

CONTRIBUTION OF PENSION INDUSTRY INVESTMENT TO CAPITAL MARKET DEVELOPMENT IN NIGERIA

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ABSTRACT

This study examined the contribution of pension industry investment to capital market development in Nigeria. The specific objectives of the study were to assess the contribution of pension industry investment in federal government securities to capital market development in Nigeria and to examine the contribution of pension industry investment in state government securities to capital market development in Nigeria. The study was from 2007 to 2019, a period of thirteen years. An ex-post facto research design was applied in the study. The ordinary least square technique was used to test the hypotheses formulated. It was found that pension industry investment in federal government securities did not contribute significantly to capital market development in Nigeria. Also, pension industry investment in state government securities did not contribute significantly to capital market development in Nigeria. From the findings of the study, it was concluded that pension industry investment in federal and state government securities did not contribute significantly to capital market development in Nigeria. In line with the findings of the study, it was recommended that the pension industry should spread its investments beyond low-risk federal government financial instruments to widen its portfolio and aid a larger sphere of the capital market with its intermediation. Also, due to poor management and taking longer periods to yield return pension industry should not invest in state government bonds as it would tie down funds for a long time with low certainty of payback. State governments usually use funds generated from bonds to finance their deficits or to reward politically connected but inefficient investment projects without impacting the state's development or growth.

Keywords: *Pension Industry, Capital Market Development, Investment, State and Government Securities.*

1.0 Introduction

The Organization for Economic, Corporation, and Development (OECD) (2009) identified the pension industry as a credible source of continuous supply of long-term funds. OECD (2009) observed that institutional investors, in particular, pension funds, mutual funds, and insurers 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 contribution of the pension fund to the economic

advancement, growth, and development of any economy cannot be overstressed as global indices indicate that pension assets are playing an important role in mobilizing savings for investment in critical sectors (Gunu & Tsado, 2012). Pension funds contribute directly and indirectly to the economic prosperity of nations globally (Njuguna, 2010). Since the early withdrawal of funds is usually restricted or forbidden in most countries' pension schemes, pension funds have long-term liabilities, allowing the holding of high-risk and high-return instruments (Davis, 2000). Accordingly, monies are intermediated by pension funds into a variety of financial assets, which include corporate equities, government bonds, real estate, corporate debt (in the form of loans or bonds), securitized loans, foreign holdings of the instruments mentioned above, and money market instruments and deposits as forms of liquidity. As much as the capital market proves important to Nigeria's economy it needs to keep reinventing itself at the same or quicker pace to match the dynamism of the economy in which it operates. It achieves this by developing successfully as an industry.

Development refers to an "event constituting a new stage in a changing situation" or the process of change per se. If not qualified, "development" is implicitly intended as something positive or desirable. When referring to a society or a socio-economic system, "development" usually means improvement, either in the general situation of the system or in some of its constituent elements (Bellù, 2011). In other words, Development can be seen as improving the well-being of people and expanding the choices and opportunities they have. Therefore, capital market development points to the degree of a positive significant shift in the use of capital markets within a society or an economy.

The development of the Nigerian capital market — including the increasing depth of its stock, bond, and derivative markets — has improved the allocation of capital and risk throughout the nation's economy. The capital markets have also acted to reduce the volatility of the economy. This development of the capital market did not come about on its own. There are quite several determinants. Effective capital markets require a firm foundation. This includes the enforcement of laws and property rights, transparency and accuracy in accounting and financial reporting, and laws and regulations that provide the proper incentives for good corporate governance. In addition, some dominant actors provide regular activity in the market. One such is the pension industry. The financial performance of pension schemes in Nigeria is very critical. This amongst others is that the pension industry can exert significant influence. The asset classes that can be invested in include shares/equities, real estate/property market, fixed income deposits, money market, private investments, and venture capital investments. These are mainly through the capital market. The capital market provides a consistent platform for the pension industry to contribute its quota to the economy. In return, it does in one way or another other benefit from the investment activities of the pension industry. Studies have been carried out locally on the interaction between the pension industry and the capital market. This study seeks to differ particularly by focusing on the extent to which activities of the pension industry as institutional investors through the debt and equity markets section of the capital market contribute to the deepening of the market. Based on this

background this study was undertaken.

