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## Contributory Pension Funds and Deposit Money Banks' Profitability in Nigeria

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**Key words:** Pension funds, deposit money bank, contributory pension funds, regression

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**Abstract:** The issue of pension fund management and how pensioners are being owed substantial amount at their retirement year is still a rampaging case in Nigeria. Many do not understand the dynamics of pension fund management. Hence, the main study objective was to investigate the contributory pension funds effect on bank's profitability. A model was adopted and modified with variables relevant to the course of study like Profit after Tax (PAT), Pension Funds (PEN) and inflation and secondary data for each variable was extracted from the banks' financial statement, PENCOR financial statements and the CBN statistical bulletin. The data was from periods 2008 till 2019 and was analyzed by using the multiple regression analysis. The study found out that both pension funds and investment were positively significant. The study thus recommended that all pension firms must be monitored frequently so as to reduce the incidence of fraud.

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### INTRODUCTION

It is generally expected in social welfare speculating that a delegate who has worked for a relationship for a couple of years is fit for a couple of points of interest which could be in sort of tip and advantages payable to such laborer by its supervisor at the period of retirement.

Annuity is additionally the strategy whereby a man pays into benefits plot a percentage of his profit during his year of service as a worker. Then again, tip is a solitary measure of money payable to a leaving officer who has served for a base time of term year, generally ten years.

Nigeria today, the financial sector are seen as an important area of development especially the deposit money bank, but are often faced with a lot of problems in opening diverse range of opportunities for foreign investors. Due to the efficiency and breakdown of the old pension scheme, the banking industry were seen as the

backbone of the country and they provided various financial services and gave out long term loans to individuals, firms, even to its home country. Pension is a large pool of money kept for a long period of time for employees after retirement. The funds collected are then used to invest in long term projects and supply to the country with an interest at payback. Prior to the former experiences with the pension system, people do not see any reason why they should keep their money with pension; they would rather invest in shares or government bonds and get returns since they are sure of getting their money and some interest as at when due. The funds going into pension are deducted monthly from employees and employers are gotten and are diverted into different sections majorly on long term investments. They also deposit in banks then banks give out funds to investors so as to yield returns and also to pay back PENCOR (Pension Commission). Banks mostly deal with short term

loans because of the willingness to pay back by their debtors. In other words, when banks do not get their returns back from their debtors they would not be able to pay pension back their money and leads to pension owing pensioners.

In Nigeria, be that as it may, living day to day after retirement is feared by generally laborers. The feelings of dread of confronting the future after retirement make an atmosphere of unsettling influence among representatives, that's why people would rather work even in their old age and inflate their ages so as not to be retired without any means of income. Retirement is seen by specialists as an advancement that could provoke mental, physiological and money related issues<sup>[1]</sup>.

Prior to commencement of the 2014 pension scheme, the pension industry has accumulated assets of \$25bn. In October, 2014, National Pension Commission (PENCOM) said a country's pension assets has hit N4.6trillion (News Agency of Nigeria (NAN), 2014). Under this contributory pension scheme, workers are ordered regulatory to open a Retirement Savings Account (RSA) with any Pension Fund Administration (PFA) of their choice where funds are deposited from both parties the worker and his employer.

The recent 2014 Annuity Act, section (4) (1) says rates at which employees and employers contribute is a minimum of 8 and 10%. Upon the new scheme, it increases the employee's productivity to work knowing well that their employers motivate and push them to work because of the high percentage of income deposited for employees. The pension scheme in nature is contributory both the private and public sectors gets his or her retirement benefits as at stipulated date. It was initiated so that employees will store and have a good standard of living after retirement Sule<sup>[2]</sup>. Each employees are expected to keep their portion of income with a chosen Pension Fund Administrator (PFA), right now there are 24 Pension Fund Administrator (PFA), 6 Closed Pension Fund Administrators and 5 Pension Fund Custodian and they are relied upon to catch a potential 50 million benefactors.

