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EFFECTS OF CONTRIBUTORY PENSION SCHEME ON CAPITAL MARKET IN NIGERIA

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Abstract: **This study investigated the Effect of Contributory Pension Scheme on Capital Market in Nigeria. The time series data used in this study were for a period of seven years (2006 - 2012). To capture the objective of the study, the researcher employed Pairwise Correlation model to determine the significance of the relationship between the Pension Asset Under Management (AUM) and Market Capitalization (MC), and Local Ordinary Share (LOS) of the Contributory Pension Scheme and Market Capitalization (MC) in Nigeria. The Coefficient of Determination (r^2) was used to determine the actual effect of Pension Asset Under Management (AUM) on Market Capitalization (MC). It was also used to determine the effect of Local Ordinary Share (LOS) of the Contributory Pension Scheme on Market Capitalization in Nigeria. The econometric results indicated that AUM had no significant effect on MC in Nigeria. The econometric result also evidenced that LOS of the Contributory Pension Scheme had no significant effect on MC as majority of the pension fund asset is held by Federal Government as bond. The insignificance effect of AUM on MC could also be as a result of economic meltdown that strikes the Nigeria economy between the periods of 2008 to 2010. From the result of the analysis, the researcher discovered that Contributory Pension Scheme had no significant impacted on Capital Market in Nigeria. It was established that the pool of funds accumulated by the national Contributory Pension Scheme were invested and spread among different assets, but it had no significant effect on the growth of the Nigeria Capital Market during the period under review. The researcher, therefore, recommended that National Pension Commission should ensure that there is effective liberalization of the pension fund investment to encourage more investment in the Nigerian Capital Market since there is a positive relationship between Contributory Pension Scheme and Capital Market in Nigeria.**

Keywords: **Contributory Pension Scheme, Capital Market, Asset Under Management, Market Capitalization and Local Ordinary Share.**

1. INTRODUCTION

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 and Ibiwoye, 2012). This is made possible through some of the vital roles played such as accumulation of savings that enhance economic development, financial market development, reducing old-age poverty, acting as consumers of financial servicesand provision of long-term investible funds. OECD (2005), after their investigation, revealed that institutional investors, particularly pension funds, mutual funds and insurance have enhanced their role as collectors of savings over the past few decades. It went on to conclude that this trend is likely to continue as retirement saving grows, and the increased pension saving will augment the size of capital markets.

The new pension scheme in Nigeria is of immense relevant to the development of the Nigerian capital market. The Contributory Pension Scheme, which replaced the pre-reform Defined Benefit (DB) scheme, has grown its pensionassets from N649.92 billion in 2006, when the scheme became generally effective to N3.1 trillion in December 2012

(PENCOM, 2014). By accumulating large private savings, pension funds have become important players in domestic capital markets. In a relatively mature system like the Chilean one (with an important presence of insurance companies and mutual funds), pension funds held around ten percent of equity market capitalization (which according to some estimates corresponds to around 28 percent of free-float), 60 percent of outstanding domestic public sector bonds, and 30 percent of corporate bonds' capitalization in 2004 (Raddatzand Schmukler, 2008). Chamberlain (2005) highlighted that the Defined Contributory Pension Plan that is introduced in Nigeria is capable of transforming both the capital market and Nigeria economy at large if it is successful. Vittas (2000) stated that the creation of funded pension plans has major long-term implications for the functioning and growth of financial markets. He went further to state that The steady accumulation of long-term financial resources, which is a basic feature of funded pension plans, is bound to affect the composition of financial savings, even if it may not affect the rate of national saving. The Contributory Pension Scheme has enhanced mobilization of savings for the development of Nigerian Capital Market (Gunu, and Tsado, 2012).

The new contributory pension scheme in Nigeria has its relationship with capital market development (Walker and Lefort 2002; Meng and Pfau 2010; Mesike and Ibiwoye; 2012 and Gunu, and Tsado, 2012), but large proportion of the pension funds are been taken by Government as Bond (PENCOM, 2014), and many organizations (public and private) and employees are refusing the scheme. Yola (2013) clarified that only 6 out of the 36 states in the federation have fully adopted the Contributory Pension Scheme. This makes some people to ask whether state government employees were not included in public service that were mandated to enroll into the scheme, what is the future of the Reform Act since most states fail to comply, can there be effective growth of the pension fundswithout the state governments complying, and can there be effective contribution of pension funds to Capital Market Development without liberalization of the investment? Following this statement, the study aims to empirically determine whether Contributory Pension Scheme has significant effect on Capital Market in Nigeria.