The main objective of the study is to determine the contribution of pension industry investment to capital market development in Nigeria. The specific objectives of the study are: 1. To assess the contribution of pension industry investment in federal government securities to capital market development in Nigeria 2. To examine the contribution of pension industry investment in state government securities to capital market development in Nigeria. The scope covers the period from 2007 to 2019. The variable scope included the Capital market development which is the dependent variable and Pension industry investment in federal and state government securities as the independent variables.

2.0 literature Review

Capital Market.

The capital market provides a unique platform for the pension industry to invest in. The capital market provides the bridge through which the savings of surplus units may be transformed into medium and long-term investments in the deficits units (Anigbogu and Nduka, 2014). The capital market is an economic institution that promotes efficiency in resource allocation and capital formation. It enables both corporate organizations and governments to raise long-term funds for financing new projects, as well as for project expansion and modernization (Osegbo, 2010). The Capital Market is the long-term end of the financial market. It is made up of institutions, which facilitate the issuance and secondary trading of long-term financial instruments (Osegbo, 2010). It provides funds to industries and governments to meet their long-term capital requirements, such as financing for fixed investments - buildings, plants, bridges, etc. Thus the capital market provides a unique platform for the pension industry to invest in.

Pension Industry

The introduction of funded pension systems allows pension funds to accumulate assets that can be invested in financial markets. Even in the case that pension savings crowd out other household savings such that the total savings in the economy do not increase, the accumulation of pension fund assets potentially promotes depth and liquidity (for instance in the capital markets) because of the different investment behavior between households and pension funds. With accumulating assets and the longer-term nature of their liabilities, pension funds have incentives to invest more in illiquid and long-term assets that yield higher returns, and thus provide a long-term supply of funds to the capital markets (Davis, 1995). Thus, the pension industry is positioned as an active entity in the capital market. In this position, it can aid the development of the capital market. It is in line with this premise that this study undertook to assess the contribution of the pension industry through its investment to capital market development in Nigeria.

Theoretical Framework

The theoretical basis for this study is the institutional investment theory. Davis (2005) propounded the Institutional Investment Theory. The theory holds that the financial structures of an economy are institutions and based on their capacity as institutions can channel resources into productive ends for growth purposes. Institutional investors play a key role in channeling savings into productive long-term investments, especially those that can be difficult to finance because they are “illiquid”. By institution is meant either an organization or industry that is widespread enough to collectively influence at one the tide of economic exchange in a society. Traditionally, this heterogeneous group of public and private investors – in particular, pension funds, life insurers, and sovereign wealth funds – has been seen as a source of long-term capital with investment portfolios built around the two main asset classes – bonds and equities – and an investment horizon tied to the often long-term nature of their liabilities. In this study, the theory establishes that as the pension industry collectively channels its investments through the capital market it gives the market a strategic boost and yields a wider-reaching multiplier effect.

Empirical Review

Iwegbu (2020) examined pension funds, financial development, and output growth in Nigeria. Using Autoregressive Distributive Lag (ARDL) model, the study found out that pension fund contribution is effective in stimulating growth through investment in portfolios that yield short-term returns; this implies that pension fund contribution cannot on its own without a credible financial system impact on economic growth.

Omodero (2020) analyzed capital market determinants and market capitalization in Nigeria from 1998 to 2018. The results from the regression analysis indicate that the exchange rate and inflation rate have an immaterial undesirable consequence on capital market capitalization (CMC) while the interest rate exerts a weighty harmful effect on CMC. The study also provides evidence that the gross domestic product (GDP) has a substantial positive impact on CMC.

Azeez and Obalade (2019) assessed macroeconomic determinants of stock market development in Nigeria. It covered the period from 1981 to 2017. The study employed the ARDL bound testing technique to investigate the long-run and short-run relationship between the dependent variable (stock market development) and independent variables (GDP, banking sector development, stock market liquidity, foreign direct investment, inflation rate, and savings rate). The result of the study showed that in both the short run and long run, key macroeconomic determinants of stock market development in the context of the Nigerian Stock Exchange Market are banking sector development, stock market liquidity, foreign direct investment, and to an extent the income level (GDP) while inflation rate which measures macroeconomic stability, and savings rate do not significantly explain stock market development.

Mokgadi and Biza-Khupe (2018) assessed an empirical investigation of the relationship between pension fund reforms and financial sector development in Botswana. Financial Sector Development was measured using four key variables and Pension Fund Reform was measured using the pension fund investment portfolio in the Botswana Stock Exchange. The results indicated that the hypothesis of a relationship between pension fund reforms and financial sector development is partially supported. In this regard, the study findings confirm the significant role

played by financial reforms in economic development and capital markets growth, despite the short implementation timeframe in the Botswana context.