**Statement of research problem:** According to Ameh<sup>[3]</sup> one noteworthy issue confronting the contributory benefits conspire is the lack of speculation (investment) outlets. For example, in Nigeria we have just eleven classes of speculation accessible for venture of benefits resources which is evaluated at N2, 029.77 billion, there is still uncertainty with regards to the capacity of the plan to take care of the issue of shortage of long-term funds for long term investment. The new frameworks of defined contributory system were relied upon to supply new venture capital or investment opportunities that will improve the domestic capital markets, be that it may, have needed to confront constrained cluster of potential investment in local capital market.

As such, different recipients and would be retirees that were not all around instructed about the errands of contributory annuity plot should be elegantly taught. This low element of consideration established off strain and helplessness about their retirement years Omoni<sup>[4]</sup>. It has ventured out to the disadvantage of productivity of surrendered local officials, their wards and an undeniable on the image of the organization. The whole issue has been evaluated on the disappointment of the governing body to continue keeping up completely financed characterized benefits annuities plot.

According to the contributory scheme, each employee is expected to have Pension Fund Administration (PFA) of his or her choice which can also lead to risk. Employees due to the mandatory law have to determine who deals with his or her Retirement Savings Account (RSA) and accepts maximum obligations for risk included.

Throughout the years, it appears that accentuation has dependably been upon worker's profitability from associations and administration for its strategic corporate targets without thinking of the human exertion that do the errand either over span of administration or after retirement. Retirement advantages obviously help retirees to manage themselves when they resign/ excessively old, making it impossible to do anything.

The new frameworks of defined contributory system were relied upon to supply new venture capital or investment opportunities that will improve the domestic capital markets, but have needed to confront constrained cluster of potential investment in local capital market. In addition, there is an absence of trust in the plan by potential givers emerging from disappointments of past approaches on benefits administration. There was also fear of sustainability of the scheme due to change in government.

The investment environment in Nigeria today is not too favorable so it affects bank investment. For an investment to be efficient and creditors have their full amount of money with interest back that country has to be a favorable and developed, which will attract foreign investors to invest without fear Omoni<sup>[4]</sup>.

Furthermore, funds invested in banks by pension are not at times gotten back to them, some turn into bad debt and the bank suffer the loss and it affects their profitability and their performance in their services. It also affects PENCOM since they do not get their money back at times and it borne down to pensioners.

## **MATERIALS AND METHODS**

**Conceptual framework:** In Nigeria, the annuity scheme was built up amid the provincial time to give improvement remuneration and security to British subjects working in the nation upon retirement. Nigeria's first verifiably definitive instrument on pension matters

was the Pension Ordinance of 1951, which had an effect from first January, 1946. As at that point, the Nigeria Pension Board (NPB) was wasteful from various perspectives as specialist needed familiarity with the annuity framework and laborer's right, pension funds and board were inefficiently overseen Ahmed *et al.*<sup>[5]</sup>.

In Nigeria, from 1951 till date different advantages contrive has been set up either through show of parliament and a declaration under the military, such ideal conditions structures are Nigeria Pension Scheme (NPS) of 1951, National Provident Fund (NPF) of 1961, Nigeria Social Insurance Trust Fund (NSITF) of 1990, Local Government Pension Scheme (LGPS) set up by a military pronouncement in 1977 which was later changed to Civil Service Pension Scheme (CSPS) by a military disclosure in 1979, Armed Forces Pension Scheme set up in 1979 by a military accreditation to cook for the military work power and Police Pension Scheme (PPS) which was surrounded with various affiliations benefits plot set up by an attestation in 1993 Pension Reform Act Balogun<sup>[6]</sup> and Fapohunda<sup>[7]</sup>. There are four noteworthy depictions of annuity in Nigeria. These are:

**Resigning pension:** This sort of annuity is by and large permitted to a worker who are allowed to leave in the wake of completing a settled time of qualifying organization in the country from 30-35 years.

**Compensatory annuity:** This kind of advantages is permitted to an expert whose enduring post is dropped and government cannot give him sensible elective business.

**Superannuating pension:** This is given to experts who leave at the upheld age motivation behind suppression of 60-65 only.

**Compassionate allowance:** This happen when annuity is not acceptable or permitted by virtue of an open hireling's expulsion from administrations for unfortunate behaviour, bankruptcy or inefficiency Edge<sup>[8]</sup>. Annuity makes workers scrutinize just themselves legitimately into the overall public in the wake of leaving business and an annuity system is essentially an income security program which offers preferences to beneficiaries who may be retirees, retired people.