2. LITERATURE REVIEW

2.1. The Development of Pension Scheme in Nigeria:

In Nigeria, the development of pension schemes can be traced to the beginning of organized workforces in the private and public sectors in the colonial era of the 20th century (Barrow, 2008). Odia and Okoye (2012) stated that the pension system in Nigeria was introduced by the Colonial Administration. Bassey, Etim and Asinya (2010), Okotoni and Akeredolu(2005), Odia and Okoye (2012), Olurankinse (2010) and Sule and Ezugwu (2009) State that Nigeria's first ever legislative instrument on pension matters was the pension ordinance of 1951, which had retrospective effect from 1st January, 1946. The pension ordinance and was designed primarily for colonial officers that were deployed from one post to another in the vast British Empire. The essence was to facilitate continuity of service wherever they were deployed to serve. The scheme had a minimum coverage. That is, only few Nigerians who were opportune to work with the colonial Masters benefited from the schemes (Bassey, Etim and Asinya, 2012).This ordinance transformed into the Pension Act of 1958 (Barrow, 2008).

The National Provident Fund (NPF) scheme established in 1961 was the first legislation to address pension matters of private organizations in Nigeria. This was the first social protection scheme for the non pensionable private sector employees in Nigeria. It was mainly a saving scheme where both employee and employer contributed the sum of N4 each on monthly basis. The scheme provided for only one-off lump sum benefit (Ahmad, 2006). The upper limit of the total contribution was twenty five percent (25%). This Scheme also had minimum coverage, as it was strictly for private sector employees (Bassey, Etim and Asinya, 2012).

After 18yearsof NPF, the Pension Decree 102 of 1979 was established (Gunu andTsado, 2012). This Act was enacted in 1979 with retrospective effect from 1st April, 1974. This Decree repealed all pension laws from 1st January 1946 to 31st March 1974. Example of such repealed laws includes pension Act 1946 and Pension Act 1958. Under this Decree, all enactments on pension, incorporated pensions and gratuity scales of all public officers recommended by the Udoji public services Review Commission Report 1974 was consolidated. It formed the basic pension law by which all recent pension laws are built (Bassey, Etim and Asinya, 2012). Other Pension Acts included: Pension Rights of Judges Act No 5 of 1985, the Police and other Government Agencies Pension Scheme enacted under Pension Acts No.75 of 1987 and the Local Government Pension edict which culminated in the setting of the Local Government Staff Pension Board of 1987 (Odia and Okoye 2012).

In 1993, the National Social Insurance Trust Fund (NSITF) scheme was established 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 age invalidity or death (Sule and Ezugwu, 2009). The scheme mandated all private employers of five or more employees to remit 10% of their monthly emolument in the ratio of 3.5% employee and 6.5% by employers. The initial monthly contribution prior to 2001 was 7.5% in the ratio of 2.5% employee and 5% employee (Bassey, Etim and Asinya, 2012). In 1997, parastatals were allowed to have individual pension arrangements for their staff and appoint Boards of Trustees (BOT) to administer their pension plans as specified in the Standard Trust Deed and Rules prepared by the Office of Head of Service of the Federation. Each BOT was free to decide on whether to mention an insured scheme or self-administered arrangement (Odia and Okoye, 2012). Prior to the pension Reform Act 2004, most public organizations operated a Defined Benefit (pay-as-you-go) scheme (Sule and Ezugwu, 2009). Final entitlements were based on length of service and terminal emoluments. The Defined Benefit (DB) scheme was funded by Federal Government through budgetary allocation, and administered by pensions Department of the office of Head of Service of the Federation (Balogun, 2006).

Furthermore, the pension scheme became a great burden on the government, as it could no longer cope with the payment of pension and gratuities to retiring workforce (Sule and Ezugwu, 2009). This is apparently due to the fact that there was no plan put in place to forestall this problem. Therefore, managing and administering pension funds have continue to pose a major challenge to government in Nigeria (Okotoni and Akeredolu, 2005). Yet pension which guarantees an employee certain comfort in his or her inactive year is critical to the sustenance of the life of the individual and the society (Sule and Ezugwu, 2009).