Okparaka (2018) examined the effect of the contributory pension scheme on the Nigerian capital market. The specific objectives were to analyze the effect of Total Pension Assets under Management on Total Market Capitalization and Total Value of Deals in the Nigerian Capital Market. Ordinary Least Square Regression was used as an analytical technique. It was found that Pension Assets under the Management of the Nigerian Pension industry have a positive and significant effect on the Total Market Capitalisation of the Nigerian Capital Market. Also, Pension Assets under the Management of the Nigerian Pension industry have no positive and significant effect on the Total Value of Deals per year of the Nigerian Capital Market. The positive coefficients indicate that Total Pension Assets under Management can facilitate an increase in Total Market Capitalisation and Total Value of Deals per year of the Nigerian Capital Market. Therefore, the study concludes that an increase in Total Pension Assets under Management would boost upwards the Total Market Capitalisation and Total Value of Deals per year by making more funds available for trading in the Nigerian Capital Market.

Wanjala (2017) examined the effect of pension fund investments on stock market returns at the Nairobi Securities Exchange. The study employed a multiple linear regression model to analyze the relationship between the variables. The results of the study produced an R-square value of 0.365 which means that about 36.5 percent of the variation in stock market returns at the NSE can be explained by the selected independent variables while 63.5 percent of the variation was associated with other factors not covered in this research. The study also found that the independent variables had a strong correlation with stock market returns at the NSE. ANOVA results show that the F statistic was significant at a 5% level with a $p=0.000$ which was less than 0.05. Therefore the model was fit to explain stock market returns at the NSE. The results further revealed that individually, the level of economic development is a significant determiner of stock market returns at the NSE while pension fund investments in stocks and pension fund size were found to be statistically insignificant determiners of stock market returns at the NSE.

Zubair (2016) examined the impact of pension fund investments on the performance of the capital market in Nigeria. The study is a time series analysis covering a period from 2009Q3 to 2016Q1 using the Autoregressive Integrated Moving Average (ARIMA) regression technique. The study concludes that there is a significant positive relationship between pension funds' investments and the performance of the capital market in Nigeria after the 2004 major industry reform. Specifically, the study concludes that total pension investments in Nigeria improved the performance of the Nigerian capital market significantly in terms of depth and liquidity (market capitalization and value traded). Moreover, the study concludes that the interaction of macroeconomic indicators such as interest rate, inflation rate, and GDP per capita with pension investments affects capital market performance significantly. The study recommends that governments should ensure good and stable monetary policy in Nigeria to achieve the desired goal of the pension industry reforms, of investments capable of providing adequate resources to the retirees in Nigeria to cater to their old age needs.

Moleko and Ikhide (2016) study was directed at establishing linkages between pension funds and capital market development in South Africa. Autoregressive distributive lag and vector error compression were applied. The results show a positive relationship between pension savings and

stock market development. There is a long-run relationship established between pension savings and the bond market development. Using the VECM framework we find a unidirectional relationship between pension fund savings and stock market development.

Enache, Milos, R. and Milos, M. (2015) used the single equation error correction model (ECM) to investigate the impact of pension funds on the capital market in a sampled ten (10) Central and Eastern European Countries from 2001 to 2010. The finding provides further evidence of short-term impact and lower magnitude long-term impact on market capitalization.

Kyando (2014) assessed the contribution of Pension Funds (PFs) to the development of the capital market in Tanzania, Dar es Salaam stock exchange (DSE) being the center of focus. The results show that there is low participation of PFs in IPOs. PFs hold a small fraction of DSE's market capitalization. PFs hold securities for longer terms. The low liquidity of the DSE is partially contributed by the low participation of PFs in secondary market trading. Finally, the results show that the portfolio of PFs is mainly made up of Government bonds, bank deposits, and loans. Inclusive, results from the research work imply that the contribution of PFs in the development of capital markets in Tanzania, particularly the DSE is not significant. The researcher recommends that for the significant contribution of PFs towards the future development of capital markets in Tanzania, there should be professional fund managers, a variety of products in the market (more listed companies from different sectors of the economy), and the adoption of the enforcement of the Social Security Regulatory Authority investment guidelines.