**Contributory pension scheme:** Contributory benefits is a level of assets set aside by a worker or manager or both to guarantee that at retirement there is something to fall back on as pay. Contributory advantages plan is a system in which a business pays certain proportion of money reliably into an annuity subsidize while the delegate furthermore pays some money into a comparable advantages fund which shapes the aggregate of what the

laborer gets at the period of retirement. Either the individual has worked in individuals in broad daylight or private division; it fills in as a social welfare plot for the age and ensures specialists spare provide food for their fundamental needs after retirement<sup>[2,9]</sup>.

The Pension Reform Act 2004 is a change in setting from the 1979 annuity Act. Under the new arrangement, associations and specialists alike are to contribute 7.5% of workers' month to month settlement which intertwine key pay, cabin and transport reward. Incidentally, in the military, work power are depended upon to pay 2.5% while the focal government contributes 12.5% of the delegates' month to month settlement.

There are changes in the rates of commitment to be made to the Scheme. Under the Act, both business and representative are required to make at least 10 and 8% individually of the worker's month to month remittances (7.5% of the worker's month to month fundamental, lodging and transport stipends by the two parties under the repealed Act).

**Bank profitability:** Bank profitability is a fundamental element of financial development. On the long run, a higher return to some substantial degree lessens the nature of the bank being defenseless or harmed. At the macroeconomic dimension, expanded profitability makes for a productive managing an efficient banking sector that can subsidize financial development and improvement as indicated by the intermediation job of the banking system, higher interest rate on advances pulls in higher returns that is the reason monetary authorities are constantly inclined to control and manage the banking industry. Improved and strict guidelines have realized challenge among banks. Banks regulator somewhere in the range of 1990 and 2004 expanded the base offer capital of banks working in Nigeria multiple times Aburime and Uche<sup>[9]</sup>. These system was to improve the asset report, gainfulness and supportability of banks in Nigeria.

Simpson in his article saw that banks advantage determinants are usually requested into inside and outside variables. The inside factor are those that pick bank's association choices and particularly sway system objectives for example liquidity chance, credit chance, bank measure, cost organization. The outer factor are those that ascents from industry related elements and macroeconomics sway which incorporates rivalry, dimension of center, dimension of joblessness, swelling rate. In Nigeria, conversion standard may speak to a macroeconomic impact on the bank benefits as a result of the swapping scale in the swapping scale of local money to US dollar and other huge fiscal monetary standards.

Amazingly, different nation level examinations have depended only on banks' determinants while ignoring the effect of macroeconomic factors on bank proficiency. In the occasion that banks contribute, it transforms into a

fundamental wellspring of huge worth capital and thus advances quality. On the other hand, delicate money related execution progresses the decline in credit quality and improves likelihood of development default<sup>[10]</sup>.

In assistance of the Central Bank of Nigeria (CBN) statutory commitment of ensuring a secured and sound budgetary framework, the rise game-plan for banking framework trouble goals, which was grown mutually with the Nigerian Deposit Insurance Corporation (NDIC) ended up successful in July 2002. Moreover the Central Bank started a private portion sponsored "help" office that was gotten to by sets aside some cash with brief liquidity issues. These, regardless of the Financial Sector Assessment Program (FSAP) drove usually by the International Monetary Fund (IMF) and the World Bank to survey the soundness of Nigeria's cash related division, in perspective on worldwide models, were away for invigorating the budgetary structure.

Another real change went for enhancing bank execution was presented in July 2002 as a component of a home developed financial improvement motivation. One of the auxiliary targets of the National Economic Empowerment and Development Strategy (NEED) was to strengthen the financial system. Central Bank with an end goal, announced an expansion in the minimum capital of banks from 2-25 billion naira, with a due date of December 31, 2005 for full compliance. The declaration of the change with the orderly increment of the minimum capital sent shockwaves through the banking industry. After the announcement merger and acquisition took place. One of the significant reasons given by the central bank was that many Nigerian banks cannot provide the necessary financing needed to grow the economy and several of them had bad balance sheets.