However, the pension system in Nigeria was largely characterized by pay-As-You-Go (PAYG) defined benefit in the public sector, which is a non-contribution pension scheme and was bedeviled by many problems. These problems really constituted a set back for the scheme as they include non-availability of records, uncoordinated administration, inadequate funding, out right fraud irregularities and conflicting laws, diversion of remitted or allocated fund, presence of ineligible pensioners on the pension's payroll, and incapacity to effectively implements budget and make adequate provisions. It became imperative to embark on reform to restore the hope of the pensioners and the entire Nigerian workers. The Federal Government of Nigeria in 2004 brought about a change in the management and administration of pension funds in Nigeria with the enactment of the Pension Reform Act 2004 by the President Obasanjo administration. The Pension Reform Act 2004 introduced the new contributory pension scheme in the public and private sectors (Sule and Ezugwu, 2009). The Pension Reform Act 2004 is the most recent legislation of the Federal Government aimed at addressing the associated problems of the old Pension System. It established a uniform Pension System for both the public and private sectors respectively. Similarly, for the first time in the history of the country, a single authority has been established (National Pension Commission) to regulate all pension matters in the country. (Gunu and Tsado, 2012).

2.2. The Concept of Contributory Pension Scheme:

In economics, 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. Only employer and employee contributions to the account are guaranteed, not the future benefits. In defined contribution plans, future benefits fluctuate on the basis of investment earnings. The most common type of defined contribution plan is a savings and thrift plan. Under this type of plan, the employee contributes a predetermined portion of his or her earnings (usually pretax) to an individual account, all or part of which is matched by the employer (Wikipedia, 2011).In the United States, 26 U.S.C. section 414(i) specifies a defined contribution plan as a plan which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to such participant's account.

In a Defined Contribution Scheme, fixed contributions are paid into an individual account by employers and employees. The contributions are then invested, for example in the stock market, and the returns on the investment (which may be positive or negative) are credited to the individual's account. On retirement, the member's account is used to provide retirement benefits, sometimes through the purchase of an annuity which then provides a regular income (Wikipedia, 2011).

Examples of Defined Contribution Scheme in the USA include Individual Retirement Accounts (IRAs) and 401(k) plans. In such plans, the employee is responsible, to one degree or another, for selecting the types of investments toward which the funds in the retirement plan are allocated (Wikipedia, 2011).

2.3. Contributory Pension Scheme and Capital Market Development:

The relationship between pension funds and capital market development has been a subject matter, which researchers like Vittas, (2000), Walker and Lefort (2002), Meng and Pfau (2010), Mesike and Ibiwoye(2012) and Gunu, and Tsado (2012) examined and established that there is a link between pension funds and capital market development. A full funded pension scheme accumulates long-term investible funds that enhance theperformance and growth of capital markets (Vittas, 2000; Mesike and Ibiwoye2012; Gunu, and Tsado 2012).

The contributory pension plan, which accumulates long-term investible funds, will affect the composition of financial savings, which in turn may increase total savings and enhance economic development. Roldos (2004) stated that In addition to providing better risk management and lowertransaction costs, their long-term liabilities allow pension funds to invest in and contribute to the development of longer-term securities markets. According to Vittas (2000), the question of the links between pension reform and capital markets has two aspects. One concerns the preconditions in terms of financial sector development for the successful implementation of pension reform, while the other refers to the long-term impact of pension reform on the development of capital markets. He argued that pension reform and the promotion of private pension funds requires a small core of sound, prudent and efficient financial institutions, such as banks and insurance companies, but does not depend on the prior existence of well-developed securities markets but he opined that private pension funds and insurance companies may have a beneficial impact on capital market development once they reach critical mass and provided they operate in a conducive regulatory environment. Walker and Lefort (2002), states that there are many paths through which pension reform may heighten the development of financial markets. For example, there are many concomitant conditions to the process of pension reform that may support or limit the positive effect on financial market development. In attempt to clarify the rationale behind the link from pension reform to financial market development, Walker and Lefort (2002) argued these links through three sets of economic phenomena. They summarized these phenomena into processes that are induced by the accumulation of pension funds, concurrent conditions to the process of pension reform and the consequences on economic growth.