Ayunku and Etale (2014) examined the determinants of stock market development from 1977 to 2010. The study further investigated the long-run and short-run relationship between the variables, using an ex-post facto research design and the utilization of the Johansen Co-integration and Error Correction Model (ECM) approach. The empirical result indicates that market capitalization, credit to the private sector, and exchange rates are all important determinants of stock market development both in the long run and short run in Nigeria as these variables have a positive effect and thus stimulate economic growth in Nigeria while inflation and saving rate had a negative impact on stock market development in Nigeria. These results as they stand have some policy implications and it therefore follows that, therefore, accelerated stock market development and economic growth in Nigeria, monetary authorities should effectively moderate and control the inflation and savings rate to sustain macroeconomic stability.

Njeru (2014) carried out inferential statistics to evaluate the financial performance of the portfolio holdings by pension funds in Kenya. Using a sample of 35 pension funds selected through judgmental sampling, the findings suggested that the performance of equities was better than all other asset classes throughout 1-year overperformance was however poor over 3 months. Equities performed better in large funds compared to medium and small funds. Offshores had the poorest performance, especially for medium pension funds. A period-by-period analysis revealed that the funds performed well over longer periods compared to shorter periods. The researcher also noted that a large portion of pension fund holdings have been invested on the Nairobi Securities Exchange (NSE) as opined by RBA. Few pension funds have also invested minimal amounts in property, offshore, unquoted equity, and cash and cash equivalents.

Gap in Literature

The empirical literature reviewed showed that the main proxy used by most studies to measure capital market development was total market capitalization. This study seeks to differ by using the growth rate of market capitalization and capital market penetration. The former looks at the rate of change between the total market capitalization of a current year against its previous year while the latter indicates the level of penetration in the use of capital market within the economy. In addition, the empirical literature reviewed mainly measured the pension industry using the entirety of funds it generated. This study seeks to differ by looking at the industry's investment in short-term financial instruments. This allows the study to focus on the short-term involvement of the pension industry in the capital market.

3.0 Methodology

An ex-post facto research design was used in the study. This research design was adopted given that the study made use of time-series data. Data used was sourced from annual industry reports of the pension industry for the selected years of the study as provided by the Pension Commission of Nigeria and Central Bank of Nigeria Statistical Bulletin

The model for the study was based on Odo and Okeke (2016) whose model is stated as:

$$Y = a + B_1X_1 + e \dots \quad (i)$$

Where:

Y = financial sector development,

a = Intercept,

B_1X_1 = Pension fund,

e = error term

The modification was made to accommodate the variables adopted in the hypotheses of the study. Thus, the functional relation of hypothesis one model is given as:

$$CMD = f(PINVFGS) \quad (ii)$$

The linear model is specified as follows:

$$CMD = \beta_0 + \beta_1PINVFGS + \mu \quad (iii)$$

Where:

CMD = capital market development

PINVFGS = pension industry investment in federal government securities

β_0 = Constant parameter

β_1 = Coefficient parameter of PINVFGS

μ = error term

The functional relation of the hypothesis two model is given as:

$$CMD = f(PINVSGS) \quad (iv)$$

The linear model is specified as follows:

$$CMD = \beta_0 + \beta_1PINVSGS + \mu \quad (v)$$

Where:

CMD = capital market development

PINVSGS = pension industry investment in state government securities

β_0 = Constant parameter

β_1 = Coefficient parameter of PINVSGS

μ = error term

Description of model variables

Dependent variable

Capital market development: This refers to the degree of efficiency with which the capital market enhances financial intermediation. This is proxied using the growth rate of total market capitalization. This is calculated using: $\frac{Y_2 - Y_1}{Y_1} \times 100$

Where:

Y_2 = Total market capitalization in a current year

Y_1 = Total market capitalization in the previous year

Independent variables

Pension industry investment in federal government securities: This refers to the total monetary value of all investments made by the pension industry in federal government securities. Given that growth is considered in this study this variable is proxied by the growth rate of pension industry investment in federal government securities. This is calculated using: $\frac{Y_2 - Y_1}{Y_1} \times 100$

Where:

Y_2 = Pension industry investment in federal government securities in a current year

Y_1 = Pension industry investment in federal government securities in the previous year

Pension industry investment in state government securities: This refers to the total monetary value of all investments made by the pension industry in state government securities. Given that growth is considered in this study this variable is proxied by the growth rate of pension industry investment in state government securities. This is calculated using: $\frac{Y_2 - Y_1}{Y_1} \times 100$