The number of banks reduced from 89 in 2004 to 25 as at January 2006 through mergers and acquisition and their minimum capital was 25 billion naira. In a bid to raise 25 billion, banks were able to raise an equivalent of \$3 billion from the capital market through Initial Public Offerings (IPO) and attracted over US\$652 million in Foreign Direct Investment<sup>[11]</sup>. The Nigerian banking sector experienced a rapid growth between June 2006 and June 2008, the number of bank branches grew by 54%, deposit accounts by 39%, total loans and advances by 197%, bank credit to the private sector grew by 60% in 2007 and 90% in 2008. Some Nigerian banks became significant players in the international market by opening branches in other West African countries and in major European capitals.

### **Theoretical framework**

**Theory of life cycle:** This hypothesis is according to utilize structure and sparing choice of individuals who check out coordinating in a course of action. This is associated with Modigliani and Brumberg implied in

Idowu. It incorporates that utilization is a piece of life time riches open to one. These riches (monetary, genuine resources and foreseen estimation of future remuneration) are not influenced by the changes by virtue of pay that comes to one after some time and the occurrence of use isn't like clever impacted.

The hypothesis advances one remarkable protection to the above proposal, holding that there is one ground in which use can be influenced. It is that annuity change plan can change the wealth of a favorable circumstances plan part. The nearness cycle theory recognizes or battles that benefits change can affect venture subsidizes rate of an annuity plan part by influencing the customary abundance of the individual. This is by ideals of a viable annuity plan can make gigantic monetary assets for helping theory pay which can cause enormous redistribution of remuneration, inciting stretched out riches to benefits people. This can develop and augment supportable liking to save.

While the hypothesis includes the impact of tremendous salary creation and redistribution to individuals or supporters, prompting extended wealth, its game plan is that the annuity plan be systematized and viable while the benefits change can change or impact the presence cycle. Regardless, the unwavering quality nature of the Pension Fund Administration (PFA), the administrative bodies and security authorities is along these lines, passed on to the fore. The last point means that the hypothesis isn't affected to financial wretchedness, for example, monetary subsidence.

**Empirical framework:** Abdulazeez conducted a research on pension scheme in Nigeria: history, problems and prospects and drew a conclusion that due to the challenges of the old scheme, government established a new act. In the 2004 act, the researcher also found out some drawbacks like limited in terms of coverage, investment outlets and lack of transparency and financial limitations of employees. In other words this scheme may not translate into economics security for the retired. Pension Commission (PENCOM) needs to tighten up as an institution and be transparent to allow pensioners the benefits of informed decision as to which pension house to engage, investment outlets needs to be expanded to create more opportunities for investments.

Observational proof by Demircug-Kunt and Huizinga, Abreu and Mendes<sup>[12-16]</sup>. Show that banks that hold an abnormal state of value with respect to their benefits perform better regarding gainfulness. These examinations propose that as bank's capital proportions increment, the expense of financing will in general fall because of lower forthcoming chapter 11 costs. Besides, overhead expenses are additionally an imperative determinant of productivity: the higher the overhead expenses in connection to the benefits, the lower the gainfulness of a bank in their study on the determinants of bank

profitability use a sample of 18 European countries during the period 1986-1989. They found a significant positive association between the return on equity and the level of interest rates in each country, bank concentration and government ownership.

Numerous inquires about in writing that gave observational structure on the commitments of subsidized benefits plans. As per Edogbaya<sup>[17]</sup> the result of connection investigation utilizing t-test demonstrated that Contributory Pension Scheme affects the Gross Domestic Product (GDP) at that point ANOVA result demonstrates that chance pervasive positively affects the annuity subsidize the executives. Edogbaya<sup>[17]</sup> in his exploration uncovered that annuity subsidize directors ought to put resources into a less unsafe portfolio to support brief installment of benefits to retirees.

As indicated by Chizueke uncovered that contributory benefits plot essentially influences representatives pledge to work and mentality towards retirement. His exploration necessitates that severe measures be placed all together by government to empower an observing and execution of the arrangements of the 2004 Pension Reform Act. saw that a required contributory benefits plan should be perceived from destitution mitigation program and comprehensive institutionalized investment funds focal points to keep up a key separation from plan over troubling. The examination revealed that there is a necessity for enlightenment facilitated towards the laborers understanding their rights and mentioning it from the organizations as concerning private division incorporation.