Owo (2008) analyzed the implication of the pension reform on financial market development, especially the capital market. His study concluded that the new pension scheme is an improvement on what existed before (the old pensionscheme). Pension funds exert both quantitative and qualitative effects on financial markets (Davis 2006 andYermo 2005). Quantitative effects relate to asset allocation decisions while qualitative effects relate to corporate governance decisions. Pension funds increase offshore investments, which grow international financial markets thus contributing to greater stability of the economies as a result of increased capital flows (Davis 2006). In addition, pension funds increase equity market capitalization (Catalan, Impavido and Musalem 2000) and bond market capitalization (Njuguna, 2010). Alabadan (2012) stressed thatstable, long term and relatively cheaper funds for sustainable economic development can be effectively mobilized through the reforms in pension and capital market, supported by a healthy banking system.

Raddatz and Schmukler (2008) suggest that since pension funds face regulatory requirements and are required to allocate more funds to domestic investments, they are the most important institutional investors within a country. Furthermore the pooling of pension fund assets boosts the stock market and increases the stock market’s liquidity (Catalan 2004). As holders of large amount of bank deposits, government paper and short-term assets, pension funds are important institutions that control the flow of funds in the financial markets (Raddatz and Schmukler 2008).

Catalan (2004) and Davis (2006) suggest that pension funds contribute to the growth of the financial markets through the corporate governance channel. Pension funds lobby for enactment of pro-investor laws, increase intensity of their monitoring activities thus exposing corporate crimes and are capable of initiating legal claims against managers when crimes are detected (Catalan 2004). Strengthening pension funds can therefore shape corporate governance principles applicable to the corporations as to where they invest their money.

In Latin American countries pension reforms contributed to the growth of capital markets and resulted in these economies opening their markets to trade and foreign investments and reducing their national budget deficits (Andrade, Farrell and Lund, 2007).

2.4. Empirical Review:

Catalan, Impavido, and Musalem (2000) conduct Granger causality tests on 14 OECD countries and 5 developing countries, separately, to see the causal relationship between stock market development and contractual savings institutions including pension funds. They conclude that contractual savings predominantly Granger cause stock market development. To a lesser extent, the causality happens simultaneously between them, and very slightly, the causality runs the other direction. Even though they find such causal evidence, their estimation might suffer from the small number of time period observations. For example, the number of observations is only 6 for Austria, 8 for Portugal, and 9 for Australia.

Catalan, Wilbert, Kenneh, Friedman, and Paddison (2000) examined whether there is a Granger-Causality relation between capital markets and contractual savings via pension funds. They use two capital market indicators, stock market capitalization and stock market value traded across 26 countries, of which six are developing countries. They show that contractual savings institutions like pension funds granger-cause capital market development. Furthermore, the potential benefits of developing contractual savings sectors are stronger for developing countries than for developed countries.

Impavido and Musalem (2000) study the impact of contractual savings and non-life insurance institutions on stock markets using Ordinary Least Squares (OLS), Error Component (EC), and Error Component Two Stage Least Squares (EC2SLS) estimators on a panel of 26 countries, 5 of which are developing countries. They find a statistically significant impact of contractual savings financial assets on stock market capitalization, but not on stock value traded.

Walker and Lefort (2002) did a panel study using a Generalized Least Squares (GLS) estimator for 33 emerging markets and find positive relationship between pension reform and capital markets. They find that pension fund assets reduce dividend yields and increase price-to-book ratios, thereby implying a decrease in the cost of capital. However, they also admit that some of their estimation results may suffer severely from measurement error problems, and draw a conclusion that their study is preliminary and need to be verified again when a longer period of observations becomes available.

Meng and Pfau (2010) employed panel regression model in investigating the impacts of pension funds on capital market development across 32 developed and emerging market countries. The result revealed a positive relationship between pension fund and capital market development. However, their regression result went further to evidenced that the impact of pension fund on capital market development is only significant for countries with high financial development, and Pension funds do not impact capital market development in the countries with a low level of financial development. The results suggest that countries with 'low' financial development should reconsider the management approach and investment strategies for their pension funds.

Gunuand Tsado (2012), Analyzed the contribution of contributory pension scheme to economic growth in Nigeria for the year 2007-2010 using descriptive statistics, percentage and charts, they found out the gradual increase in the proportion of pension fund to total market capitalization is 2.36% in 2007 and raised 4.5% in 2010, which is an indication that contributory pension scheme has enhance mobilization of saving which translate to economic growth.

