr>
</tbody>
</table>

a. Dependent Variable: GDP_per_capital

Table 4.6

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.986*</td>
<td>.972</td>
<td>.963</td>
<td>4116231.45415</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), CPSPP, CPSPU

Table 4.7

**ANOVAa**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3565666271873</td>
<td>2</td>
<td>1782833135936</td>
<td>105.223</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>1016601683047</td>
<td>6</td>
<td>1694336138413</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3667326440178</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: RGDP
b. Predictors: (Constant), CPSPP, CPSPU

Table 4.8

**Coefficientsa**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>31187747.262</td>
<td>2508383.751</td>
<td>12.433</td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>CPSPU</td>
<td>336531.777</td>
<td>67954.115</td>
<td>1.513</td>
</tr>
<tr>
<td></td>
<td>CPSPP</td>
<td>-120807.996</td>
<td>67325.254</td>
<td>-.548</td>
</tr>
</tbody>
</table>

a. Dependent Variable: RGDP
Test of hypotheses

**Hypothesis one:** There is no significant relationship between private sector pension contribution and real GDP in Nigeria.

Table 4.4 shows the extract of the model estimates with a correlation coefficient ‘R’ = .968 and $R^2 = .972$ coefficient of determination. Therefore, the predictors variables used in regression model have described $97.2\%$ of the variations taking place in the real gross domestic product in Nigeria. In other words, only about $2.8\%$ variation in real GDP is attributed to other variables other than CPSPP and CPSPU, captured by the stochastic error term. The analysis indicates that private sector pension contribution (beta = -.548, $t = -1.794$ sig .123) negatively and insignificantly relate to the real gross domestic product. The hypothesis accepted the null and study concluded that no relationship exist between private sector contributory pension and real GDP in Nigeria.

**Hypothesis two:** There is no significant relationship between public sector pension contribution and real GDP in Nigeria.

Table 4.4 shows the extract of the model estimates with a correlation coefficient ‘R’ = .968 and $R^2 = .972$ coefficient of determination. Therefore, the predictors variables used in regression model have described $97.2\%$ of the variations taking place in the real gross domestic product in Nigeria. The analysis indicates that public sector pension contribution (beta = 1.513, $t = 4.952$, sig .003) has positive and significant relationship with the real gross domestic product. The null hypothesis is hereby rejected.

**Hypothesis three:** There is no relationship between private sector pension contribution and per capita income in Nigeria.

Table 4.6 shows the extract of the model estimates with a correlation coefficient ‘R’ = .958 and $R^2 = .917$ coefficient of determination. Therefore, the predictors variables used in regression model have described $91.7\%$ of the variations taking place in per capita income in Nigeria. The analysis indicates that private sector pension contributions (beta = -.744, $t = -1.410$ sig .208) negatively and insignificantly relate with per capita income. The hypothesis accepted the null and study concluded that no relationship exist between private sector contributory pension and per capita income in Nigeria.

**Hypothesis four:** There is no relationship between public sector pension contribution and per capita income in Nigeria.

Table 4.6 shows the extract of the model estimates with a correlation coefficient ‘R’ = .958 and $R^2 = .917$ coefficient of determination. Therefore, the predictors variables used in regression model have described $91.7\%$ of the variations taking place in per capita income in Nigeria. The analysis indicates that public sector pension contribution (beta = 1.669, $t = 3.161$, sig .020) has positive and significant relationship with per capita income. The null hypothesis is hereby rejected.

**DISCUSSION OF FINDINGS**

The model result tells us that Real Gross Domestic Product (RGDP) has a positive and significant relationship with CPSPU but CPSPP has negative in significant relationship with RGDP. Thus a one billion increase in public sector pension fund contribution will result into about 336, and 1.5 billion naira increases in real gross domestic product (economic growth) and per capita income 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 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. There is a negative and insignificant relationship between private sector pension contribution and economic growth we conclude that pension fund assets and pension contribution/savings mobilized over the years have negative and insignificant impact on economic growth. The implication of this finding is that authorities concerned have not 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 and coverage rate of the scheme, more savings would be mobilized and economic growth enhanced. In testing the last hypothesis that there is no significant relationship between investment and gross domestic product for the period of 2005 to 2016. However the negative relationship between private sector pension contribution and economic growth reveals
that when aggregated, pension fund contribution do not have statistically significant effect of growth because of some leakages in the economy.

SUMMARY
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 define benefit scheme. The researcher discovered the followings findings: Adequate investment and management of the pool of fund contributed by employees and employers from the public sector has immensely contributed to development of the economy. Creating job or employment to the masses thereby reducing unemployment and alleviating poverty as well increased tax revenue to the government, Provide resources for investment in the money and capital market, Enhances adequate and prompt payment of pension to retirees.

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. 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). There should be prompt reconciliation between PFAs, PFCs and PENCOM statements of accounts should be given to contributors regularly. This will bring transparency and accountability to the system. PenCom should ensure effective monitoring, supervision and enforcement of the provision of the PRA 2014, which are the inevitable ingredients in the Contributory Pension Scheme towards Gross Domestic Product (GDP).

RECOMMENDATIONS
Having reviewed the Contributory Pension Scheme (CPS), the researcher hereby recommend 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) PenCom should ensure effective monitoring, supervision and enforcement of the provision of the PRA 2014, which are the inevitable ingredients in the Contributory Pension Scheme towards Gross Domestic Product (GDP).
(iii) Because of leakages in the private sector pension contribution based on this study, Pencom should ensure maximum compliance by private sector operators.
(iv) Pencom should ensure stiff penalties for defaulters both in the public and private sector, who deduct pension contributions without remitting same to pension fund administrators to serve as deterrent to other

REFERENCES


National Pension Commission, Abuja.