Ayegba completed an assessment of Pension Administration in Nigeria. The examination was on the requirement for open enlightenment on the value of the new contributory benefits plot, the 2004 annuity change act is the way to empower Nigerians in Diaspora who might need to add to the retirement sparing plan to do as such and the administration ought to rebuff the individuals who take beneficiaries' assets to fill in as obstacle to other people. The exploration reasoned that an efficient structure that will guarantee brief installment of retirees and beneficiaries is profoundly alluring and this must be vivaciously sought after by the administration to encourage monetary advancement. He likewise opined that the Nigerian government ought to support the alternative of having the banks where the pay records of representatives are domiciled to make benefits findings on month to month premise conceivable and have it transmitted to Pension Fund Administrators.

Adejoh<sup>[17]</sup> completed an appraisal on the effect of contributory annuity plan to Nigeria monetary advancement and arrived at a resolution that regardless of the risk, the board, contributory benefits plot has exhibited it's fruitful and powerful point of confinement in boosting Gross Domestic Product (GDP) and genuinely

sensible for retirees not in any way like the past portrayed preferred standpoint scheme.

Nigeria pension reforms and management conducted by Asuquo<sup>[18]</sup> reviewed that a lot of changes of the defined benefit has been made based on their research data gotten from pensioners in Cross river state that pensioners after the 2004 pension scheme have something to rely on and the 2004 pension act is helpful to pensioners even to the country as a whole.

Ahmed *et al.*<sup>[5]</sup> on their exploration point impacts of contributory annuity conspire on representatives' profitability distributed that contributory benefits plot is one of the significant component required in both private and open firms even in corporate associations in light of the impact it has on workers proficient usage in accomplishing the present and future objectives of a foundation. Besides, arranging made on workers' stipend is imperative to the company's monetary quality.

Furthermore, Ameh<sup>[3]</sup> in keeping an eye on the effect of privatization on the execution of Nigeria banks from 1999-2001 controlled for the age of the bank, since longer settled banks may perceive execution focal concentrations over relative newcomers. Their results for the Nigeria feature shows that more seasons banks did not execute correspondingly as extra best in class banks which were better arranged to search for after new preferred standpoint openings.

**Gaps in literature:** While some of the reviewed literature examined the pension scheme and how it has impacted standard of living, others investigated bank profitability and factors that impact it, however, this study will be centered on the effect of contributory pension funds on banks' profitability.

Pension is a very crucial sector that has to be monitored to eliminate all forms of malpractices so as to enable a sustainable smooth-running process and employees' funds will be accounted for appropriately.

According to my reviewed literature, they did not make the use of investment in their research as that is a major sector in this research as to money being passed to one sector or the other for higher returns. Some risks might be attached to it, as not all returns might be paid in full due to some challenges.

Another gap is that other reviewed literatures used other theories but did not use the theory of life cycle which is important for their pension study because pension in actual fact is concerned with the kind of strategy put in place. For example, benefits changes can influence reserve funds rate of an annuity plan member by influencing the normal abundance of the individual that is a maintainable benefits methodology can prompt an expansion in budgetary assets for further speculation profit which can prompt huge redistribution of salary, prompting expanded riches to benefits members.

**Model specification:** The implicit form of the adopted and modified model from Ameh<sup>[3]</sup> is:

$$PAT = F(CPF, INV, INF) \quad (1)$$

Explicit form of the model is:

$$PAT = a_0 + a_1 CPF + a_2 INF + a_3 INV + e \quad (2)$$

Where;

- PAT : Profit after Tax used as a proxy to measure bank profitability
- CPF : Contributory Pension Fund
- INV : Investment
- INF : Inflation
- $a_1, a_2$  and  $a_3$  : Parameters estimating CPF, INV and INF
- $a_0$  : Constant
- $e$  : Error term (white noise)

**Description of variables:** Variables in this study are divided into two; independent and dependent variable.

Contributory pension fund is my independent variable and it will be measured using PENCOM (Pension Commission) deposits in the Nigeria banking sector. Investment is also one of the variables and will be measured using Gross Fixed Capital Formation (GFCF). Inflation affects the profit from investments by banks.

