

**THE EFFECTS OF PENSION SCHEME ON THE SOCIO-ECONOMIC  
DEVELOPMENT OF THE PENSIONER, A CASE OF NORTH CENTRAL,  
PLATEAU STATE, NIGERIA**

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***Abstract***

*The purpose of this is to discover the effect between pension scheme and socio-economic development in North Central Part of Nigeria. How does pension Programmes affect the livelihood, prosperity, GDP and Infrastructural development of the pensioner. The design of this study was Adopted a case (study which is a research method were a researcher focuses on a specific area whose results are inference to represent the entire populations. The instruments of data collection was printed questions given to group of retirees and some civil servants to fill with the aim of collecting data and was analyzed using simple using correlation as well as analysis of variance (ANOVA) the result of this research shows that the value is less than the significant level at 5%, we can therefore reject the null hypothesis and conclude that pension scheme has significant effect on socio- economic development of pensioners in North central part of Nigeria. On the other hand ,for second research question, we can discovered that the value is less than the significance level (0.05). we again reject the null hypothesis and conclude that regular payments of retirees benefits has a significant impact on the livelihood of pensioner in line with the priory expectation that Sets the research in motion again on the probit regression results. We can see that indeed the level of payment of retirees pension is positively Related to their overall wellbeing. However, the impact of payment so far affect their livelihood insignificantly. Hence, the relevant authorities should check and Address The issues relating to payments of benefits such as late payment ,as it has adverse effects on the socio economic (well-being) of pensioners.*

***Keywords:*** Pension Scheme, Socio-economic Deveopment, Infrastructure, Productivity, Benefits..

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## **1. Introduction**

The word person is said to be as old as man and his working environment. From times of old, man was encouraged to save something either in cash or in kind in order to take care of his raining days which can also be referred to as old age. In modern times, Globally, Pension is generally known as a series of periodic or regular payments provided by Government or payment to an employee who has attained his normal working life or who has attained the agreed number of years due for retirement serving in a particular organization or any Government setting.

According to Nyang and duze(2011), pension is seen as sum of money paid regularly by an employer to a former employee who has retired from active service either as a result of attaining the maximum age in service or due to disabilities, widowhood or sickness. Globally around the world in most economic states like, U.K, USA, and France. Pension Administration and Issues related to the treatment have become disturbing problems. Those issues includes the social economic development of pensioners, lack of payment of retirees benefits by pension schemes, which is affected by employees remitting their pension funds in due time to PFA (Oyediran 2013). Also in Africa and down to Nigeria especially in North Central Part of Nigeria, on the background of this study pension schemes affects the economic or social wellbeing of pensioners, when pension funds are wrongly invested by PFA also known as investment risk and also when PFA fail to maintained proper books of Account of all money remitted to it by PFC.

Employees generally either those in public or private sector are expected to have an assured comfortable life without any form of dependency after their successive retirement from active service. Rabello 2002. In order to achieve this goal policies such as Define benefit schemes (pay as you earned). Define contributory schemes(DCS) must be introduced (Sule and Ezegwu 2009). The idea of pension and its significance is supported by various schools of thoughts. Of which the first emphasize that contribution is advocated by most accounting standards. The school of thoughts argues that workers contributes a certain amount to the plan and employees receives all or part of the benefits after retirement or in case of termination of appointment or dismissal (Kantudu 2005).

The second school of thought also known as the noncontributory also advocated by accounting standard and scholars such as MC Gill (1984) this school of thought assumes that singular funding made by sponsors encourages and attracts more dedicated employees to an

organization. The pension benefit is defined by formula paid either as a lump sum amount or as a life Annuity.

## 2. Methodology

This research adopted a case (study which is a research method were a researcher focuses on a specific area whose results are inference to represent the entire population, Baxter and Jack 2008) and descriptive design losing a sample selected from North central part of Nigeria.

The design was selected because it will allow interfacing with respondents in such a way that questions are ask in an interactive manner which gave room for wide range of coverage in relation to study. It was carried out in Plateau State pension board were retirees were administered questioners' and in different areas concerning the socio economic development as far as the research topic is concerned.

A total of 1,240 respondents were included from the case study area selected. They were sampled using special sampling method to generate the most appropriate and statistical representative sample. The study includes federal government retirees (200) state government retirees (150) local government retirees (50) Health service hospital staff (25), University staff (15) and beneficiaries (800)

It was conducted specifically in four (4) local governments in North central part of Nigeria particularly in Plateau State and this local government includes Jos North, Jos South, BarkinLadi and Mangu. Reasons for choosing this local government is because the retirees don't frequently receive their retirement benefits and which affects their socio- economic development.