Where:

Y_2 = Pension industry investment in state government securities in a current year

Y_1 = Pension industry investment in state government securities in the previous year

To avoid unreliable and misleading results, the study conducted a stationarity test. This was done using the Phillips Perron method of unit root test. Thereafter each hypothesis was estimated using Ordinary Least Squares (OLS). The hypotheses tests were at a 5 percent level of significance. The decision criteria are where the p-value is lower than the level of significance the null hypothesis is rejected and it's alternative accepted. On the other hand, where the p-value is higher than the level of significance the null hypothesis is not rejected.

4.0 Results and Discussions

Data Presentation

The table in Appendix one revealed data on Capital market development, Pension industry investment in federal government securities, Pension industry investment in state government securities and Pension industry investment in corporate debt securities sourced from Central Bank of Nigeria Statistical Bulletin, 2019 and PENCOR annual reports of various year recorded

N5,120,900,000 in 2007 total market capitalization grew to N14,800,940,000 in 2013 and N21,904,040,000 in 2019. Pension industry investment in federal government securities was N279,690,000,000 in 2007, N1,739,620,000,000 in 2013, and N6,910,332,070,000 in 2019. Pension industry investment in state government securities from N50,000,000 in 2007 rose to N210,260,000,000 in 2013 and further to N127,212,580,000 in 2019. Pension industry investment in corporate debt securities increased from N240,000,000 in 2007 to N80,940,000,000 in 2013 and N638,832,280,000 in 2019.

Table 2 Result of Unit Root Test

Variable	Order of integration	Calculated value	Test critical value @ 5%	P-value
CMD	1(1)	-7.365479	-3.175352	0.0001
FGS	1(1)	-4.920388	-3.175352	0.0034
CDS	1(1)	-8.531762	-3.175352	0.0000
SGS	1(1)	-10.12590	-3.175352	0.0000

Source: Author's calculation using Eviews 10

The results of the tests as reported show that at first difference all the variables were stationary. They were integrated at order one.

Table 3 Descriptive Statistics

	CMD	FGS	CDS	SGS
Mean	18.52459	30.37774	514.4802	1644.935
Median	0.760233	29.99127	46.87423	2.660829
Maximum	157.4096	66.21232	6200.000	20968.75
Minimum	-27.45260	-14.32270	-6.192710	-18.01580
Std. Dev.	48.00234	25.22560	1708.614	5806.462
Skewness	1.931440	-0.267737	3.173268	3.174696
Kurtosis	6.510699	2.075123	11.07502	11.08051
Jarque-Bera Probability	14.75871	0.618654	57.13743	57.20509
	0.000624	0.733941	0.000000	0.000000
Sum	240.8197	394.9106	6688.242	21384.16
Sum Sq. Dev.	27650.70	7635.968	35032338	4.05E+08
Observations	13	13	13	13

Source: Author's calculation using Eviews 10

The mean of the distribution measures the aggregating tendency of the data. The mean of CMD, FGS, CDS, and SGF are 18.52459, 30.37774, 514.4802, and 1644.935 respectively. The median measures the spread of the variables in the distribution. The median of CMD, FGS, CDS, and SGF is 0.760233, 29.99127, 46.87423, and 2.660829 respectively. Standard deviations of the variables are checked against their respective means. The standard deviations of CMD, FGS, CDS, and SGF are 48.00234, 25.22560, 1708.614, and 5806.462 respectively. Against their respective

means, all variables are higher except FGS. This shows that the volatility of each variable is high except FGS which is low. The skewness estimate for each variable shows that all are positively skewed except FGS which was negative. This suggests that the probability distribution of the variables means have right tails to the left of the distribution except for FGS. The probability of the Jarque-Bera statistics of CMD, FGS, CDS, and SGF is 0.000624, 0.733941, 0.000000, and 0.000000 respectively. All variables are less than 0.05 (the level of significance), except FGS showing that all variables are normally distributed except FGS.