Bank performance is the dependent variable of this study and it will be measured using Profit After Tax (PAT), this is because the study wants to examine the effect of the contributory pension fund and investment on it.

**Data Source and methods:** Data will be gotten from PENCOM financial statement and all the three bank's financial statement. Investment and inflation would be gotten from Central Bank of Nigeria (CBN) statistical bulletin. The data will be for 12 years from 2008-2019. All information gotten is secondary data. The unit root test would be carried out to examine the stationarity of all variables. All the variables must be stationary either at levels or 1st difference.

Ordinary Least Square (OLS) is used to examine the slope coefficients of the autoregressive model. Use of Ordinary Least Square relies on the stochastic process being stationary. When the stochastic process is non-stationary, the use of Ordinary Least Square can produce invalid estimates.

To estimate the slope coefficients, one should first conduct a unit root test, whose null hypothesis is that a unit root is present. If that hypothesis is rejected, one can use Ordinary Least Square. However, if the presence of a unit root is not rejected, then one should apply the difference operator to the series. If another unit root test

shows the differenced time series to be stationary, Ordinary Least Square can then be applied to this series to estimate the slope coefficient.

## RESULTS AND DISCUSSION

This segment focuses on testing the hypothesis used in chapter three using the statistical tool of regression. The result obtained from this chapter serve as a basis for summarizing and making conclusion on the study. Regression analysis was used to analyse the two hypotheses to check for effects. This chapter is concerned with analysis and interpretation of the results for data collected. Based on this study this chapter would be divided into two sections. The first section is the presentation of result derived from unit root analysis using Augmented Dickey Fuller (ADF). The second section is the presentation and interpretation of result derived from the regression analysis.

### Presentation of result

**Summary of the unit root test:** From the table below variables were stationary at 10%, Log Profit After Tax (LPAT) with the Augmented Dickey Fuller test statistic value of -5.440791 which is higher than the 10% significant figure of -3.590496, is stationary at levels, trend and intercept. Log Investment (LINV) which is an explanatory variable is stationary at levels, trend and intercept with the Augmented Dickey Fuller test statistics value of -3.913672 which is higher than the 10% significant value of -3.590496. Log Pension Commission fund (LPEN) with the Augmented Dickey Fuller test statistic value of -3.77151 which is higher than the 10% significant figure of -3.515047, is stationary at levels, trend and intercept. Log if inflation (LINF) with the Augmented Dickey Fuller test statistic value of -4.675020 which is higher than the 10% significant figure of -3.590496 is stationary at levels, trend and intercept (Table 1).

**Analysis of multiple regression result:** The table below is the multiple regression analysis. The R-squared value of 0.827079 the independent variables explained as 82% of the dependent variable. After adjusting for degree of freedom R-squared was adjusted to 0.654158 which is 65%.

The F-statistic which is 4.782983 shows that the independent variable (LINV, LPEN and LINF) are statistically significant in explaining the dependent variable (LPAT)

Durbin-Watson statistic is 1.659675 used to test for auto-correlation meaning that all the variables are not correlated. The rule states that Durbin Watson must be 2 or approximately two to show that there's no autocorrelation in the variable.

Table 1: Augmented dickey-fullers unit root test

Variable	Augmented dickey fuller test statistic	10% level	Stationary at level	Remark
LPAT	-5.440791	-3.590496	Stationary	I (0)
LINV	-3.913672	-3.590496	Stationary	I (0)
LPEN	-3.77151	-3.515047	Stationary	I (0)
LINF	-4.675020	-3.590496	Stationary	I (0)

Source: Author's compilation using e-views

Table 2: Regression analyses

Variables	Coefficient	Standard error	T-stats	Probability
LINV	5.122865	0.304589	0.403380	0.0073
LPEN	9.099621	0.151148	0.659095	0.0458
LINF	-0.092535	0.114903	-0.805335	0.4658
C	8.557182	5.317711	1.659675	0.1829
R-squared	0.727079			
Adjusted R-square	0.684158			
Durbin-watson test	1.959675			

The probability value from the result must be significant at 10% level to show it's significant in explaining the dependent variable (Profit After Tax). Log Investment (LINV) with a probability value of 0.0073 is significant at 10% significance level in explaining the independent variable. Log Pension Commission fund (LPEN) with a probability value of 0.0458 is significant at 10% significance level in explaining the independent variable. Log of Inflation (LINF) with the probability value of 0.4658 is not significant at 10% significance level in explaining the independent variable.