Mesike and Ibiwoye(2012) used Error Correction Model (ECM) and Ordinary Least Square in their study on Pension Reform and Financial Market Development Nexus: Evidence from Nigeria. The Error Correction Model (ECM) approach examines if pension reform advances the development of financial market in Nigeria. Time series data were compiled and a functional relationship was established using the OLS technique. Statistical significance of the Error Correction Model confirmed the existence of an equilibrium relationship among the variables. The performance analysis of all their variables indicated that the reform period generates long-term contractual savings and stimulates the development of securities market.

3. METHODOLOGY

3.1 Introduction

The study examined the effect of the Contributory Pension Scheme on Capital Market in Nigeria. In this section, the researcher presented the research design, source of data collection and method of data analysis.

3.2 Research Design:

The type of research design employed for this study was an *Ex-post facto*. It is an Ex-post facto research because the researcher makes use of existing data rather than new data gathered specifically for the study.

3.3 Source of Data Collection:

The researcher used only secondary method of data collection in obtaining data for the research work. The data were sourced from National Pension Commission and Central Bank of Nigeria (CBN) Statistical Bulletin.

3.4 Method of Data Analyses:

The Pearson's Product Movement Correlation Coefficient is used in this study. The Pairwise Correlation matrix was run using SPSS 19.0.The time series data used in this study were for a period of seven years (2006 - 2012). This is because the Contributory Pension Scheme (CPS) was signed into law in Nigeria on 25th of June, 2004, and the administrators of the pension scheme in Nigeria were given license on 5th of March, 2005. At the point of collection of data, the data for 2005 and 2013 were not readily available at the National Pension Commission (PenCom). Given the short period of the available data, the use of Ordinary Least Square method (OLS) will produce bias results. Therefore, the study will adopt Pairwise Correlation Model. The Pairwise Correlation will be used to determine the significance of the relationship between the Contributory Pension Scheme proxied by Pension Asset Under Management (AUM) and Capital Market Proxied by Market Capitalization. This is justified because Correlation measures the strength and direction of the linear relationship between two variables irrespective of the span of the period under study. However, to trace the actual effect of one variable on the other, following Richard (1990) the study will adopt "The Coefficient of Determination (r^2)" technique. The Coefficient of Determination (r^2) will be used to measure the actual effect of Pension Asset Under Management (AUM) on Market Capitalization. This is stronger in using correlation to measures the effect of one variable on the other and it is defined as the percentage of the variation in the value of the dependent variable that can be explained by variation in the value of independent variable. The technique presents results in percent value and makes it easier to interpret more correctly. SPSS 19.0 Econometrical software will be used to analyze the data. SPSS 19.0 econometrical software presents results in a simple and most reader friendly ways.

4. DATA AND ANALYSES

4.1 Introduction:

Haven specified the models for this study, this section focuses on the presentation and analyses of the data gathered for this study and interpretation of results obtained.

4.2 Data Presentation:

The data used in this Research Dissertation are presented in the below table 1:

Year	MARKET CAPITALIZATION (B)	AUM (B)	LOS (B)
2006	5120.90	649.92	346.47
2007	13181.70	815.19	244.81
2008	9563.00	1098.99	227.4
2009	7030.80	1529.63	226.89
2010	9918.20	2029.77	366.21
2011	9672.70	2442.84	329.08
2012	14800.90	3150.89	370.56

Source: National Pension Commission and CBN Statistical Bulletin (2012).

4.3 Data Analyses:

The determination of the significance of the relationship between of the Contributory Pension Scheme proxied by Asset Under Management and Market Capitalization (MC) using Pairwise Correlation. The result was generated using SPSS 19.0 econometrical software. The result is presented below.

Table 2: The Pair wise Correlation Result of AUM and MC.

Correlations

		AUM	MC
AUM	Pearson Correlation	1	.535
	Sig. (1-tailed)		.108
	N	7	7
MC	Pearson Correlation	.535	1
	Sig. (1-tailed)	.108	
	N	7	7

Source: SPSS 19.0 Outputs

CORRELATIONS
/VARIABLES=AUM MC
/PRINT=ONETAIL NOSIG
/MISSING=PAIRWISE.