The sample size of 297 as shown in the table below:

| o | Respondents                 | Population | Sample size | Adjusted Sample size | Technique used  |
|---|-----------------------------|------------|-------------|----------------------|-----------------|
| 1 | Federal government retirees | 200        | 132         | 40                   | Random sampling |
| 2 | State government retirees   | 150        | 108         | 32                   | Random sampling |

|   |                                |       |     |     |                 |
|---|--------------------------------|-------|-----|-----|-----------------|
| 3 | Health service/ hospital staff | 25    | 24  | 7   | Random sampling |
| 4 | University of JOS staff        | 15    | 14  | 5   | Random sampling |
| 5 | Local government               | 50    | 44  | 13  | Random sampling |
| 6 | Beneficiaries                  | 800   | 260 | 200 | Random sampling |
|   | Total                          | 1,240 | 582 | 297 |                 |

Source: Primary Data

Random sample and positive sampling techniques were adopted. The sample size was obtained from population of 1,240 using randomized statistical sampling techniques.

The primary data were collected through the use of questionnaires; these were analyzed using simple correlation as well as ANOVA to test the relationship between the two variables in the research hypothesis. In doing this, the researcher made use of Statistical Package for Social Sciences (SPSS) to run the Analysis of variance (ANOVA).

The Analysis attempted to find out the Effects of pension scheme on the socio economic development of the pensioner, here if the critical value is greater than the significant value, we reject the null hypothesis. The sig-value here is the lowest significant level at which a null hypothesis can be rejected. As a rule the smaller the significant value, the stronger is the evidence against the null hypothesis.

### **3. Statement of the Problem**

Although the Pension Scheme is guided by the key principles of sustainability, accountability, equity, flexibility and practicability, there is also this fear that funds or Retirees Savings Account (RSA) can be mismanaged by the existing trustees. Also, risk of a given portfolio determines the return thereof. Some pension fund administrators do not have the necessary risk management profile while some fail to pay regard to rating signals needed to making sound investment decision.

Every nation considers it a primary obligation to help plan for the senior years of its citizens. This goal of providing for the aging population is a universal and strategic objective for all nations, regardless of their level of economic security and development. Thus, developing nations in Africa, developed nations in Western Europe, North America and Asia, countries transitioning from communism to capitalism, or countries already with developed pension systems, have the one common goal of creating a pension scheme, which will bring financial security for its citizens and retirees. (Barr & Diamond, 2010; Dorfman & Palacios, 2012).

Interestingly, while the developing nations in Africa, Asia, the Middle East, the EEC and Latin America are struggling to enhance the adequacy and penetration levels of their pension systems, the systems of the industrialized world are being threatened by longevity, low birth rates, unending fiscal deficits, public debt problems and bankruptcies. They have experienced negative or low returns on pension fund investments due to underperformance of equities and low returns on bonds, which are attributed to prevailing low interest rates as well as high unemployment rates (Amenc, Martellini, & Sender, 2009). All of these factors had adverse effects on the capacity of pension plans to meet their contractual objectives and can be traced back to the economic recession which began in 2008. The Defined Benefits (DB) or Pay-As-You-Go (PAYGs) plans are affected by a decline in budgetary support and pension contributions.

Overcoming the challenges of the pay as you go and delay in payment of retirees pension and ensure effectiveness and efficiency in pension Administration in North central part of Nigeria) particularly in Plateau state.

In 2006, Government formulated a policy on pension Administration concerning gratuities which brought about contributory Pension Scheme (CPS) in Plateau state public service, the purpose of the law is to ensure that every employees in North Central part of Nigerian public service receives his or her pension benefits as at when due. The law also makes a provision for funding of program; managements establishments, function on independence of pension funds trustees (PFT).

The legislation also ensure effective compliance by all organizations and any organization found default of not remitting it contributions due to the funds trustees should be brought to notice of the Government for intervention.

The scheme also adopted some elements of contribution that define benefit scheme (DBS) with a 18% of the employees monthly amount to be contributed in the ratio of 10% by the employees which will be used for payment of pensioners gratuities, death benefits and pensioners means of which surplus should be invested for the maintenance of fair returns on investment and .for sustaining the scheme.