Test of Hypothesis one

Table 4 Result of Hypothesis one test

Dependent Variable: CMD
 Method: Least Squares
 Date: 15/04/23 Time: 08:35
 Sample: 1 13
 Included observations: 13

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32.46904	21.63824	1.500540	0.1616
FGS	-0.459035	0.556809	-0.824403	0.4272
R-squared	0.058190	Mean dependent var		18.52459
Adjusted R-squared	-0.027429	S.D. dependent var		48.00234
S.E. of regression	48.65622	Akaike info criterion		10.74807
Sum squared resid	26041.70	Schwarz criterion		10.83499
Log-likelihood	-67.86248	Hannan-Quinn criteria.		10.73021
F-statistic	0.679640	Durbin-Watson stat		2.703407
Prob(F-statistic)	0.427225			

Source: Author's calculation using Eviews 10

Decision: Given that p-value of Pension industry investment in federal government securities at 0.4272 is higher than the level of significance (0.05) the null hypothesis is not rejected. Therefore, it is concluded that pension industry investment in federal government securities did not contribute significantly to capital market development in Nigeria

Table 5 Result of Hypothesis two test

Dependent Variable: CMD
 Method: Least Squares
 Date: 15/04/23 Time: 08:38
 Sample: 1 13
 Included observations: 13

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22.33420	13.91684	1.604833	0.1368
SGS	-0.002316	0.002393	-0.967888	0.3539

R-squared	0.078480	Mean dependent var	18.52459
Adjusted R-squared	-0.005294	S.D. dependent var	48.00234
S.E. of regression	48.12924	Akaike info criterion	10.72629
Sum squared resid	25480.66	Schwarz criterion	10.81321
Log-likelihood	-67.72092	Hannan-Quinn criteria.	10.70843
F-statistic	0.936806	Durbin-Watson stat	2.291355
Prob(F-statistic)	0.353900		

Source: Author's calculation using Eviews 10

Decision: Given that p-value of pension industry investment in state government securities at 0.3539 is higher than the level of significance (0.05) the null hypothesis is not rejected. Therefore, it is concluded that pension industry investment in state government securities did not contribute significantly to capital market development in Nigeria.

Discussion of Findings

From Table 4 the regression equation derived is $CMD = 32.46904 - 0.459035FGS$

The intercept value implies that if each index for pension industry investment in federal government securities is held constant capital market development (CMD) will increase by 32.46904 basis points. The coefficient of pension industry investment in federal government securities at -0.459035 shows it has a negative relationship with CMD. It implies that every 0.459035 basis point change in pension industry investment in federal government securities facilitates a percent decrease in CMD. An Adjusted R-squared of -0.027429 shows that in the model used pension industry investment in federal government securities can explain only -2.7429 of the variations in CMD. Given that p-value of pension industry investment in federal government securities at 0.4272 is higher than the level of significance (0.05) it shows that there is no statistical significance. The finding of the hypothesis one test disagrees with Okparaka (2018) who examined the effect of contributory pension schemes on the Nigerian Capital Market and found that pension assets under management have a positive and significant effect on the total market capitalization of the Nigerian Capital Market.

From Table 5 the regression equation derived is $CMD = 22.33420 - 0.002316SGS$

The intercept value implies that if each index for pension industry investment in state government securities is held constant capital market development (CMD) will increase by 22.33420 basis points. The coefficient of pension industry investment in state government securities at -0.002316 shows it has a negative relationship with CMD. It implies that every 0.002316 basis point change in pension industry investment in state government securities facilitates a percent decrease in CMD. An Adjusted R-squared of -0.005294 shows that in the model used pension industry investment in state government securities can explain only -0.5294 of the variations in CMD. Given that p-value of pension industry investment in state government securities at 0.3539 is higher than the level of significance (0.05) it shows that there is no statistical significance. The finding of the hypothesis two test disagrees with Zubair (2016) who examined the impact of pension fund investments on the performance of the capital market in Nigeria and concludes that total pension investments in Nigeria improved the performance of the Nigerian capital market significantly in terms of depth and liquidity (market capitalization and value traded).

Conclusion and Recommendations

Conclusion.

Based on the findings of the study it was concluded that pension industry investment in federal and state government securities did not contribute significantly to capital market development in Nigeria.

In line with the findings of the study the following recommendations were made:

1. The pension industry should spread its investments beyond low-risk federal government financial instruments to widen its portfolio and aid a larger sphere of the capital market with its intermediation.

2. Due to poor management and taking longer time to yield return pension industry should not invest in state government bonds as it would tie down funds for a long time with low certainty of payback. State governments usually use funds generated from bonds to finance their deficits or to reward politically connected but inefficient investment projects without impacting the state's development or growth.

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