Given the correlation results presented in table 2, the Coefficient of Determination (r^2) between AUM and MC is 0.286. This means that the variation in the National Contributory Pension Scheme (AUM) will explain up to 29% variation in Market Capitalization (MC) of Nigeria.

The determination of the significance of the relationship between the Local Ordinary Share of the Contributory Pension Scheme in Nigeria by Asset Under Management and All Share Index (ASI) in Nigeria using Pairwise Correlation. The result was generated using SPSS 19.0 econometrical software. The result is presented below.

Table 3: The Pairwise Correlation Result of LOS and MC.

Correlations

		LOS	MC
LOS	Pearson Correlation	1	.131
	Sig. (2-tailed)		.780
	N	7	7
MC	Pearson Correlation	.131	1
	Sig. (2-tailed)	.780	
	N	7	7

Source: SPSS 19.0 Outputs

CORRELATIONS
/VARIABLES=LOS Mc
/PRINT=ONETAIL NOSIG
/MISSING=PAIRWISE.

Given the correlation results presented in table 3, the Coefficient of Determination (r^2) between AUM and MC is 0.017. This means that the variation in the Local Ordinary Share (LOS) will explain up to 1.7% variation in Market Capitalization (MC) of Nigeria.

4.4 Discussion of Results:

Contributory Pension Scheme has a positive relationship, but has no significant relationship with Market Capitalization (MC) in Nigeria. The strength of the relationship of 0.535 indicates a weak positive relationship between Contributory

Pension Scheme and Market Capitalization (MC) in Nigeria. This means that as Pension Asset Under Management increase, that Market Capitalization also increase. The significance value 0.108 indicates that there is no significant relationship. Given the correlation results presented in table 2, the Coefficient of Determination (r^2) between AUM and MC is 0.286. This means that the variation in the National Contributory Pension Scheme (AUM) will explain up to 29% variation in Market Capitalization (MC) of Nigeria. This implies that the National Contributory Pension Scheme (AUM) has no strong and significant effect on Market Capitalization (MC) in Nigeria.

Local Ordinary Share (LOS) of the Contributory Pension Scheme in Nigeria has a positive relationship, but has no significant relationship with Market Capitalization (MC) in Nigeria. The strength of the relationship of 0.131 indicates a weak positive relationship between Local Ordinary Share (LOS) of the Contributory Pension Scheme in Nigeria and Market Capitalization (MC) in Nigeria. The significance value 0.780 indicates that there is no significant relationship. Given the correlation results presented in table 3, the Coefficient of Determination (r^2) between AUM and MC is 0.017. This means that the variation in the Local Ordinary Share (LOS) will explain up to 1.7% variation in Market Capitalization (MC) of Nigeria. This implies that the Local Ordinary Share (LOS) of the Contributory Pension Scheme in Nigeria has no strong and significant effect on Market Capitalization (MC) in Nigeria.

The insignificant effect of Pension Asset Under Management and Local Ordinary Share (LOS) of the Contributory Pension Scheme on Market Capitalization in Nigeria could be as a result of the fact that the large proportions of the assets are held on government securities, which affect the pension fund investment in capital market in Nigeria. Another explanation to this could be that the Market Capitalization was affected adversely during the financial crisis that critically hit the Nigerian capital market. During this financial crisis that became more pronounced between the periods of 2008 to 2010, it was observed that shares and stocks significantly lost value, which affected the Market Capitalization (MC).

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion:

The study x-rays the Contributory Pension Scheme in Nigeria and how it has impacted on the growth of Capital Market in Nigeria since its inception in 2004. It was established that the contributions from the employers and employees are invested in different assets that formed the Pension Asset Under Management. The journal paper discovered that the Contributory Pension Scheme has not contributed significantly to the growth of the Capital Market in Nigeria.

5.2 Recommendations:

The results of this study have shown that there was no significant influence of the Contributory Pension Scheme on Market Capitalization in Nigeria. In this direction, there researcher therefore, makes the following recommendations:

1. There should be proper liberalization of pension fund investment and monitoring of the management of pension assets invested in the capital market to improve market capitalization. This is because despite the proportion of pension assets invested in the capital market, it has not significantly impacted on the market capitalization.
2. The highest percent of the National Contributory Pension Scheme funds goes to federal government securities because; it is the safest risk bearing investment. However, pension funds should be guided by the desired economic effects and implications and not solely by the safety of returns on investment.

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