However, in spite of all techniques put in place by plateau State government among challenges face by it are embezzlement, fraudulent activities are still speculations among public servants to whether if it would be able to addressed the problems of corruption, poor Administration of pension funds evaluation and supervision of pension funds in the past pension scheme in the North Central part of Nigeria particularly Plateau State. Also among problems affecting the schemes in North central parts of Nigeria particularly Plateau State on payment of retirees benefits is lack of compliance of some organizations in remitting their funds to the (PFC), delay in submission of retirees file by ministries and local governments for computation of retirees benefit and enrolment of retirees in to pension pay roll also delayed in payment of gratuities and death benefits to potential retirees (August 2015).

This study will therefore investigate the effects of pension scheme on socio economic development of pensioners in north central part of Nigeria particularly in plateau state pension board.

#### **4. Theoretical Review**

This research work Adopted systems of theories propounded by Easton (1965) as an approach to the analysis of political system.

A system is define as a set of interrelated and interdependent parts arranged in a manner that produces a unified whole (Sparu, 2013)

Easton sees political system as having many different parts but working harmoniously to achieve specific objectives. The policy making process has been regarded as a black box which converts the demand of the society into policies, this study shall be based on the following assumptions of the system theory.

#### **The Theory of Holism**

This theory states that rather than breaking down analysis of organization into components. System theory assumes that something to be gained by viewing the organization as a single entity.

### **The Theory of Negative Entropy**

Here the theory of negative entropy assumes that law of thermodynamic which posits that there will be energy loss in any close system and since close system has no means of gaining energy forms its environment. The system will eventually run down. The open system on the other hand can gained more energy from the environment and can also store the energy to escape entropy.

### **The Theory of Conversion**

This theory assumes that organizations in their dynamic interaction with environment draw resources from the environment and converts these resources in the system to provide output that gives impact to the society.

## **5. Conclusion and Recommendations**

Main objective of this research is to identify the effects of pension scheme on socio economic development of the pensioner in North central part of Nigeria. The other objective is ascertaining the relationship between pension schemes and the lively hood of pensioners in North Central part of Nigeria amongst others.

Given the results for the ANOVA test carried out for research question one above, we concluded that pension scheme has a significant effect on socio-economic development of pensioners in North Central part of Nigeria this is consistent with the research findings According to the responses gathered by new research questionnaire on the result above, we see that pension scheme in North central part of Nigeria is positively related to the socio-economic development of pensioners. However, it abdicate that the relationship is an significant meaning that there need to be an improvement in the whole pension scheme in North Central Nigeria.

Also regular payment of retirees benefits has a significant impact on livelihood of pensioners and from the probit repression result above we see that payment of retirees pensioners is positively related to their overall wellbeing, however the impact of payment so far affects their livelihood insignificantly meaning that relevant Authorities should check and Address the

issues relating to non-payment of benefits or late payment of it as it will go a long way in improving the socio-economic wellbeing of pensioners in North Central part of Nigeria.

### **Recommendations**

1. In order to ensure timely payment of gratuity's and death benefits of pensioners government must ensure effective implementation of the penalties provided by pension gratuity law 2006 on non-compliance, misappropriations funds and investment Assets regardless of their pension status affiliation or origin.
2. Government should also create a conducive and enabling environment for smooth implementation of the scheme particularly in areas of investments of the pension funds/Assets and full remittance of contributions to PFT's for timely processing of retirees retirement benefit and also PFT must ensure that qualified staff are recruited and posted to every government organization operating under the scheme as pension desk officers particularly L.G.A.
3. To ensure proper compliance, any act of non-compliance with the pension and gratuity law of 2006 should immediately be reported to the executive government for appropriate disciplinary action against sanctions and where such actions are not forthcoming the PFT should report the issue to the appropriate court for legal action as provided by the law.

The following are suggested for other researchers to carry out further research;

- i. This study only covers the effects of pension scheme on the socio economic development of the pensioner on the north central part of Nigeria, it is recommended that other researches be carried out using data from other parts of the country to determine if the results hold across the country.
- ii. For future line of research, efforts should be put at re-investigating the relationship between pension scheme and socio economic development of the pensioner using a model different from the model used in this study to see if the results will still be viable.
- iii. Finally, further studies can be carried out on other factors that affect the socio economic development of the pensioner other Pension schemes.



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