To also find out if the insignificant and significant value is positive or negative we examine the coefficient value. Log Investment (LINV) with the value 5.122865 is significantly positive. Log of Pension Commission with the coefficient value of 9.099621 is significantly positive. Log of inflation (LINF) with the coefficient value of -0.092535 is insignificantly negative (Table 2).

### Hypothesis testing:

- **H<sub>0</sub>:** Contributory pension scheme does not significantly have an effect on bank profitability
- **Decision:** Contributory Pension Scheme has a significant relationship on bank's profitability because it has a probability value of 0.0458, so H<sub>0</sub> is rejected
- **H<sub>0</sub>:** Domestic investment does not significantly have a relationship on bank profitability
- **Decision:** Investment has a significant relationship on bank's profitability because of its probability with the value of 0.0073, so the H<sub>0</sub> is also rejected
- **H<sub>0</sub>:** Inflation does not significantly have a relationship on bank profitability
- **Decision:** Inflation does not have a significant relationship on bank's profitability because of its probability with the value of 0.4658, so the H<sub>0</sub> is accepted

### CONCLUSION

There's no doubt that finance is needed for the survival and growth of any business. The pension sector in Nigeria contributes to its growth and development. Bank lending, if utilized well and giving to those who are approved and meet up with the banks qualifications then the banks will be sure that their funds are returned with interest, if this project undertaken still run into debts then the bank would not have to be anxious or panic provided there's a suitable collateral provided by the borrower at the point of negotiation and the bank should see it as a valuable assets, most times loans are preferably given to high net worth customers.

The Pension Commission should also focus some of their funds to the banks since there is a positive relationship between them. Funds invested here are going to be reproductive because the funds are not idle in the bank but are being invested and given out to deficit sector which engenders economy growth. There will be diverse industries that will be established with pension funds which will also create room for employment opportunities. If the funds are also used efficiently on Small Medium Enterprises (SMEs), they will also be able to compete with competitors which will enable them to produce to their maximum capacity with good qualities and also creates about good ideas that will be actualized.

Pension Commission majorly invest in bonds, venture capital, shares, properties, but they should consider investing in banks as bank can be seen as a very crucial and important sector in the economy. Total deposits are what banks gives out as loans, but because of the customers banking behaviour or habit they tend to withdraw their money frequently and there will be no funds available for investments; that is why banks needs some huge sum of money that won't be used for a long period of time so they can invest in long term projects that will bring about a big profit compared to a short term projects.

## RECOMMENDATIONS

There should be a flexible investment environment that will be conducive for the public at large, so they can invest and stimulate economy growth and so that ideas on new products or industries can be established for economy development by providing infrastructure.

Pension Commission decision maker should come together to reduce frauds by visiting other pension sites to inspect that money put in are not being laundered and diverted for their selfish reasons. All pension firms must be monitored frequently so as to reduce the incidence of fraud to portray a good efficient strategy by Pension Commission.

Furthermore, monetary policy officers should ensure that low inflation rates are kept so as to impact investment positively and thus improve bank profitability.

All pension organizations and banks should make sure there are diverse incentives enjoyed by employees; promotion and motivation should be followed according to procedures to avoid conflicts.

Pension should try to put more attention in banks as they are seen as an important sector to an economy. Banks aim is to make profits and also find a way to increase shareholders wealth frequently. If funds are invested here, banks gives it out as venture capital, loans to young entrepreneurs, or to small scale businesses to expand and stand competitively with their competitors. In other words, it provides employment opportunities for young graduates after finishing school, so as to reduce frauds and illegal activities due to lack of employment.

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